



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER


Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Max Hollein, Director
Fine Arts Museums of San Francisco

Board of Trustees
Fine Arts Museums of San Francisco

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

DATE: October 27, 2016

SUBJECT: *The Corporation of the Fine Arts Museums Inappropriately Paid \$450,773 to a City Employee Without Support. The Fine Arts Museums of San Francisco and the Corporation of the Fine Arts Museums Should Improve Aspects of Their Payroll and Disbursements Processes.*

EXECUTIVE SUMMARY

The payroll and cash disbursements processes at the Fine Arts Museums of San Francisco (FAMSF), a department of the City and County of San Francisco (City), and the Corporation of the Fine Arts Museums (COFAM) have control weaknesses that need improvement. Based on the audit period of 2013 through 2015, the audit found that:

- COFAM, with its own funds, made an unsupported payment of \$450,773 in May 2014 to a retiring FAMSF employee. No city law or guideline expressly prohibits or allows such a payment, but it is considered improper under federal guidance.
- No electronic records of former employees' pay exist, resulting in \$5,183 of pay to COFAM employees that could not be verified and \$4,526 of pay to FAMSF employees that could not be verified.
- COFAM could not provide support for \$2,558 of cash disbursements and made \$136 in incorrect payments.
- A payroll error caused FAMSF to overpay \$36 to an employee.
- FAMSF supervisors did not approve or date timesheets for three employees tested, and one timesheet was approved but not dated.
- FAMSF did not require its city employees to complete secondary employment forms, contrary to city policy.
- The payroll and disbursement policies and procedures of both FAMSF and COFAM need to be improved, consolidated, formalized, and enforced.

FAMSF agrees with the seven audit findings and concurs or partially concurs with the twelve recommendations.

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

The Office of the Controller's City Services Auditor Division (CSA) conducted this audit under the authority of the Charter of the City and County of San Francisco (City), Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

The City and County of San Francisco, through its Fine Arts Museums of San Francisco, owns and is responsible for the operation of the M.H. de Young Memorial Museum and the California Palace of Legion of Honor. The two museums are governed by the boards of trustees of the:

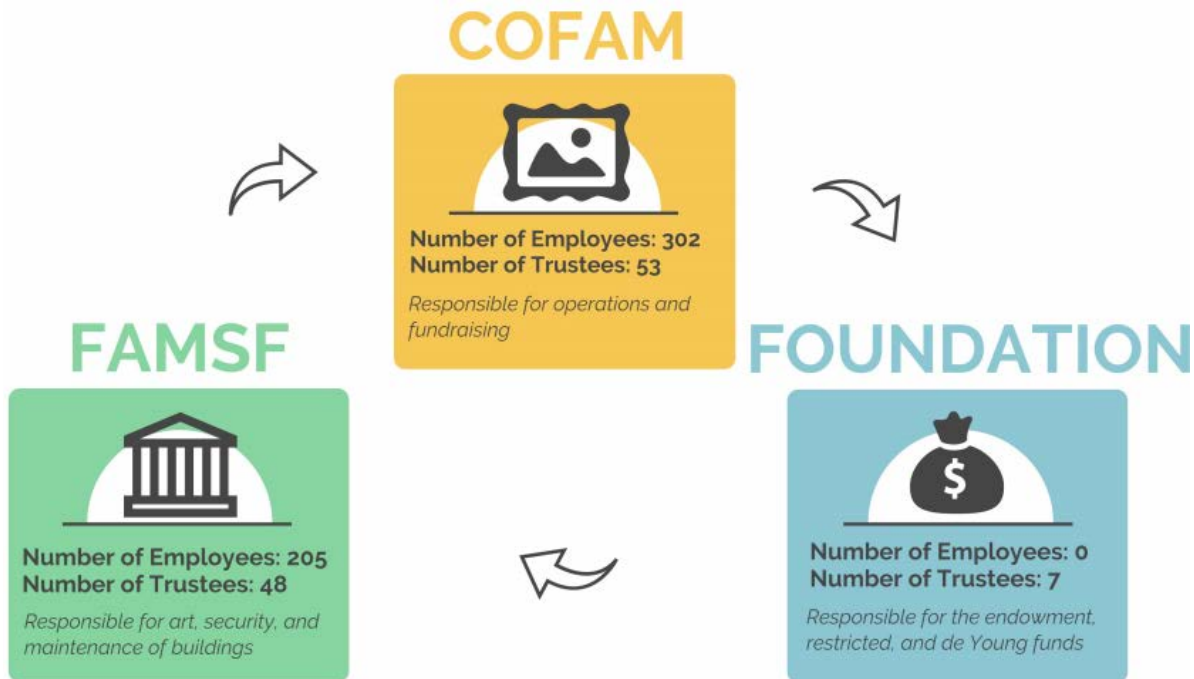
- Fine Arts Museums of San Francisco – a charitable trust department of the City. All FAMSF employees are city employees. FAMSF has the authority to maintain, operate, and manage the buildings that house the museums.¹
- Corporation of the Fine Arts Museums – a private, nonprofit (501(c)(3)) organization, which supports and operates the activities of the museums in cooperation with FAMSF.²
- Fine Arts Museums Foundation (the Foundation) – founded to receive and disburse funds for the administration and advancement of the museums.

