



MEMORANDUM

TO: Citizens General Obligation Bond Oversight Committee

FROM: Tonia Lediju, Director of City Audits

DATE: September 19, 2012

SUBJECT: CSA Audits Activity Update

The following are highlights of the City Services Auditor Division (CSA) Audits unit's activity during July 19 through September 19, 2012.

Date Issued	Report
9/12/12	<p><i>The Office of Contract Administration and Department of Public Health Should Better Administer and Monitor the City Contract With GRM Information Management Services</i></p> <p>The Department of Public Health and Office of Contract Administration must improve their administrative and monitoring procedures to effectively monitor the contract with GRM Information Management Services (GRM). To be able to verify GRM's storage charges, each unit of the Department of Public Health that does business with GRM must ensure that it has an inventory list of the boxes of records it has placed in storage with GRM. In addition, the Office of Contract Administration did not obtain annual service reports from GRM, as required by the contract.</p>
9/10/12	<p><i>The San Francisco Municipal Transportation Agency Generally Has Adequate Internal Controls Over the Tools Used to Maintain Its Motor Coach Transit Fleet, but Can Improve Some Controls</i></p> <p>Although its internal controls over tools were generally adequate, the San Francisco Municipal Transportation Agency can improve some controls, including developing written procedures over the security and usage of tools, better securing some tools, and maintaining accurate tool inventory lists.</p>

Date Issued	Report
9/6/12	<i>The \$78 Million Citywide Western States Oil Company Contract Should Be Better Administered</i>
	<p>The Office of Contract Administration must develop and implement overall contract monitoring procedures to ensure that the amounts and prices of fuel delivered for city vehicles are reasonable based on the contract's provisions and departmental requirements. Further, the San Francisco Municipal Transportation Agency and Central Shops Department of the General Services Agency must better administer the contract, for example, by developing comprehensive, written procedures for reviewing, approving, and paying invoices from Western States.</p>
9/5/12	<i>Whistleblower 2011-12 Quarter 4 Report</i>
	<p>During April through June 2012, 87 complaints were filed with the Whistleblower Program, and 22 complaints were sustained in full or in part after investigation.</p>
9/4/12	<i>San Francisco Public Utilities Commission: The Community Assistance Program's Significant Operational Weaknesses Make It Susceptible to Customer Abuse</i>
	<p>The San Francisco Public Utilities Commission does not verify the number of household members or the annual household income reported by Community Assistance Program (CAP) applicants and participants required to renew their applications. This lack of verification allows CAP applicants and participants to easily falsify information to meet the income guidelines and qualify for the CAP discount on their water and sewer bill. Of 90 CAP accounts CSA selected to verify income and household size, 46 percent did not qualify for the program, including some that did not respond.</p>
	<p>CSA identified 473 CAP accounts where the account holder (who could be the property owner) may be ineligible to receive the CAP discount because at least one city employee has a home address matching the CAP service address and the average salary for approximately 200 of these employees exceeds the CAP income limit for a five-person household. Additionally, some households use an excessive amount of water per person, report a suspiciously high number of household members, have a bill that represents a disproportionately large percentage of total reported income, or have different service and mailing addresses. These are all indicators of potential customer abuse of the program.</p>

