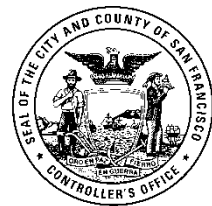


# City and County of San Francisco

## Office of the Controller – City Services Auditor

### **SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY:**

**Cypress Security LLC Could Not  
Demonstrate Compliance With  
Contract Requirements Including  
Training, Health Benefits, and  
Minimum Compensation for Its  
Subcontractors' Guards**



*November 9, 2017*

**OFFICE OF THE CONTROLLER  
CITY SERVICES AUDITOR**

The City Services Auditor Division (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and website and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Chief Audit Executive Tonia Lediju at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

CSA Audit Team: Cherry Bobis, Supervising Auditor

Audit Consultants: Sjoberg Evashenk Consulting, Inc.



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Todd Rydstrom**  
**Deputy Controller**

November 9, 2017

Board of Directors  
San Francisco Municipal Transportation Agency  
1 South Van Ness Avenue, 7th Floor  
San Francisco, CA 94103

Mr. Edward D. Reiskin  
Director of Transportation  
San Francisco Municipal Transportation Agency  
1 South Van Ness Avenue, 7th Floor  
San Francisco, CA 94103

Dear Board Chairman, Board Members, and Mr. Reiskin:

The Office of the Controller's City Services Auditor Division (CSA) presents its audit report of the contract between the San Francisco Municipal Transportation Agency (SFMTA) and Cypress Security LLC (Cypress). To conduct the audit, CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC). The audit, conducted at SFMTA's request, had as its objectives to determine whether Cypress complied with key contract requirements and to evaluate SFMTA's activities to monitor contract compliance.

The audit concluded that:

- SFMTA paid Cypress for 34 hours of security services that were not supported by time records.
- Training records for 24 guards, out of 28 examined, did not comply with annual training requirements. Consequently, the appropriateness of payments related to the activities of the 24 guards during the entire fiscal year—estimated to be \$41,500—is in question.
- Cypress could not demonstrate that its three subcontractors comply with liability insurance and minimum compensation requirements.
- Cypress could not demonstrate its own or its subcontractors' compliance with health benefits requirements.

The report includes ten recommendations for SFMTA to ensure that Cypress complies with all contract requirements. The responses of SFMTA and Cypress are attached to the report as appendices. CSA will work with SFMTA to follow up every six months on the status of the open recommendations made in this report.

CSA and SEC appreciate the assistance and cooperation of SFMTA and Cypress staff during the audit. For questions about the report, please contact me at [Tonia.Lediju@sfgov.org](mailto:Tonia.Lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju  
Chief Audit Executive

cc: Board of Supervisors  
Budget Analyst  
Citizens Audit Review Board  
City Attorney  
Civil Grand Jury  
Mayor  
Public Library

## **City and County of San Francisco**

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Office of the Controller – City Services Auditor

# **Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

November 2017



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## Executive Summary

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### Purpose of the Audit

The Office of the Controller's City Services Auditor engaged Sjoberg Evashenk Consulting, Inc., to conduct a contract compliance audit of the contract between the City and County of San Francisco (City) and Cypress Security LLC (Cypress), which provides security services to the San Francisco Municipal Transportation Agency (SFMTA).

### What We Found

When entering contracts, the City expects that considerations of its requirements are reflected in the contract award amount. In general, these requirements include the treatment of contractor and subcontractor employees as guided by minimum compensation and health benefits requirements. Further, the Cypress contract specifically requires a high standard of service reinforced by annual training. The contract also requires that invoices for services be supported by original timesheet records.

The audit found that:

- Over an eight-week period during Fiscal Year 2015-16, SFMTA paid for 34 hours of security services that were not supported by time records. Further, training records for 24 guards, out of 28 examined over the same eight-week period, did not comply with annual training requirements. Thus, the appropriateness of payments related to the activities of the 24 guards during the entire fiscal year—estimated to be about \$41,500—is in question.
- Cypress could not demonstrate that its three subcontractors comply with liability insurance and minimum compensation requirements.
- Cypress could not demonstrate its own or its subcontractors' compliance with health benefits requirements.