FAMSF and COFAM both have employees. The Foundation has no employees. The exhibit on the following page displays how the three entities are related.

¹ Per the San Francisco Charter, Section 5.101, "The charitable trust departments shall have exclusive charge of the trusts and all other assets under their jurisdiction, which may be acquired by loan, purchase, gift, devise, bequest or otherwise, including any land or buildings set aside for their use. They shall have authority to maintain, operate, manage, repair or reconstruct existing buildings and construct new buildings, and to make and enter into contracts relating thereto, subject, insofar as City funds are to be used, to the budgetary and fiscal provisions of this Charter."

² Per the San Francisco Charter, Section 5.105, "The Board [of Trustees of the Fine Arts Museums of San Francisco] may enter into agreements with a not-for-profit or other legal entity to develop or operate the museums and to raise and maintain funds for the museums' support."

EXHIBIT Fine Arts Museums of San Francisco Entities



Note: Only FAMSF employees are city employees.

Source: Fine Arts Museums of San Francisco, as of fiscal year 2014-15.

Payments to Employees

According to both FAMSF and COFAM, employees of either organization can be paid through payroll or employee reimbursements.

Payroll

According to FAMSF and COFAM, the recorded worked hours for the pay period of both organizations' employees are entered in FAMSF's ADP payroll software (ADP).³ COFAM uses ADP to pay its employees. This differs from FAMSF, whose employees are city employees, which must enter its employees' work time (reported in ADP) in the City's payroll system, Oracle's PeopleSoft Human Capital Management and Enterprise Learning Management software (PeopleSoft). FAMSF employees are then paid through PeopleSoft. In fiscal year 2014-15 FAMSF spent \$11.9 million on payroll and COFAM spent \$15.6 million.

Employee Reimbursements

According to FAMSF and COFAM, employees of either organization can be reimbursed for travel and other business expenses they incur. To do so, employees must submit a form and associated receipts to the FAMSF Accounting Division, which then reviews, approves, and processes the reimbursement in its accounting system, Financial Edge.

³ ADP payroll software is a product of ADP, LLC.

Objectives

The objective of this audit was to determine whether FAMSF has adequate and effective internal controls in its payroll and cash disbursements processes. The audit's subobjectives were to determine whether:

- Payroll disbursements were appropriate and complied with applicable laws, regulations, and policies.
- Nonpayroll cash disbursements to employees were appropriate and complied with applicable laws, regulations, and policies.

Scope Limitation

CSA obtained an understanding of the internal control environment pertaining to payroll processes to plan the audit and to determine the nature, timing, and extent of tests to be performed. However, ADP does not allow access to separated employees' payroll records, so CSA could not test whether there was supervisory approval of pay to separated employees. (Refer to Finding 2 for more detail.) Instead, CSA assessed the reliability of payroll data by tracing it from ADP to payroll registers and, on a sample basis, verified the accuracy and completeness of payroll data in ADP.

