




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: March 17, 2015

SUBJECT: CSA Audits Activity Update

The following are highlights of the City Services Auditor Division (CSA) Audits Unit's activity during January 13 through March 17, 2015.

Date Issued	Report
3/12/2015	<i>Airport Commission: Andre-Boudin Bakeries, Inc., Correctly Paid Its Rent for 2012 and 2013</i> Andre-Boudin Bakeries, Inc., correctly reported \$7,639,607 in gross revenues and correctly paid \$707,489 in rent due to the Airport.
2/26/2015	<i>San Francisco Public Utilities Commission: The Department Needs to Improve Its Management and Monitoring of Telephone Assets and Costs</i> CSA audited the mobile device and desk phone usage, equipment purchases, and telecommunications billing at the San Francisco Public Utilities Commission (SFPUC). The audit found that: <ul style="list-style-type: none">• SFPUC does not review phone usage data for potential personal use, underuse of cell phones on unlimited voice plans, or unused and underused desk phone lines.• Potential personal use of telephones could have accounted for \$81,000 in usage charges in fiscal year 2012-13.• Underuse of cell phones on unlimited voice plans resulted in at least \$50,000 in unnecessary costs in fiscal year 2012-13.

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	<ul style="list-style-type: none"> • Unused and underused desk phones resulted in \$144,000 in potentially unnecessary costs in fiscal year 2012-13. • Duties for ordering and managing mobile devices are not segregated, increasing the risk of error and fraud. • SFPUC does not properly track its mobile device inventory, and SFPUC's policies and procedures for managing and tracking its mobile device inventory should be improved. • SFPUC needs to improve its process for assessing the need for and approving the purchase of mobile device equipment and usage plans. • The Department of Technology does not adequately communicate to departments potential efficiency gains or methods to reduce telecommunications costs.
2/19/2015	<p data-bbox="430 806 1443 911"><i>Department of Public Health: Improved Controls Are Needed to Prevent Missing Billing Information and More Analysis and Monitoring Could Reduce Avoidable Revenue Adjustments</i></p> <p data-bbox="430 949 1443 1331">The audit found that the internal controls of the Department of Public Health's Community Health Network do not ensure the completeness of information required for billing and that insufficient analysis and monitoring of billing problems prevent their causes from being resolved. With improved controls, the Community Health Network could have collected approximately \$1.15 million in additional revenue per year. The audit also found that Patient Financial Services does not have a comprehensive process to ensure that all revenue adjustments for the Community Health Network are proper and accurate and that inconsistencies in some adjustment processes may undermine the effectiveness of financial reports used by management to monitor write-offs.</p>
2/17/2015	<p data-bbox="430 1407 1443 1507"><i>San Francisco Public Utilities Commission: Audit of Department Class One Power Sales to Modesto and Turlock Irrigation Districts in California</i></p> <p data-bbox="430 1545 1443 1894">An audit of the SFPUC's energy sales to the Modesto and Turlock Irrigation districts found that, in the aggregate, the two districts purchased less Class 1 energy from SFPUC than they were entitled to. However, the Modesto Irrigation District's monthly transactions show excess purchases of \$214,943 in Class 1 energy, which the district sold to non-Class 1 customers. Also, the districts should strengthen the monitoring controls over their Class 1 customers. Further, the Turlock Irrigation District did not verify 3 percent of its Class 1 customers sampled by the audit. Last, SFPUC's energy sales agreements with the districts do not include specific record retention guidelines.</p>