### Recommendations

The report includes ten recommendations for SFMTA's oversight to ensure Cypress's compliance with contract requirements. In general, SFMTA should:

- Work with Cypress to hold subcontractors accountable for late shift starts and ensure that SFMTA is charged only for hours worked by strengthening the use of the call log.
- Hold Cypress accountable to training requirements by enforcing submittal of quarterly training updates and reviewing the submitted reports.
- Consider amendments to the contract to ensure the City is protected from damages incurred by subcontractors.
- Work with the City's Office of Labor Standards Enforcement to be assured that Cypress and its subcontractors comply with minimum compensation and health benefits requirements.

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## INTRODUCTION

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**AUDIT AUTHORITY** In accordance with the requirements of the Charter of the City and County of San Francisco, including Appendix F, and city codes, the Office of the Controller's City Services Auditor engaged Sjoberg Evashenk Consulting, Inc., (SEC) to conduct a contract compliance audit regarding the contract of the City and County of San Francisco (City) with Cypress Security LLC (Cypress) to provide security services for the San Francisco Municipal Transportation Agency (SFMTA).

**BACKGROUND** In keeping with one of SFMTA's key goals to create a safer transportation experience for everyone, including employees, SFMTA has used contracted security guard services to protect its facilities since 1975. SFMTA's Security, Investigations, and Enforcement Unit within the Sustainable Streets Division is responsible for managing the Cypress Security services contact.

The term of the City's current contract for security services with Cypress is April 1, 2015, to March 31, 2018, with three one-year options to extend. Cypress has separate contracts with its three subcontractors also providing security services at SFMTA facilities: A-1 Protective Services (A-1), Black Bear Security (Black Bear), and Treeline Security (Treeline).

The maximum compensation for the first three years of the Cypress contract was set at \$18.5 million, or an average of \$6.15 million per year. The contract allows for additional as-needed security services for unexpected events such as a vehicular gate malfunction that requires a dedicated post or for other special, one-time events.

The contract estimates that approximately 160,000 hours per year of security services covering 70 miles of trackways will be provided across 24 SFMTA locations. The locations include SFMTA's fleet maintenance facilities, nine subway stations, ticket booths, headquarters, the Customer Service Center, and a baseball stadium. Armed guards are located at the ticket sales booths and baseball stadium, while unarmed guards are located at all other locations.

**AUDIT OBJECTIVE** The purpose of the audit was to determine whether Cypress complied with key requirements of the contract and to evaluate the City's activities to monitor contract compliance.



**SCOPE AND  
METHODOLOGY**

The audit covered the period of July 1, 2015, through June 30, 2016.

To accomplish the audit objectives, we performed activities including, but not limited to, the following:

- Interviewed numerous employees of SFMTA's Security, Investigations, and Enforcement Unit, Wellness Unit, and SFMTA facility operations managers, as well as staff of Cypress.
- Analyzed the contract between the City and Cypress for key requirements, such as liability Insurance, training, minimum compensation, health benefits, and reporting. Contracts between Cypress and its subcontractors were outside the audit scope.
- Reviewed the City's Administrative Code, Chapters 12P, Minimum Compensation Ordinance (MCO), and 12Q, Health Care Accountability Ordinance (HCAO); California Business and Professions Code 7583.6, Private Patrol Operators; and California Code of Regulations 643, Skills Training Course for Security Guards.
- Observed the activities at Cypress's Operations Center, two SFMTA operations facilities, and two armed guard posts.
- Tested contract compliance related to training, substance abuse screening, liability insurance, guard and weapons licenses, MCO, and HCAO requirements.

**AUDIT STANDARDS**

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. SEC believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## AUDIT RESULTS

### FINDING 1 INVOICED HOURS FOR SECURITY SERVICES WERE NOT ALWAYS SUPPORTED BY TIME RECORDS

*Cypress Could Not Provide Timesheet Records Supporting 32 Hours*

Cypress submits invoices biweekly for hourly security services provided to SFMTA and includes invoices from its three subcontractors. Although the contract between the City and Cypress does not require that supporting timesheets be submitted with the invoices, it does require that timesheet records be retrievable within 24 hours upon request. To test billed hours against timesheet records, we selected four invoices during Fiscal Year 2015-16 covering eight weeks of service. From the four invoices, we examined a total of 238 billed hours associated with 32 shifts.