Methodology

CSA gathered information on payroll and cash disbursements processes and conducted fieldwork to accomplish the audit objectives. Specifically, CSA:

- Interviewed key personnel at FAMSF and COFAM and conducted walkthroughs to observe and understand procedures and internal controls related to:
 - Payroll processing, including time entry and approvals.
 - Cash disbursements and accounting procedures, including for employee reimbursements and transfers of funds between COFAM and FAMSF.
 - Systems used for processing payroll and cash disbursements.
- Reviewed and assessed the adequacy of policies and procedures related to payroll and payment processing.
- Reviewed relevant sections of the San Francisco Charter (city Charter) and Administrative Code.
- Extracted payroll information from PeopleSoft.
- Obtained payroll data from ADP and cash disbursements data from Financial Edge.
- Based on a sample of 23 employees paid by both FAMSF and COFAM in overlapping pay periods, analyzed total payments of \$24,838 from PeopleSoft and total payments of \$483,988 from ADP.
- Tested the accuracy of pay and traced the pay from PeopleSoft or ADP to source documentation, such as timesheets, and verified proper approval.
- Based on a sample of disbursements made by COFAM to 13 people who were paid by both COFAM and FAMSF, examined supporting documentation for 25 disbursements totaling \$43,371.

- Tested the accuracy of pay and traced the pay from Financial Edge to source documentation, such as expense or reimbursement request forms, receipts, and verified proper approval.

The audit period was January 1, 2013, through December 31, 2015.

This audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

RESULTS

Finding 1 – COFAM, with its own funds, made an unsupported payment of \$450,773 to a retiring city employee. No city law or guideline expressly prohibits or allows such a payment, but it is considered improper under federal guidance.

In May 2014 COFAM paid \$450,773 from its payroll system, ADP, to a retiring FAMSF stationary engineer. FAMSF staff corroborated that this payment was made by COFAM and not made (or reimbursed to COFAM) by FAMSF. Thus, the payment was not made with city funds. Neither COFAM nor FAMSF could provide supporting documentation, such as a written approval by either organization's governing body, for the payment. The city Charter, which is FAMSF's enabling law, does not address whether an entity such as COFAM is or is not authorized to make such a payment.

COFAM's bylaws state that COFAM's activities and affairs shall be managed and all corporate powers shall be exercised under the ultimate direction of its Board of Trustees. COFAM's bylaws do not specify whether or not COFAM's Board of Trustees must approve such a payment. Nonetheless, there is no evidence that this payment was directed or approved by COFAM's Board of Trustees. The U.S. Government Accountability Office defines improper payments to include any payment for which insufficient or no documentation was found. Strong preventive controls and properly defined approval procedures may reduce the likelihood of improper payments.

The audit could not find a city law or guideline that prohibits COFAM from paying FAMSF employees extra compensation. Although the city Charter allows the FAMSF Board of Trustees to provide particular FAMSF employees additional pay "to establish competitive compensation," these circumstances do not apply to the payment in question because it was not from FAMSF and, given that the employee was retiring, apparently was not intended to establish competitive compensation.⁴

⁴ Per the San Francisco Charter, Section 5.102, "The governing boards of the museums shall appoint and may remove a director and such other executive and administrative positions as may be necessary.... Notwithstanding any other provision of this Charter, the governing boards [of city museums] may accept and utilize contributions to supplement or pay for the salaries and benefits of these appointees in order to establish competitive compensation, provided that only compensation established pursuant to the salary provisions of this Charter shall be considered for Retirement System purposes."

Further, no legal document defines the relationship between FAMSF and COFAM. Although a 2012 report from the San Francisco Board of Supervisors' Budget and Legislative Analyst⁵ recommended that FAMSF create a formal, public document that should include the roles and responsibilities delegated to each entity, such a document still does not exist. Regarding this, FAMSF responded that, instead, COFAM had bylaws and that a 2002 lease existed. However, COFAM's bylaws are no substitute for a memorandum of understanding between FAMSF and COFAM, and the lease, as the audit found, is between FAMSF and the Foundation, not COFAM.

The city Charter allows for FAMSF to establish agreements with a not-for-profit or other legal entity to develop or operate the museums. However, without a document clearly defining its relationships with and requirements for COFAM and the Foundation, FAMSF cannot ensure that the museums are operated effectively.

Recommendations

The Fine Arts Museums of San Francisco should:

1. Recommend that the boards of trustees of the Corporation of the Fine Arts Museums and of the Fine Arts Museums Foundation establish and follow written policies to approve in advance any compensation to employees of the City that exceeds that authorized by the San Francisco Charter or the City's labor agreements.
2. Establish and document a memorandum of understanding between the Fine Arts Museums of San Francisco, the Corporation of the Fine Arts Museums, and the Fine Arts Museums Foundation, listing the roles and responsibilities of each organization.