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2/9/2015	<p><i>Citywide Payroll: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Did Not Comply With Citywide Policies and Procedures</i></p> <p>Eleven of the 20 tested city departments need to improve their payroll operations. Control deficiencies were found in the payroll processes the City generally follows. Further, departments do not always follow the City's Payroll Policies & Procedures Manual, indicating that internal control weaknesses may exist at the departmental level.</p>
2/9/2015	<p><i>San Francisco Public Utilities Commission: Follow-up of 2012 Assessment of the Community Assistance Program</i></p> <p>SFPUC has established internal controls that have fulfilled the intent of the recommendations made in CSA's 2012 report on the Community Assistance Program. The assessment found that, of the 28 recommendations contained in the 2012 report:</p> <ul style="list-style-type: none">• 25 have been fully implemented and are considered closed.• 2 are deemed no longer applicable by CSA and are considered closed.• 1 is contested by SFPUC, which stated that it does not plan to implement the recommendation, but, CSA now considers it closed because SFPUC has established a control that makes this recommendation unnecessary.
2/5/2015	<p><i>Port Commission: Scoma's Restaurant, Inc., Had Inadequate Internal Controls Over the Reporting of Gross Receipts to the Port for 2011 Through 2013</i></p> <p>Scoma's Restaurant, Inc., (Scoma's) inaccurately calculated and reported gross receipts to the Port. Scoma's misstated gross receipts because it underreported and overreported various exclusions and sales revenue, resulting in a net overreporting of gross receipts of \$27,083 and a net overpayment of \$1,833 in rent. During the audit period Scoma's reported \$46,092,939 in gross receipts and paid \$2,996,946 in rent to the Port.</p>
2/5/2015	<p><i>Port Commission: BAE Systems San Francisco Ship Repair, Inc., Underpaid Rent by \$3,479 to the Port for 2011 Through 2013</i></p> <p>BAE Systems San Francisco Ship Repair, Inc., (BAE Systems) inaccurately calculated its rent due to the Port. BAE Systems overstated the exclusion for revenues derived from services not performed on the leased premises by \$105,422, causing it to underpay \$3,479 in percentage rent. BAE Systems</p>

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	remitted the underpayment to the Port in November 2014. During the audit period BAE Systems reported \$171,533,416 in gross receipts and paid \$5,376,215 in rent to the Port.
1/20/2015	<i>Office of the Treasurer and Tax Collector: Agreed-Upon Procedures for the Year Ended June 30, 2014</i>
	The review found that the Treasurer complied with the investment requirements in the California Government Code, sections 27130 through 27137, and with the City's investment policy for the year ended June 30, 2014.
1/14/2015	<i>Airport Commission: Avila Retail Development & Management, LLC, Correctly Paid Its Rent for 2012 and 2013</i>
	Avila Retail Development & Management, LLC, correctly reported \$2,860,179 in gross revenues and correctly paid \$397,752 in rent to the Airport.
1/14/2015	<i>Airport Commission: Yoko, Inc., dba OSHO Japanese Cuisine, Correctly Paid Its Rent for 2012 and 2013</i>
	Yoko, Inc., doing business as OSHO Japanese Cuisine, correctly reported \$2,666,301 in gross revenues and correctly paid \$173,304 in rent to the Airport.
1/14/2015	<i>Airport Commission: Frontier Airlines, Inc., Correctly Paid Its Landing Fees for July 2011 Through June 2013</i>
	Frontier Airlines, Inc., correctly reported 3,376 revenue aircraft landings and correctly paid \$1,738,459 in landing fees to the Airport.
1/14/2015	<i>Airport Commission: Korean Air Lines Co., Ltd., Correctly Paid Its Landing Fees for July 2011 Through June 2013</i>
	Korean Air Lines Co., Ltd. correctly reported 1,447 revenue aircraft landings and correctly paid \$3,298,695 in landing fees to the Airport.

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1/13/2015	<i>Airport Commission: Better Oversight Is Required to Improve the Change Management Process for the New Air Traffic Control Tower</i> The audit found that the Airport insufficiently oversees the change management process for the Air Traffic Control Tower project. Most tested proposed change orders (PCOs) had poor documentation and little or no evidence of the Airport's review. In some PCOs the department did not use the required change management process and instead substantiated costs through other processes not outlined in the change management procedures.