Cypress provided timesheet support for 206 of the 238 billed hours, as shown in the exhibit below. However, timesheets for 32 hours associated with four shifts covered by one subcontractor were not provided. According to Cypress, it made multiple requests, but the subcontractor was unresponsive. In total, SFMTA paid \$1,047 for 32 hours of security services charged on two invoices that were not supported by timesheets. According to SFMTA, it plans to eventually have all timesheets submitted and filed electronically.

Exhibit	Results of Examination of Invoiced Hours Compared to Timesheet Records for Each Security Service Provider				
Invoice Hours	Cypress	Subcontractor A	Subcontractor B	Subcontractor C	Total
Supported by Timesheets	142	16	0	48	206
Unsupported by Timesheets	0	0	32	0	32
Total	142	16	32	48	238

Source: Cypress's invoices to SFMTA, Cypress's timesheets, and subcontractor timesheets

**Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

*Instances Noted  
Where  
Subcontractors  
Charged for Hours  
Not Worked*

According to Cypress, to assure that hours worked by its subcontractors are billed accurately on invoices to SFMTA, all unarmed guards employed by the subcontractors are required to call into Cypress's Security Operations Center (SOC) at the start of each shift. The calls are manually logged into an electronic file to document the time when the guards arrive to their assigned posts.

Although the SOC call-in process for subcontractor employees is manual in nature, the arrival times of Cypress employees are verified through a separate call-in process where the arrival times are entered directly into an automated timekeeping and billing system. Specifically, the vast majority of Cypress employees are located at security posts that have a landline telephone connected to the Valiant timekeeping and billing system.

When employees arrive at the beginning of their shifts, they must use the Valiant-connected phones to call and report their arrival. Arrival times are directly captured by the system for timekeeping purposes and invoicing to SFMTA. Employees at the few posts that do not have a landline phone connected to Valiant check in physically with another person and a timesheet is manually entered in Valiant.

To test the reliability of the SOC process for monitoring subcontractor shift starts, we conducted a high-level cursory review of shift information reflected in two months of call logs during Fiscal Year 2015-16. This review found two instances of subcontractor shift starts that were not properly reflected on the respective invoice.

In one instance, the subcontractor invoice reflected an eight-hour shift from 9:00 pm to 5:00 am that was billed to SFMTA, but the call log reflected that the guard arrived at the post at 10:45 pm, an hour and 45 minutes later than the invoice reflected. In the second instance, the call log reflected that the guard arrived 36 minutes later than the subcontractor invoice reflected. These two examples resulted in a total overpayment of about \$69.

According to Cypress, the actual hours worked as noted in the call log should have been reflected on the subcontractors' invoices to SFMTA.

Also, although the call log process tracks the arrival times of the unarmed guards employed by subcontractors, Cypress lacks an adequate process to regularly compare the call log information to invoices submitted by their subcontractors before billing SFMTA.

When combined, the two areas identified resulted in \$1,116 billed (for about 34 hours) to SFMTA by Cypress that was not supported by underlying time records and that did not comply with contract requirements. Because of the control weaknesses identified, SFMTA is less assured that it is paying for services actually rendered. Also, contractors or subcontractors submitting false claims may be liable to the City for statutory penalties per City Administrative Code Section 21.35. However, the contract does not include penalties or liquidated damages for failing to provide timesheet records upon request.

**RECOMMENDATIONS** The San Francisco Municipal Transportation Agency should:

1. Work with Cypress Security LLC to hold subcontractors accountable for late shift starts and ensure that the City is charged only for hours worked by strengthening the use of the call log.
2. Consider amending the contract with Cypress Security LLC to add liquidated damages for failure to provide timesheets upon request.
3. Determine whether Cypress Security LLC or the subcontractor submitted false claims per the City Administrative Code Section 21.35.