Finding 2 – Former employees' electronic payroll records, including system approvals, are not accessible by FAMSF or COFAM payroll staff.

Detailed payroll records cannot be viewed in ADP for employees who separated from COFAM or FAMSF. Of 23 employees paid by COFAM and FAMSF, 10 (43 percent) were separated COFAM employees. As a result, the audit could not verify that \$5,183 paid to these employees was correctly entered in the system and approved by supervisors. Three FAMSF employees only had payroll records in ADP. Therefore, the audit could not verify that \$4,526 reported in ADP was approved. Lack of system functionality to access payroll records for separated employees restricts the ability to review and audit past payroll transactions and reduces the accountability of management.

⁵ Report by the San Francisco Budget and Legislative Analyst, *Performance Audit of Governance and City Support: The Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences*, June 5, 2012.

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The City's Administrative Code, Chapter 8, allows the destruction of records five years after they were created, except payroll checks, time cards, and related documents, the destruction of which must receive approval from the Retirement Board. Further, each department head must prepare a schedule for the systematic retention and destruction of records. An alternative requirement, according to COFAM, is that payroll records should be retained for seven years. However, this requirement is not documented. Moreover, neither requirement can be adhered to without changes to the functionality of ADP. Without the payroll records of separated employees, COFAM and FAMSF are unable to support (and CSA is unable to determine) that their employees' pay was accurately approved and recorded.

Recommendations

The Fine Arts Museums of San Francisco should:

3. Work with the payroll system provider, ADP, to identify functional and reporting requirements to ensure that payroll staff can access payroll records, including approval records, of former Fine Arts Museums of San Francisco and Corporation of Fine Arts Museums employees for a designated period that complies with a record retention and destruction policy that is in accordance with city requirements.
4. Document and comply with a record retention and destruction policy that is in accordance with city requirements and request that the Corporation of the Fine Arts Museums does the same.

Finding 3 – Support was missing for \$2,558 of cash disbursements by COFAM, and COFAM incorrectly paid \$136, including \$100 for an executive's business dinner.

Of 25 COFAM payments tested, totaling \$43,371, 9 (36 percent) included \$2,558 in expense reimbursements that did not have supporting receipts or explanations. According to COFAM's 2015 Travel & Entertainment Policy and Guidelines, original receipts are required for all expenses, and claims that are not supported by receipts may be denied. However, COFAM also recognizes that some expenses, such as toll, storage, tips, taxis, etc., are occasionally not accompanied by a receipt. Consequently, according to COFAM, it has an unwritten policy that does not require employees to submit receipts for purchases of less than \$20 and foreign transaction fees. However, two COFAM payments tested—of \$1,000 each for membership dues—also did not have sufficient documentation to support the amounts paid.

Further, COFAM made three payments that caused it to overpay \$121 and underpay \$15, as follows:

- A \$100 overpayment was made to a COFAM executive for a business dinner. The expense report was prepared incorrectly and, according to accounting staff, it was instructed by management to process the disbursement without support for the \$100 expense.

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- Two overpayments, totaling \$21, were incorrectly charged by the merchant and incorrectly entered on an expense report by the COFAM employee requesting the reimbursement.
- A \$15 underpayment resulted from a miscalculation by the requester in preparing the check request.

Recommendations

The Fine Arts Museums of San Francisco should request that the Corporation of the Fine Arts Museums:

5. Enhance and enforce policies and procedures that document when employees are not required to provide support for purchases and that require employees to provide a written explanation for any missing receipts or discrepancies.
6. Reimburse the \$15 owed to one employee and consider the cost-effectiveness of recouping from employees the \$121 overpaid.

Finding 4 – FAMSF overpaid one employee \$36 due to a time entry error.

Of 23 employees whose pay was tested, one employee was erroneously overpaid \$36 by FAMSF for two hours of regular pay due to an incorrect entry in PeopleSoft. Paper timesheets show that the employee had worked and was approved for 24 hours, but payroll data from PeopleSoft shows that wages for 26 hours had been paid to the employee.

According to the City's Payroll Policies and Procedures Manual, each department's payroll staff is "responsible for administering the department's payroll and ensuring that employees' time information is submitted accurately to PPSPD." Further, payroll supervisors are to review approximately 10 percent of time entries and their associated documentation. Had these procedures been performed by FAMSF, the incorrect payment may have been prevented, along with other potential pay errors.

