




CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

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MEMORANDUM

TO: Citizens General Obligation Bond Oversight Committee

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

DATE: May 15, 2013

SUBJECT: CSA Audits Activity Update

The following are highlights of the City Services Auditor Division (CSA) Audits Unit's activity during March 21 through May 15, 2013.

Date Issued	Report
5/14/2013	<p><i>Airport Commission: Air Sun Did Not Submit a Year-End Financial Report Certified by an Independent CPA and Owes \$226 in Late Charges to the Airport for March 8, 2010, Through March 31, 2012</i></p> <p>Air Sun, a joint venture between Sunglass Trading Corporation and Corliss Stones-Littles, LLC., correctly reported gross revenues of \$2,573,381 and correctly paid rent of \$526,390 to the Airport. However, Air Sun did not submit an unqualified year-end financial report certified by an independent certified public accountant. Also, Air Sun made multiple late payments resulting in late fee assessments of \$226.</p>
5/13/2013	<p><i>San Francisco Public Utilities Commission Did Not Issue a Certificate of Completion for the Harry Tracy Water Treatment Plant Short-Term Improvement Project</i></p> <p>The San Francisco Public Utilities Commission (SFPUC) generally complied with all applicable closeout procedures in the contract for short-term improvements to the Harry Tracy Water Treatment Plant, part of phases 2 and 3 of the Water System Improvement Program. However, SFPUC did not issue a Certificate of Completion, as required by the contract closeout provisions.</p>
5/1/2013	<p><i>San Francisco Municipal Transportation Agency: Overhead Rates of Five Central Subway Project Design Consultants Must Be Reduced</i></p> <p>The overhead rates of the five Central Subway Project Design consultants must be reduced. The consultants' overhead rate calculations mostly complied with the terms of the consultants' contract with the City and federal provisions and the</p>

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	<p>overhead rates were generally supported by underlying financial data. However, some costs should have been excluded from those used as the basis of overhead rates. Although not the actual recovery amount due to the San Francisco Municipal Transportation Agency (SFMTA), \$335,532 in unsupported, unallowable, or unreasonable costs under Federal Acquisition Regulation Part 31 was found to underlie the consultants' reported overhead rates. SFMTA will determine the actual amount it is due from the consultants when the final contract cost review occurs.</p>
4/23/2013	<p><i>Port Commission: Bundox Underreported Its Gross Revenues and Owes \$8,532 in Rent and \$2,723 in Late Charges to the Port for January 1, 2009, Through December 31, 2011</i></p> <p>Bundox Restaurant Corporation dba The Waterfront Restaurant (Bundox) underreported its gross revenues to the Port by incorrectly deducting the cost of employee meals from gross receipts, resulting in an underpayment of \$8,532 in rent and \$2,723 in late charges. During the audit period Bundox reported \$15,971,764 in gross revenues and paid \$616,561 in rent due to the Port.</p>
4/9/2013	<p><i>San Francisco Public Utilities Commission: Alameda Siphon No. 4 Construction Management — The Change Management Process Generally Complied With Contract Provisions but Requires Some Improvements</i></p> <p>SFPUC generally complied with contract provisions and Water System Improvement Program change management procedures and that changes were executed in a manner that followed many industry best practices. However, some instances of noncompliance do exist, which, if not addressed, could significantly impact project delivery in the future.</p>
4/2/2013	<p><i>Recreation and Park Department: Chinese Recreation Center and Mission Clubhouse and Playground Construction Management — The Change Management Process Requires Some Improvements</i></p> <p>The contractual provisions for the Recreation and Park Department's Chinese Recreation Center and Mission Clubhouse and Playground contracts appear to be sufficient. However, the change management procedures and processes, including those for evaluation of change orders and recording of supporting documentation, require some improvements.</p>
3/26/2013	<p><i>Port Commission: Fishermen's Grotto Underreported Its Gross Revenues and Owes \$130 in Rent for January 1, 2009, Through December 31, 2011</i></p> <p>Fishermen's Grotto underreported its gross revenues by incorrectly excluding complimentary meals from its gross receipts to the Port, resulting in an underpayment of \$130 of rent. During the audit period Fisherman's Grotto reported \$16,727,542 in gross revenue and paid \$1,126,368 in rent due to the Port.</p>

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3/26/2013	<p data-bbox="407 275 1341 338"><i>Port Commission: Java House, LLC, Paid All Rent Due for January 1, 2009, Through December 31, 2011, but Needs to Improve Internal Controls</i></p> <p data-bbox="407 369 1411 527">Java House, LLC, (Java House) lacks adequate controls over reporting the completeness of its gross revenues and needs to improve its internal controls to ensure that it reports all gross revenues as required by its lease with the Port. During the audit period Java House reported \$497,132 in gross revenue and paid \$86,962 in rent due to the Port.</p>
3/26/2013	<p data-bbox="407 596 1419 659"><i>Port Commission: JMA Waterfront Properties, LLC, Paid All Rent Due for January 1, 2009, Through December 31, 2011, but Needs to Improve Internal Controls</i></p> <p data-bbox="407 690 1406 819">JMA Waterfront Properties, LLC, (JMA Waterfront) correctly reported \$3,313,530 in gross revenues and correctly paid \$300,000 in rent due to the Port. However, JMA Waterfront did not obtain sales tax returns from its subtenant to verify the accuracy of its reported gross receipts.</p>
3/26/2013	<p data-bbox="407 884 1425 947"><i>Port Commission: Tarantino's Inc. Paid All Rent Due for January 1, 2009, Through December 31, 2011</i></p> <p data-bbox="407 978 1425 1041">Tarantino's Inc. correctly reported \$8,586,182 in gross revenues and correctly paid \$565,789 in rent due to the Port.</p>