## FINDING 2

### CYPRESS COULD NOT DEMONSTRATE COMPLIANCE WITH TRAINING REQUIREMENTS FOR SECURITY GUARDS

While California Code<sup>1</sup> requires security guards to take eight hours per year of continuing training to maintain an active guard license, the agreement between the City and Cypress holds the guards to a higher standard, requiring that security guards receive 24 hours of training per year in addition to training required at the time of hire. The contract also requires that guards maintain a current California security guard license.

#### *Training Plan Needs Updating*

Under the contract between the City and Cypress, Cypress and its three subcontractors are responsible for providing the required onboarding and ongoing professional training to their employees. The contract requires that Cypress develop a training plan that (1) details the proposed curriculum for onboarding training provided at the time of hire and (2) covers annual ongoing training requirements.

Although both the contract and training plan specify the types of topics required for onboarding training, neither provide specifics related to the types of permitted topics for ongoing professional training. However, California code governing security guard licensing and training suggests the following topics as examples for ongoing training:

- Knowledge of communication, including public relations skills, verbal and radio skills, crisis intervention, conflict management, crowd control, and command presence
- Knowledge of ethics, including the ability to recognize stereotyping, discrimination, or harassment, and demonstrating proper conduct
- Knowledge of site-specific post orders, such as site vulnerabilities, emergency evacuation procedures and exits
- Knowledge of access controls, trespassing law, and detecting unusual behavior
- Skills required to report on precursors to terrorist events and how to react appropriately

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<sup>1</sup> Business and Professions Code 7583.6 and California Code of Regulations 643.

Because neither the contract nor training plan states specific required topics for ongoing training, SFMTA does not have criteria against which to hold the contractor accountable in this area. Further, Cypress has not updated its training plan since the commencement of the prior contract with the City in 2008, although the plan states that it should be reviewed each year.

*Cypress Did Not Provide Sufficient Training Documentation for Its Subcontractors*

The contract also requires training records be provided to SFMTA quarterly to demonstrate compliance with the required 24 hours of continuing training per year. According to SFMTA's contract manager, training information has never been requested by SFMTA or proactively provided by Cypress.

Further, The contract states that:

- Employees who do not possess the required training and licenses specified in the contract are not qualified to work as guards.
- SFMTA shall not pay for services provided by unqualified guards.
- If SFMTA finds that it paid for services provided by unqualified guards, it may deduct an equal amount from future payment.
- SFMTA may collect liquidated damages in the amount of \$100 per guard for Cypress's failure to provide training records.

We requested the training records of the 28 guards associated with the 32 shifts selected for detailed review, as described in Finding 1, to determine whether Cypress complied with the contract's training requirements. Of the 28 guards' training records reviewed, we found that very few complied with the annual training, as follows:

- 17 were Cypress employees—Cypress provided records reflecting that **only 4 of the 17 Cypress employees reviewed were compliant with the 24 hours per year training requirement.** The remaining 13 employees had some training, but none had completed the required 24 hours of annual training during the reviewed period.

- 11 were subcontractor employees—**Cypress could not provide sufficient training records for any of the 11 subcontractor guards.** No records were provided for four guards. SFMTA may collect \$400 for Cypress's failure to provide training records for the four subcontractor guards. For the other seven guards, the records either showed fewer than 24 hours completed or did not report the duration of the training completed, which is required by the contract and needed to determine compliance.

Thus, we found that **training records for only 4 of the 28 guards complied with the 24-hour annual training requirement.** However, the contract between the City and Cypress does not explicitly state that the training requirements apply to subcontractors.

Further, we found that the 4 guards with compliant training records also had valid California guard licenses. For the other 24 guards, we confirmed that 22 had valid California guard licenses, for a total of 26 confirmed out of the 28 tested. For the remaining two guards, we could not independently verify the existence of valid guard licenses because Cypress could not provide timesheet records.