Recommendations

The Fine Arts Museums of San Francisco should:

7. Correct the payroll errors that resulted in the \$36 overpayment and consider the cost-effectiveness of recouping the overpayment.
8. Create formal payroll policies and procedures to require the review of employee time entries.

Finding 5 – FAMSF supervisors did not properly approve timesheets in one pay period tested.

Of 23 FAMSF employees whose pay was tested, 11 (48 percent) were employed in Public Service Trainee positions. Of the 36 timesheets tested for these 11 employees, one timesheet lacked an approval signature for one date in a pay period for two employees tested. Although the audit did not test all employees who worked that day, the missing approval signature was on a timesheet for 24 Public Service Trainee employees who worked a total of 149 hours. An additional timesheet for one of the two employees tested lacked a date of signature in the same pay period.

According to the City's Payroll Policies and Procedures Manual, Section 2:

Completed timesheets should be reviewed and certified by the person having direct supervision over employees, to indicate that services were actually performed by the persons listed and that days/hours worked are accurate and justified. Only after timesheets have been reviewed and approved by such supervisory personnel should timesheets be transmitted to department payroll/personnel staff.

Accordingly, for this review to be effective, it needs to be performed on a timely basis, which would require evidence of the date of approval. Proper timely approval can only be evidenced if payroll forms include both the approver's signature and the date of the approver's signature. Without proper supervisory approval, the City may incorrectly pay employees for unapproved or incorrect time submitted. Also, without properly dating the payroll authorizations to indicate when they were approved, the City is at risk of paying an employee before formal approval is given.

Recommendation

9. The Fine Arts Museums of San Francisco should require and ensure that supervisors sign or otherwise approve in writing and date approval of all timesheets, whether those who appear on the timesheets are city employees or employees of the Corporation of the Fine Arts Museums.

Finding 6 – FAMSF does not require its employees who work for both FAMSF and COFAM to complete additional employment forms, contrary to city requirements.

According to FAMSF, and contrary to Rule 118⁶ of the Civil Service Commission (Rule 118), FAMSF did not obtain the required approval for additional employment of employees who work for both COFAM and FAMSF. Rule 118 requires that all city employees⁷ must obtain approval from the City's Department of Human Resources for any employment, position, or service in which the employee is to receive compensation in any form. Without approval by the Department of Human Resources, employees with additional employment are subject to disciplinary action as defined by the city Charter.

Recommendation

10. The Fine Arts Museums of San Francisco should require that any employee who holds a position at another entity complete an additional employment form.

Finding 7 – FAMSF and COFAM lack formal policies and procedures for some key aspects of payroll and cash disbursements.

FAMSF does not have written payroll policies and procedures to address some important controls needed to ensure that payroll and cash disbursements are administered properly, and COFAM needs to strengthen its payroll procedures. Although COFAM has written payroll procedures, FAMSF does not. The City's Payroll Policies and Procedures Manual requires that every department establish its own detailed internal control procedures governing the processing of employee payroll and ensure that they are being implemented.

Specifically, FAMSF lacks guidance on some key aspects of payroll, including the following:

- Review of Pay. FAMSF does not document its procedures for reviewing payroll records and reports. Specifically, FAMSF lacks written guidance requiring a review of 10 percent of time entries by the payroll clerk.

According to FAMSF, supervisory reviews are done when employees enter time in ADP but not when the payroll clerk manually enters the time into PeopleSoft. According to the City's Payroll Policies and Procedures Manual, payroll supervisors must review at least 10 percent of time entries and their associated documentation. Further, the manual requires that payroll authorizations be documented for all payroll-related changes and that management periodically review payroll change reports to ensure that any changes to pay are properly authorized and correctly entered in PeopleSoft.

⁶ Civil Service Commission Rule 118, Conflict of Interest, Section 118.2, Additional Employment.

⁷ Except the uniformed ranks of the San Francisco Police Department, Fire Department, and Municipal Transportation Agency's service-critical job classifications.

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- Frequency of Reviews. FAMSF lacks a written policy on when employee time is to be reviewed in PeopleSoft. According to FAMSF, the payroll clerk manually enters time in PeopleSoft biweekly. However, according to the City's Payroll Policies and Procedures Manual, manual time entries must be made weekly. Weekly entries reduce the risk that errors and other pay data issues will not be remedied by the pay data entry deadline, which is two-and-a-half working days after the pay period ends.

