



# MEMORANDUM

**TO:** Citizens General Obligation Bond Oversight Committee

**FROM:** Tonia Lediju, Director of Audits

**DATE:** October 14, 2009

**SUBJECT:** Quarterly Meeting Update

The following are highlights of the City Services Auditor (CSA) Audits unit's activity for the period of June 27, 2009 through October 14, 2009 (refer to the table below for dates of issued reports):

- *DPW, Branch Library Improvement Program: West Portal Branch Construction Audit* — Certain processes of DPW and Huey Construction Management Co. were inconsistent with contract terms and conditions, including that the final completion date approved by DPW was not granted in accordance with contract requirements.
- *Performance Audit of the Office of the Assessor-Recorder* — The Office of the Assessor-Recorder has made significant progress in improving its operations, but still needs to address some efficiency and effectiveness issues affecting key tasks. The office must assess and enroll all in-progress new construction as of each lien date in accordance with state law.
- *Follow-up Review for Audit of the Department of the Environment* — CSA conducted a follow-up review of the recommendations in the audit report of January 2007, *Improve Business Practices to Advance Environmental Programs*. CSA verified the department's report that it had fully implemented 20 of the report's 21 recommendations. The one recommendation that has not been implemented is no longer applicable.
- *Follow-up Review for Audit of the Office of Citizen Complaints (OCC)* — CSA conducted a follow-up review of the recommendations in the audit report of January 2007, *Weak Case Management and Organizational Issues Degrade the OCC's Performance*. The OCC indicates that it has fully or partially implemented the majority of the 45 audit recommendations, including the 38 recommendations directed solely to the OCC. Of the 8 selected recommendations for which the follow-up assessed evidence of implementation, 4 are fully implemented and 4 are partially implemented.

- *Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by DPH in Fiscal Year 2007-08* — CSA completed its report on the monitoring of nonprofit organizations receiving federal funding through the Department of Public Health (DPH) in fiscal year 2007-08. DPH, as the primary recipient of federal grants, is required to monitor those organizations, or sub-recipients. CSA agreed to assist DPH's monitoring requirement by compiling all findings for federal grant sub-recipients receiving \$500,000 or more in federal funds who are required to submit a single audit report in accordance with OMB Circular A-133. Of the 37 nonprofit organizations that received \$500,000 or more in federal funds, 12 had single audit findings; 15 received management letter comments; and 6 incurred both single audit findings and management letter comments. None of the organizations had questioned costs.
- *Concession Audit of Airport Management Services, LLC* — From January 1, 2005, through December 31, 2007, Airport Management Services (AMS) correctly reported gross revenues of \$3,194,665 and paid \$797,562 in rent to the Airport. The audit also found that AMS did not submit monthly rent payments in a timely manner, and did not comply with all reporting requirements of its lease.
- *Concession Audit of Guava & Java (SFO) Inc.* — From January 1, 2006, through December 31, 2008, Guava & Java reported gross revenues of \$12,534,793 and paid \$1,160,584 in rent to the Airport. Reported revenues were overstated by \$20,000, and the Airport issued an erroneous adjustment invoice; both errors resulted in Guava & Java overpaying a total of \$5,105.
- *Compliance Audit of Virgin America, Inc.* — CSA's audit of Virgin America, Inc.'s compliance with its airline operating permit found that Virgin America over reported six aircraft landings during the audit period, resulting in an overpayment of \$2,553 to the Airport.

CSA is submitting a separate memorandum on proposed follow-up on the 2007 Library Bond Program and the 2009 West Portal branch Construction Audit; and audit plans for the San Francisco General Hospital (SFGH) rebuild project and the Recreation and Parks Capital Program. These plans will incorporate the CGOBOC's input and requests for audits of bond funds used by the Recreation and Parks Department.

**City Services Auditor Issued Reports by Issuance Date:**

Date Issued	Report Title
10/06/09	Memorandum: Results of Follow-up Review for Audit of the Department of the Environment
09/17/09	Memorandum: Results of Follow-up Review for Audit of the OCC
08/27/09	Airport Commission: Concession Audit of Guava & Java (SFO) Inc.
08/27/09	Department of Public Works, Branch Library Improvement Program: DPW Needs to Ensure Contract Terms Are Consistent With Actual Practices and Procedures
08/26/09	Office of the Assessor-Recorder: The Department Continues to Improve Its Operations
08/05/09	Department of Public Health: Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by DPH in Fiscal Year 2007-08
07/29/09	Airport Commission: Compliance Audit of Virgin America, Inc.
06/30/09	Airport Commission: Concession Audit of Airport Management Services, LLC