As described in Finding 1, we examined 238 billed hours associated with 32 shifts during an eight-week period in Fiscal Year 2015-16. Of the 32 shifts, 26 were covered by guards whose training did not comply with requirements.<sup>2</sup> SFMTA paid \$6,375 to Cypress for security services provided by 24 guards with noncompliant training records during the eight-week period reviewed. If the service provided by the 24 guards was an average representation of work performed by these guards over the entire fiscal year, it is estimated that SFMTA paid about \$41,500 for services provided by guards who may have lacked the required training.

Continuing education is not only required by contract and law, but is also important because it ensures that guards' knowledge and skills in valuable topic areas are continually strengthened. Without adequate and necessary training of guards, the City lacks assurance that the guards provide services that meet the City's desired level of quality.

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<sup>2</sup> The 26 shifts associated with the amount of \$6,375 include the four shifts for which timesheet records were not provided, as noted in Finding 1.

- RECOMMENDATIONS** The San Francisco Municipal Transportation Agency should:
4. Consider amending the contract with Cypress Security LLC to specify the types of preferred requirements for ongoing professional training of guards and how the training requirements apply to subcontractors.
  5. Review the training plan of Cypress Security LLC and revise it as necessary to ensure it still meets the intended purpose and that it reflects any contract amendments regarding ongoing training and applicability to subcontractors.
  6. Hold Cypress Security LLC accountable to training requirements by enforcing submittal of quarterly training updates and reviewing the submitted reports.
  7. Consider collecting from Cypress Security LLC amounts due to the City because of noncompliance with training requirements.

### **FINDING 3 CYPRESS COULD NOT DEMONSTRATE SUBCONTRACTORS' COMPLIANCE WITH LIABILITY INSURANCE REQUIREMENT**

The contract between the City and Cypress specifies the required levels of insurance that Cypress, the prime contractor, must maintain, including:

- Professional liability, workers' compensation, and commercial automobile liability insurance with limits of not less than \$1 million per claim.
- Commercial general liability and technology errors and omissions liability with limits of not less than \$1 million per claim and \$2 million in aggregate.



*Contract Is Unclear on Subcontractor Insurance Requirements*

However, the contract does not specifically address the insurance requirements of any subcontractors or whether the requirements are the same as for the prime contractor. Rather, contract Section 15.f states that the prime contractor shall require subcontractors to provide all necessary insurance that specifically names the City as an additional insured party but does not define "necessary." Therefore, SFMTA only verifies that Cypress has evidence of the required levels of insurance before paying security services invoices, but does not verify any insurance information related to its subcontractors.

*Cypress Did Not Provide Sufficient Insurance Documentation for All Three Subcontractors*

Assuming Cypress and its three subcontractors must abide by the same insurance requirements, we requested that each of the companies provide proof that the required insurance was in effect for the entire audit period of Fiscal Year 2015-16. Our review found that:

- Cypress provided evidence of insurance that met contract requirements.
- One subcontractor did not carry professional liability insurance.
- Two subcontractors did not provide certificates that covered the entire period reviewed. For example, one subcontractor submitted evidence of a policy for commercial general and automobile liability insurance that had expired on March 1, 2016, and the subcontractor did not provide evidence of renewal.
- Only one subcontractor provided a certificate of insurance that named the City as an additional insured party.

According to SFMTA's contract manager, Cypress's insurance has covered past damages attributable to subcontractor negligence. However, the contract does not specifically state that this is the required process. Further, the contract requires that subcontractors name the City as an additional insured party. Thus, it appears possible that Cypress or its insurance carrier could refuse to pay for future damages resulting from subcontractors. If the subcontractors do not carry levels of insurance as required by contract Section 15.a, the City may not be adequately compensated for any future damages.

- RECOMMENDATION**      8. The San Francisco Municipal Transportation Agency should consider amending the contract with Cypress Security LLC to specify that the contractor is liable for damages due to subcontractor negligence or, alternatively, clarify the insurance requirements that apply to subcontractors.