Although COFAM has a policy for employee travel reimbursements, entertainment, and courier travel expenses, it lacks a policy detailing procedures and allowable expenses for all other employee reimbursements, such as purchases made by employees on behalf of the museums. Specifically, COFAM lacks guidance on some key aspects of cash disbursements for employee reimbursements, including:

- Reimbursements Unrelated to Travel Expenses. COFAM does not document guidelines related to reimbursements other than for employee travel, entertainment, and courier travel expenses. Further, COFAM's accounting policies and procedures stipulate that employees should generally not advance their own funds to purchase goods and services on behalf of the museums. However, of 25 disbursements tested, 11 (44 percent) included at least one purchase for employee expenses that were unrelated to travel, entertainment, or courier travel, and that could have possibly been purchased through FAMSF's or COFAM's purchasing process instead. For example, disbursements tested included employee reimbursements for membership dues, office supplies, and technology items.
- Exceptions for Receipts and Other Supporting Documentation. COFAM's accounting policies and procedures require that expense reimbursements be submitted monthly with supporting documentation. However, the policies and procedures do not state that employees need not submit receipts in specific instances, such as for purchases of less than \$20, transaction fees, and parking meter fees.
- COFAM Credit Cards. Of 25 disbursements tested, 8 (32 percent) were for purchases made by employees using a COFAM credit card. According to COFAM, 15 employees have COFAM credit cards in their name that they are permitted to use for specific purchases for the museums (and possibly for some travel expenses). However, COFAM has no written policies or procedures on which employees are permitted to have a COFAM credit card, what goods or services may be purchased or under what dollar limitations, or who must approve the purchases. Written policies and procedures surrounding the use of COFAM credit cards will reduce the risk of inappropriate or fraudulent card use.

The U.S. Government Accountability Office states that an organization's internal control and transactions need to be clearly documented, and the documentation should appear in management directives, administrative policies, or operating manuals. Written policies and procedures, especially in the form of a manual, can easily be used by staff, which can enhance both accountability and consistency.

Without documented procedures for payroll processes, payroll clerks may inconsistently process payroll, payroll documents may not be retained for as long as they should be, and a new clerk may have more difficulty assuming the job's duties. Also, without documented procedures for cash disbursements processes surrounding employee reimbursements, accounting staff may incorrectly and inconsistently process disbursements to employees.

Recommendations

The Fine Arts Museums of San Francisco should:

11. Document and implement policies and procedures defining payroll clerk responsibilities for entering timesheet and pay step data. At a minimum, the policies and procedures should provide for:
 - a. A payroll procedures checklist.
 - b. Requiring payroll management to review at least 10 percent of entries made in the PeopleSoft system and their associated documentation.
 - c. Requiring payroll staff to document payroll-related changes made directly in the PeopleSoft system and obtain a supervisor's approval.
 - d. Requiring payroll management to periodically review that payroll-related changes were properly authorized and documented.
 - e. Requiring employees to enter time weekly into ADP, supervisory approvals to the payroll unit weekly, and payroll clerks to review payroll records for accuracy weekly.
 - f. Reconciling the number of employees whose time is submitted to department payroll staff to the number of employees who receive pay.
12. Request that the Corporation of the Fine Arts Museums develop and implement policies and procedures defining employee requirements and accounting staff responsibilities related to employee reimbursements and other cash disbursements. At a minimum, the policy should provide for:
 - a. Expense reimbursements for payments other than for employee travel, entertainment, and courier travel.
 - b. Exceptions stating when receipts and other supporting documentation are not required.
 - c. Eligibility and guidelines for organizational credit cards, including allowable expenses, dollar thresholds, and approval process.

The response of FAMSF is attached. CSA will work with FAMSF to follow up on the status of the recommendations in this memorandum.

CSA extends its appreciation to you and your staff who assisted with this audit. If you have any questions or concerns, please contact me at (415) 554-5393 or tonia.lediju@sfgov.org.

