



## MEMORANDUM

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

**FROM:** Tonia Lediju, Audit Director

**DATE:** April 21, 2011

**SUBJECT:** Quarterly Meeting Update

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The following are highlights of the City Services Auditor (CSA) Audits Unit's activity for the period of January 8, 2011, through March 31, 2011. Please refer to the table at the end of this memo to see the report issuance dates.

- *Fire Department Payroll Audit: Undefined Pay Practices Increased Department Expenditures.* In fiscal year 2009-10, the Fire Department's payroll expenditures totaled over \$207.9 million, including \$18.8 million in premium payments and \$3.6 million in retirement lump sum payouts. The use of undefined pay practices increased the department's expenditures by an estimated \$345,565. Undefined pay practices exist in the manual time-entry processes, retirement distribution procedures, and the payroll system design. Due to these undefined pay practices, errors occurred and payroll costs were higher than they should have been. The department, therefore, needs to better manage its retirement and premium payments by reviewing its retirement adjustments standards and the acting assignment process and by collaborating with the Controller's Payroll and Personnel Services Division to eliminate manual inputs into and unnecessary pay codes in the City's payroll system.
- *Airport Commission: Concession Audit of Pacific Gateway Concessions, LLC.* Pacific Gateway Concessions, LLC correctly reported gross revenues of \$36,709,834, and paid \$7,485,228 in rent. However, Pacific Gateway overpaid rent under two of its leases and did not submit the required CPA reports in a timely manner. The Airport did not adequately administer its leases by issuing two monthly rent invoices for a single month, applying a monthly payment to the wrong lease, and continuing to bill for a lease that had expired.
- *San Francisco Public Utilities Commission: The SFPUC Followed Best Practices in Managing Its Water System Improvement Program Construction Contracts for the Tesla Water Treatment Facility and the East/West Transmission Main and the Contractors Complied With Contract Terms.* The audit was performed under contract by Sjoberg Evashenk Consulting, Inc. For the two San Francisco Public Utilities Commission (SFPUC) Water System Improvement Program (WSIP) construction projects reviewed, the contractors were compliant with contract provisions, requirements, and cost terms, and the SFPUC's project management and delivery processes followed industry best practices. To further enhance project and contract oversight of other WSIP construction projects, the SFPUC should improve its use of the construction management information system as a project management tool, including using this system's reporting capabilities.

### City Services Auditor Issued Reports by Issuance Date

<b>Date Issued</b>	<b>Report Title</b>
03/16/11	Fire Department Payroll Audit: Undefined Pay Practices Increased Department Expenditures
02/07/11	Airport Commission: Concession Audit of Pacific Gateway Concessions, LLC
01/27/11	San Francisco Public Utilities Commission: The SFPUC Followed Best Practices in Managing Its Water System Improvement Program Construction Contracts for the Tesla Water Treatment Facility and the East/West Transmission Main and the Contractors Complied With Contract Terms

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