## **FINDING 4                      CYPRESS COULD NOT DEMONSTRATE SUBCONTRACTORS' COMPLIANCE WITH MINIMUM COMPENSATION REQUIREMENT**

Contract Section 43 of the agreement between the City and Cypress requires that Cypress and its subcontractors comply with the Minimum Compensation Ordinance (MCO), as set forth in the City's Administrative Code. The MCO hourly wage rate is adjusted annually on January 1<sup>st</sup> and posted to the Office of Labor Standards Enforcement (OLSE) website. For 2016, the minimum hourly wage was adjusted to \$13.34.

To determine whether Cypress and its subcontractors complied with the MCO, we requested payroll records for the 28 guards associated with the 32 shifts selected for detailed review during Fiscal Year 2015-16. Of the 28 guards' payroll records reviewed:

- 17 were Cypress employees—Cypress provided records reflecting that the compensation of all 17 of its employees complied with the MCO.
- 11 were subcontractor employees—Cypress provided records reflecting that the compensation of 3 subcontractor guards complied with the MCO. Cypress could not provide records for the remaining 8 subcontractor guards, so we could not determine compliance.

The MCO states that compliance with the minimum wage requirement is a material element of the City's consideration for entering an agreement and that noncompliance would cause significant harm to the public. For noncompliance, the MCO sets the penalties at \$100 per pay week per employee. Further, failure to provide required reports that could be used to determine compliance with the MCO, such as payroll records, could result in contractors being assessed \$1,000 in liquidated damages.

- RECOMMENDATION**
9. The San Francisco Municipal Transportation Agency should work with the Office of Labor Standards Enforcement to be assured that the subcontractors of Cypress Security LLC comply with the Minimum Compensation Ordinance.

## **FINDING 5**

### **CYPRESS COULD NOT DEMONSTRATE ITS OWN OR SUBCONTRACTORS' COMPLIANCE WITH HEALTH BENEFITS REQUIREMENT**

The contract between the City and Cypress requires Cypress and subcontractors to comply with the Health Care and Accountability Ordinance (HCAO), as set forth in the San Francisco Administrative Code.

The HCAO provides contractors with three options for compliance:

- Offer an approved health benefit plan;
- Pay the City a fee per employee per hour worked; or
- Participate in the health benefit program developed by the City.

**Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

Cypress could not provide sufficient evidence of compliance with the HCAO for itself or any of its three subcontractors. For example, Cypress provided a receipt showing that it reported information to OLSE. Also, SFMTA provided a letter from Cypress attesting that Cypress paid 100 percent of employees' premiums for medical insurance. However, these documents only show that Cypress self-reported its compliance, so are not actual evidence of compliance. Without a review of underlying documentation or a report of compliance from an independent source, we cannot confirm that Cypress complied as it attests. Further, subcontractors either did not respond to requests for documentation or provided insufficient support regarding how they comply with the City's HCAO requirement.

Like the MCO, the HCAO states that compliance with the requirement is a material element of the City's consideration for entering an agreement and that noncompliance would cause significant harm to the public. For instances of noncompliance, the HCAO sets the penalties at \$100 per pay week per employee. Further, failure to provide required reports that could be used to determine compliance with the HCAO, such as benefits records, could result in contractors being assessed \$1,000 in liquidated damages.

**RECOMMENDATION**

10. The San Francisco Municipal Transportation Agency should work with the City's Office of Labor Standards Enforcement to be assured that Cypress Security LLC and its subcontractors comply with the City's Health Care Accountability Ordinance.

## APPENDIX A: DEPARTMENT RESPONSE



Edwin M. Lee, *Mayor*

Cheryl Brinkman, *Chairman*

Malcolm Heinicks, *Vice-Chairman*

Gwyneth Borden, *Director*

Lee Hsu, *Director*

Joél Ramos, *Director*

Cristina Rubke, *Director*

Art Torres, *Director*

Edward D. Reiskin, *Director of Transportation*

September 20, 2017

Tonia Lediju  
Chief Audit Executive  
Office of the Controller: City Services Auditor Division  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Ms. Lediju:

I would like to thank you and your staff for facilitating the audit of the Cypress Private Security contract. The San Francisco Municipal Transportation Authority will work with the City Attorney's Office and the vendor to address the recommendations in the audit report.