COFAM Inappropriately Paid \$450,773 to a City Employee Without Support. FAMSF and COFAM Should Improve Aspects of Their Payroll and Disbursements Processes.
October 27, 2016

cc: Fine Arts Museums of San Francisco

Charles Castillo

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Citizens Audit Review Board

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Civil Grand Jury

Mayor

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ATTACHMENT: DEPARTMENT RESPONSE



**Fine Arts
Museums of
San Francisco**
**de Young
Legion of Honor**

October 20, 2016

Tonia Ledju
Director of City Audits
City Hall, Room 476
One Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Inappropriate COFAM payment to City employee

Dear Ms. Ledju,

I would like to thank you and your staff for your patience and cooperation throughout the Audit process titled, *"The Corporation of the Fine Arts Museums Inappropriately Paid \$450,773 to an Employee Without Support. The Fine Arts Museums of San Francisco and the Corporation of the Fine Arts Museums Should Improve Aspects of the Payroll and Disbursement Processes"*.

We have reviewed the audit's findings and recommendations. As indicated in the attached department response form, both COFAM and City staff will be working towards improving our policies and procedures regarding payroll, cash disbursement, accounting, reimbursements, and our enforcement of these policies. Additionally, in the spirit of cooperation and transparency, we will make sure that the City attorneys and the auditors in your office review these policies and procedures.

Please contact me if you need any additional information.

Sincerely,

Charles M. Castillo
Director of Human Resources and Administration

de Young

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For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

Recommendation	Response
<p>The Fine Arts Museums of San Francisco should:</p> <ol style="list-style-type: none"> 1. Recommend that the boards of trustees of the Corporation of the Fine Arts Museums and of the Fine Arts Museums Foundation establish and follow written policies to approve in advance any compensation to employees of the City that exceeds that authorized by the San Francisco Charter or the City's labor agreements. 	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The Museums have implemented a current organizational culture that would provide additional checks and balances. Currently payroll reports to the Human Resources Department and the Accounting department reports to finance. A payroll check cannot be cut without payroll's approval and accounting has to provide the funding. This separation creates accountability not to one department or person, but to two separate departments, which is consistent with best practices.</p> <p>FAMSF has a plan to formalize a payroll policy already in place, which is to observe the MOU's, the City Charter, the Code of Ethics, and the Statement of Incompatible activities. The new payroll procedures manual, which will be created and implemented before the end of this calendar year, will not only address proper payroll procedures, but also outline the finance and accounting responsibilities and that of the payroll department. All advance payments must be clearly outlined in the MOU or the payroll policy.</p>

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Recommendation	Response
<p>2. Establish and document a memorandum of understanding between the Fine Arts Museums of San Francisco, the Corporation of the Fine Arts Museums, and the Fine Arts Museums Foundation, listing the roles and responsibilities of each organization.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The FAMSF and COFAM are currently under Audit. Now that the City Audit has identified recommendations for the Museums, we will take all of the recommendations and work to implement. These changes do and may also include changes to by-laws, payroll, compensation, retirement contributions, and benefits administration. We will proceed with the following steps:</p> <ol style="list-style-type: none"> 1) Review and implement recommended policy and procedures changes from the City and COFAM audit; 2) Incorporate changes in the Museums governing documents, IE, procedures manuals, by-laws, and/or board resolutions as necessary; 3) Create a Memorandum of Understanding between the three governing bodies in consultation with the City Attorneys.
<p>3. Work with the payroll system provider, ADP, to identify functional and reporting requirements to ensure that payroll staff can access payroll records, including approval records of former Fine Arts Museums of San Francisco and Corporation of Fine Arts Museums employees for a designated period that complies with a record retention and destruction policy that is in accordance with city requirements.</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>Currently payroll staff can access payroll records of former employees. What is being limited is the timecards of terminated employees with a descriptor of the employee's supervisor. Currently those terminated employee timecards cannot be viewed in the timecard manager window. However, their timecard records are still accessible and available in a report format. The department will work with the Vendor ADP to add the supervisor approval field in order to correct the issue.</p> <p>The Museums' HR/ADMIN group will create and implement a new destruction policy that is consistent with the City and/or best practices in the interests of COFAM. The new policy will not contradict the City's policy, but the policy will be different given that there is no COFAM retirement board to report the destruction of file to as it is in the City. We will work with the City attorney's office and the COFAM legal team to ensure best practice.</p>

