



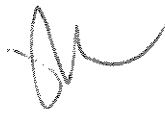
CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: Citizens General Obligation Bond Oversight Committee

FROM: Tonia Lediju, Director of City Audits
City Services Auditor Division 

DATE: November 12, 2014

SUBJECT: CSA Audits Activity Update

The following are highlights of the City Services Auditor Division (CSA) Audits Unit's activity during September 17 through November 12, 2014.

| Date Issued | Report |
|-------------|---|
| 11/6/2014 | <p>City Services Auditor's Summary of Implementation Statuses for Recommendations Followed Up on in Fiscal Year 2014-15, First Quarter</p> <p>CSA follows up on open and contested recommendations every six months after its reports are issued. In the first quarter of fiscal year 2014-15, CSA followed up on 130 recommendations from 21 reports or memorandums issued to 12 departments. Of those 130 recommendations, 93 are now closed. The report discusses the risks associated with the remaining 37 open recommendations.</p> |
| 11/4/2014 | <p><i>Office of the Treasurer and Tax Collector: Quarterly Review of the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2014</i></p> <p>This review found no material modifications that should be made to the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2014, for it to be in conformity with generally accepted accounting principles.</p> |

| Date Issued | Report |
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| 10/29/2014 | <p><i>City Services Auditor's Summary of Implementation Statuses for Recommendations Followed Up on in Fiscal Year 2013-14, Fourth Quarter</i></p> <p>CSA follows up on open and contested recommendations every six months after its reports are issued. In the fourth quarter of fiscal year 2013-14, CSA followed up on 40 recommendations from 11 reports or memorandums issued to nine departments. Of those 40 recommendations, 17 are now closed. The report discusses the risks associated with the remaining 23 open recommendations.</p> |
| 10/22/2014 | <p><i>Port Commission: The Port Adequately Oversaw the Close-out Phase of the Brannan Street Wharf Park Project, but Did Not Always Follow the Contract's Close-out Procedures</i></p> <p>The Port Commission (Port) of the City and County of San Francisco adequately oversaw the close-out phase of its contract with Dutra Construction Company, Inc., for the Brannan Street Wharf Park project. However, the Port did not strictly adhere to all the contract close-out provisions.</p> |
| 10/20/2014 | <p><i>Office of Contract Administration: Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased</i></p> <p>The audit found that Technology Store vendors did not always abide by contract percentage markup limits, which caused the City to overpay \$26,883 in a sample of \$1.8 million in payments from fiscal year 2011-12 for commodity invoice line items with markups. Projected over the life of the contract, this leads to overcharges estimated to be between \$640,978 and \$961,466. The overbillings the audit identified were often not detected due to lax monitoring procedures and contract weaknesses. Also, the fact that these contracts do not limit the profits vendors can receive on discounted goods or subcontractor services may not provide the most financial benefit to the City.</p> |
| 10/8/2014 | <p><i>City and County of San Francisco: Nine of Ten Selected Organizations Complied With the San Francisco Administrative Code, Chapter 12G, by Not Using City Funds for Political Activity</i></p> <p>CSA assessed ten organizations' compliance with Chapter 12G of the San Francisco Administrative Code, which prohibits the use of city funds for political activity. The assessment found that nine of the ten organizations did not use funds they received under city grants, contracts, or loans in fiscal year 2012-13 for political activity. However, one organization was unable to demonstrate that staff did not spend time on political activities while on work time.</p> |

| Date Issued | Report |
|-------------|---|
| 10/2/2014 | <p><i>Citywide Inventory Audits: Fiscal Year 2013-14 Combined Report: Departments Need to Improve Their Internal Inventory Processes and Controls</i></p> <p>The inventory and materials management processes of the audited city departments need improvement. To lessen the risks associated with inventory, the two divisions of Public Health—San Francisco General Hospital and Trauma Center and Laguna Honda Hospital and Rehabilitation Center—need major improvements and the Port needs some improvement. Also, the Controller’s Accounting Operations and Systems Division lacks inventory control guidelines to direct departments in inventory management.</p> |
| 10/1/2014 | <p><i>General Services Agency: Fiscal Year 2012-13 Chapter 14B Audit – None of the Three Audited Contractors Fully Complied With Certain Provisions of the Local Business Enterprise Ordinance</i></p> <p>As required by the San Francisco Administrative Code, Chapter 14B-<i>Local Business Enterprise (LBE) and Non-Discrimination in Contracting</i> Ordinance, CSA assessed whether the three selected contractors disclosed all subcontractors, met their LBE participation goals, submitted all required Human Rights Commission (HRC) forms, and whether contracts were adequately monitored for LBE compliance. The audit found that none of the three audited prime contractors fully complied with certain provision of Chapter 14B. In particular:</p> <ul style="list-style-type: none">• One prime contractor appears to have fallen short of meeting its LBE subcontracting goal.• Questions exist concerning whether one subcontractor performed a commercially useful function.• One subcontractor further subcontracted a portion of its work to non-LBE subcontractors, contradicting its subcontractor participation affidavit.• Required HRC forms were missing, incomplete, inaccurate, or submitted outside of the required timeframes. |
| 9/24/2014 | <p><i>Whistleblower Program Annual Report, Fiscal Year 2013-14 and Quarter 4 Results</i></p> <p>The Whistleblower Program received 292 complaints in the year, primarily through an online Web form. The majority (68 percent) of complaints were investigated or referred for investigation, and most (78 percent) of those received were closed within 90 days. The Whistleblower Program substantiated a diverse variety of allegations during the year, which the report describes. The Whistleblower Program has yielded quantifiable and nonquantifiable benefits to the City, its employees, and its residents.</p> |

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| 9/17/2014 | <p data-bbox="430 275 1422 407">During April through June 2014 (Quarter 4), 89 complaints were filed with the Whistleblower Program, which had 53 open complaints on April 1, 2014. The Whistleblower Program closed 78 complaints in the quarter, leaving 64 complaints open on July 1, 2014.</p> <p data-bbox="430 478 1422 543"><i>Port Commission: Castagnola's Restaurant Had Inadequate Internal Controls Over the Reporting of Gross Receipts to the Port for 2010 Through 2012</i></p> <p data-bbox="430 579 1422 777">Castagnola's Restaurant (Castagnola's) inaccurately calculated and reported gross receipts to the Port. This occurred because Castagnola's improperly excluded the value of employee meals and certain sales from its reported gross receipts and lacked internal controls to ensure the accuracy of its gross receipts reporting. During the audit period Castagnola's reported \$8,041,937 in gross receipts and paid \$741,386 in rent to the Port.</p> |
| 9/17/2014 | <p data-bbox="430 848 1422 945"><i>Port Commission: Blue and Gold Fleet, L.P., Had Inadequate Internal Controls Over the Reporting of Gross Receipts to the Port for 2010 Through 2012</i></p> <p data-bbox="430 980 1422 1178">Blue and Gold Fleet, L.P., (Blue and Gold) inaccurately calculated and reported gross receipts for its ferryboat services. Also, Blue and Gold did not verify sublessee gross income to obtain assurance that its sublessee reports were complete and accurate before reporting income to the Port. During the audit period Blue and Gold reported \$22,041,616 in gross receipts and paid \$1,850,973 in rent to the Port.</p> |