If you have any questions or need additional information, please contact Chris Grabarkiewctz, Chief Security Officer, at (415) 646-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Reiskin", is placed above the printed name and title.

Edward D. Reiskin,  
Director of Transportation

**311 Free language assistance** / 免費語言協助 / Ayuda gratis con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / 무료 언어 지원 / Libreng tulong para sa wikang Filipino / การช่วยเหลือทางภาษาโดยไม่เสียค่าใช้จ่าย / خط المساعدة المجاني على الرقم

1 South Van Ness Avenue 7th Floor, San Francisco, CA 94103 415.701.4500 [www.sfmta.com](http://www.sfmta.com)

**Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements  
Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

For each recommendation, the responsible agency should indicate in the column labeled **Agency Response** whether it concurs, does not concur, or partially concurs and provide a brief explanation. 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.

Recommendation	Agency Response	<b>CSA Use Only Status Determination<sup>1</sup></b>
<p>The San Francisco Municipal Transportation Agency should:</p> <p>1. Work with Cypress Security LLC to hold subcontractors accountable for late shift starts and ensure that the City is charged only for hours worked by strengthening the use of the call log.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>SFMTA will designate a specific phone line at each location where guards are assigned that is identifiable by caller ID. The designated line will be the only authorized line from which guards can report for duty and the Agency will not consider service billable until that call is received and logged.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>2. Consider amending the contract to add liquidated damages for failure to provide timesheets upon request.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>The Chief Security Officer will meet with the City Attorney by October 13, 2017, to review this recommendation.</p> <p>Effective Q2 FY18, SFMTA will audit twenty (20) random time records on a quarterly basis. If the vendor cannot provide timesheets the timesheets requested, the Agency will require a refund for services billed and/or withhold payment if pending.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>3. Determine whether Cypress or the subcontractor submitted false claims per City Administrative Code Section 21.35.</p>	<p><input type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input checked="" type="checkbox"/> Partially Concur</p> <p>The Chief Security Officer will meet with the City Attorney by October 13, 2017, to review this recommendation.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

**Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements  
Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

Recommendation	Agency Response	<b>CSA Use Only Status Determination<sup>1</sup></b>
4. Consider amending the contract with Cypress to specify the types of preferred requirements for ongoing professional training of guards and how the training requirements apply to subcontractors.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur SFMTA will review all training requirements in the contract and amend in the interest of specificity where possible, while still allowing for enough flexibility to account for emerging industry standards.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
5. Review the training plan and revise it as necessary to ensure it still meets the intended purpose and that it reflects any contract amendments regarding ongoing training and applicability to subcontractors.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur This will be completed by October 31, 2017.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
6. Hold Cypress accountable to training requirements by enforcing submittal of quarterly training updates and reviewing the submitted reports	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFMTA will conduct quarterly training record audits effective Q2 FY18. Also, please see the Agency response to recommendation 9.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
7. Consider collecting from Cypress amounts due to the City because of noncompliance with training requirements.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur The Chief Security Officer will meet with the City Attorney by October 13, 2017, to review this recommendation.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
8. Consider amending the contract with Cypress to specify that Cypress is liable for damages due to subcontractor negligence or, alternatively, clarify the insurance requirements that apply to subcontractors.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur The Chief Security Officer will meet with the City Attorney by October 13, 2017, to review the contract language regarding Cypress' liability for subcontractor damage/negligence and amend as needed.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

**Cypress Security LLC Could Not Demonstrate Compliance With Contract Requirements  
Including Training, Health Benefits, and Minimum Compensation for Its Subcontractors' Guards**

Recommendation	Agency Response	<b>CSA Use Only Status Determination<sup>1</sup></b>
9. Work with the Office of Labor Standards Enforcement to be assured that subcontractors comply with the Minimum Compensation Ordinance.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFMTA will create a form for Cypress to complete on all guards assigned to the Agency including subcontractors that will include fields for specific details on compliance with MCO requirements, HCAO requirements, guard license information, and training requirements. Cypress will have until October 31, 2017, to submit a completed form for all guards. Also, new personnel will not be authorized to begin their assignment to the SFMTA prior to the submission of the form.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
10. Work with the Office of Labor Standards Enforcement to be assured that Cypress and its subcontractors comply with the City's Health Care Accountability Ordinance.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Please see the Agency response to recommendation 9.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested



## APPENDIX B: CONTRACTOR RESPONSE

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### CONTROLLERS AUDIT - CITY SERVICES SFMTA AND CYPRESS SECURITY

10/2/2017

To Ms. Tonia Lediju

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

#### ACTIVITIES, FINDINGS, AND RECOMMENDATIONS

##### **Response to Finding 1:**

Cypress Security will verify accurate accounting of Sub Contractors provided hours of service by reconciling Telephonic Check In against physical time sheets and submitted invoices.

Telephonic check in's will be performed from a site land line with calls being confirmed by the Security Operations Center (SOC) and directly to the payroll system.

Any variation from the scheduled officer hours will be adjusted in the officers working schedule within 24 hours of notification.

Cypress Security will ensure time sheets are submitted for hours of service provided by each Sub Contractor. Time Sheets will be balanced against hours worked and scheduled.

##### **Response to Finding 2:**

Training with Cypress Security is an ongoing and continuous program where officers are required to participate in a curriculum of class room, self-paced and online courses. Example of course modules that are part of Officer Instructions: Report Writing, Sexual Harassment, Post Instructions, Customer Service, Emergency Response, Bomb Threat and Active Shooter again as examples.

The training as outlined in the contract was provided to the officers however what appears to be in question is the proper annotation of the subject matter. Assisting with and in support of the training program is the Cypress Security Training Manager. The Training Manager will verify and ensure compliance of individual security accounts, provide support with source material, overall management of the training academy electronic system and proctor classes.



Verification of the course taken will be annotated by either completing a physical test or quiz from course handout, direct annotation of the course via successful passing of the test and electronic update once complete and direct annotation of course completion into the training system.

Bi Annually, the Cypress Security Manager will review with each Sub Contractor the progress of their training with their SFMTA assigned officers. The review will provide verification of training and progression of yearly completion.

**Response to Finding 3:**

Cypress Security is compliant with the insurance liability of the SFMTA contract however with that said, there is no language stating or suggesting the Sub Contractors must mirror the principal holder of the SFMTA contract.

Cypress Security requires all Sub Contractors to have their own liability insurance but as the principal holder of the Security Contract, Cypress's Insurance liability extends coverage to all sites where security services are provided. This includes those sites serviced by Sub Contracted personnel.

**Response to Finding 4:**

Cypress Security is compliant with the Minimum Compensation Ordinance ensuring that all officers assigned to the SFMTA account are compensated at a pay rate exceeding the minimum wage for the City and County of San Francisco.

Sub-Contractors are assigned to the SFMTA are required to compensate their personnel at a wage to meet or exceed the MCO for the City and County of San Francisco. To ensure compliance, the Cypress Security Manager will review this component with each Sub Contractor to verify continued and future compliance.

**Response to Finding 5:**

Cypress Security submitted documentation to the City and County of San Francisco illustrating its commitment to provide Health Care to its employees satisfying the HCAO requirement. The Information that was submitted on time and in the format requested. For further verification of the same page 21 paragraph 19.3, sec. (a) of the San Francisco Bay Area Master Collective Bargaining Agreement states:

**FULLY PAID EMPLOYEE ONLY MEDICAL COVERAGE**

For an eligible full time security officer who is employed within the geographical boundaries of the City of San Francisco or in the an East Bay Tier One location as defined in Section 12.4, the Employer will provide fully-paid Employee-only Kaiser plan health and welfare insurance



Charles Boyd

A handwritten signature in black ink that reads "Charles Boyd". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Operations Manager  
Cypress Private Security, LLC

1 South Van Ness Ave  
8<sup>th</sup> Fl. Office 8227  
San Francisco Municipal Transportation Agency  
O: 415-701-4282  
C: 415-629-0209  
Alt C: 510-689-8455