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Recommendation	Response
4. Document and comply with a record retention and destruction policy that is in accordance with city requirements and request that the Corporation of the Fine Arts Museums does the same.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur <p>The Museums' HR/ADMIN group will create and implement a new destruction policy that is consistent with the City and/or best practices in the interests of COFAM. The new policy will not contradict the City's policy, but the policy will be different given that there is no COFAM retirement board to report the destruction of file to as it is in the City. We will work with the City attorney's office and the COFAM legal team to ensure best practice.</p>
5. Enhance and enforce policies and procedures that document when employees are not required to provide support for purchases and that require employees to provide a written explanation for any missing receipts or discrepancies.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <p>The Museum's Accounting & Finance department will expand its current Expense Reimbursement policy to provide specific procedures to follow for any missing receipts or discrepancies.</p>
6. Reimburse the \$15 owed to one employee and consider the cost-effectiveness of recouping from employees the \$121 overpaid.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <p>The Museums will reimburse \$15 owed to one employee. In consideration of cost effectiveness of recouping the \$121 of overpayment, the museums will not pursue any further action.</p>
7. Correct the payroll errors that resulted in the \$36 overpayment and consider the cost-effectiveness of recouping the overpayment.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <p>The Payroll department has corrected the error and implemented an electronic submission policy that eliminates the error moving forward. It is not cost-effective to pursue the payment.</p>
8. Create formal payroll policies and procedures to require the review of employee time entries.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <p>This policy is currently in place. All time sheets are reviewed by supervisors electronically.</p>
9. Require and ensure that supervisors sign or otherwise approve in writing and date approval of all timesheets, whether those who appear on the timesheets are city employees or employees of the Corporation of the Fine Arts Museums.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <p>This policy is currently in place. All time sheets are reviewed by supervisors electronically.</p>

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Recommendation	Response
10. Require that any employee who holds a position at another entity complete an additional employment form.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur This is consistent with the City's policy and an email will be sent out before the end of the calendar year to all employees both COFAM and City.
11. Document and implement policies and procedures defining payroll clerk responsibilities for entering timesheet and pay step data. At a minimum, the policies and procedures should provide for: <ul style="list-style-type: none"> a. A payroll procedures checklist. b. Requiring payroll management to review at least 10 percent of entries made in the PeopleSoft system and their associated documentation. c. Requiring payroll staff to document payroll-related changes made directly in the PeopleSoft system and obtain a supervisor's approval. d. Requiring payroll management to periodically review that payroll-related changes were properly authorized and documented. e. Requiring employees to enter time weekly into ADP, supervisory approvals to the payroll unit weekly, and payroll clerks to review payroll records for accuracy weekly. f. Reconciling the number of employees whose time is submitted to department payroll staff to the number of employees who receive pay. 	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur <ul style="list-style-type: none"> a. We have an electronic checklist. However, it will be detailed and outlined in the new payroll policy and procedures handbook. b. This will require an additional step for the clerks and HR will ensure that the 10% does not result in overtime or additional work for payroll management. We will work with ADP to put in more functional reporting to expedite the review process. c. Will work with CCSF and PPSD in regards to Emerge and PeopleSoft access directly in the system. That is not something that the Museums currently control since that is an access issue for staff who currently VPN. We will work with DTIS and PPSD to implement over the next 6 months. d. This can be done randomly and at least on a quarterly basis. Our goal is to do it electronically but with all supporting documentation available within the payroll or accounting department. e. This policy exists. It just needs to be enforced in a timely manner by supervisors in both City and COFAM classifications. f. This can be implemented every other week at the start or the end of a pay period. However, it will require a report out of PeopleSoft or Emerge since the Museums don't actually produce or distribute City checks.

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Recommendation	Response
<p>12. Request that the Corporation of the Fine Arts Museums develop and implement policies and procedures defining employee requirements and accounting staff responsibilities related to employee reimbursements and other cash disbursements. At a minimum, the policy should provide for:</p> <ul style="list-style-type: none">a. Expense reimbursements for payments other than for employee travel, entertainment, and courier travel.b. Exceptions stating when receipts and other supporting documentation are not required.c. Eligibility and guidelines for organizational credit cards, including allowable expenses, dollar thresholds, and approval process.	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The Museums will expand on the currently policy to further develop and implement policies and procedures defining both employee requirements and accounting responsibilities for employee reimbursements for payments other than employee T&E and courier travel. The policy will also specify exceptions for receipts and necessary supporting guidelines. The policy will be specific for eligibility and guidelines for corporate credit cards, allowable expenses, dollar thresholds, and the approval process.</p>