Date Issued	Report
8/29/12	<i>Follow-up of 2008 Audit of Faulty Payroll Payment Controls</i>
	CSA followed up on nine of the 16 recommendations in its April 2008 audit report, <i>Faulty Payment Controls Prevent Accurate Tax Reporting for Some Employees and City Vendors</i> , and found that city departments have fully implemented all of the recommendations.
8/28/12	<i>Airport Commission: Delta Air Lines, Inc. Paid All Landing Fees Due but Owes the Airport \$46,721 in Late Charges for January 1, 2009, Through December 31, 2011</i>
	Delta Air Lines, Inc., (Delta) correctly reported 23,216 revenue aircraft landings and correctly paid \$15,381,614 in landing fees due to the Airport. However, Delta had multiple late payments resulting in late fee assessments of \$46,721.
8/28/12	<i>Airport Commission: Emirates Paid All Landing Fees Due but Owes the Airport \$3,720 in Late Charges for December 15, 2008, Through March 31, 2011</i>
	Emirates correctly reported 759 revenue aircraft landings and correctly paid \$1,098,216 in landing fees due to the Airport. However, Emirates had multiple late payments resulting in late fee assessments of \$3,720.
8/28/12	<i>Airport Commission: Gotham Enterprises LLC Overstated Its Gross Revenues by \$26,047 and Did Not Submit on Time Its Certified Statement of Revenue and Lease Payments for December 1, 2008, Through December 31, 2011</i>
	Gotham Enterprises LLC (Gotham) overstated reported gross revenues of \$38,992,859 by including employee discounts of \$26,047, resulting in an overpayment of \$2,223 in rent to the Airport. Gotham also was sometimes late in submitting its certified statement of revenue and lease payments.
8/28/12	<i>Airport Commission: Harbor Airport LLC Correctly Paid Its Rent but Owes \$1,179 in Late Charges and Did Not Submit on Time Its Certified Statement of Revenue for January 1, 2009, Through December 31, 2011</i>
	Harbor Airport LLC correctly reported gross revenues of \$3,446,974 and correctly paid \$215,821 in rent to the Airport. However, Harbor was sometimes late in submitting its certified statement of revenues and had multiple late payments resulting in late fee assessments of \$1,179.

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8/28/12	<p data-bbox="407 300 1403 367"><i>Airport Commission: Philippine Airlines Paid All Landing Fees Due for April 1, 2008, Through March 31, 2011</i></p> <p data-bbox="407 411 1338 478">Philippine Airlines correctly reported 1,100 revenue aircraft landings and correctly paid \$2,109,760 in landing fees due to the Airport.</p>
7/31/12	<p data-bbox="407 562 1425 630"><i>Office of the Treasurer and Tax Collector: Quarterly Review of the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2012</i></p> <p data-bbox="407 674 1430 850">This review was performed under contract with Macias Gini & O'Connell LLP (MGO). MGO is not aware of any material modifications that should be made to the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2012, for it to be in conformity with generally accepted accounting principles.</p>
7/30/12	<p data-bbox="407 934 1365 1039"><i>Department of Public Works: Webcor Generally Complies With Progress Payment Requirements, but Should Improve Internal Guidelines to Ensure Accuracy and Completeness</i></p> <p data-bbox="407 1083 1419 1402">Webcor generally complies with the progress payment application requirements in its contract with the Department of Public Works but could improve the timeliness of billing submittals, internal progress payment procedures, and billing guidance to subcontractors. To protect the City from exposure to potential contractual risks, the department needs to ensure that contractors comply with all provisions of the contract, which is a legally binding agreement. Further, ensuring the accuracy and completeness of all payments is important to protect the City from potentially being overcharged by contractors.</p>
7/25/12	<p data-bbox="407 1486 1382 1516"><i>Results of the Audit of the \$2.2 Million KCI USA, Inc., Sole Source Contract</i></p> <p data-bbox="407 1560 1430 1890">The Department of Public Health submitted the proper sole source documents to justify the validity of the sole source determination. However, the department has not fully documented its current contract monitoring system. Moreover, the Materials Management unit of San Francisco General Hospital and Trauma Center did not review invoices before approving payments, lacked sufficient documentation to justify rental days for four of the five invoices reviewed, ordered items that were not listed in the contract, and does not have written procedures on invoice processing. Last, the written procedures on invoice processing of the Materials Management unit at Laguna Honda Hospital and</p>

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Rehabilitation Center need to be revised to include more detailed instructions.

7/23/12

Citywide Cash Transactions: Combined Assessment, Fiscal Year 2011-12

The cash-handling processes at eight of nine selected departments were generally adequate. However, some areas should be improved to lessen the risks of handling cash transactions. One department needs major improvements to minimize the risks of collecting cash.