



MEMORANDUM

DATE: October 4, 2011

TO: Edward D. Reiskin, Director of Transportation
San Francisco Municipal Transportation Agency

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

SUBJECT: Review of San Francisco Municipal Transportation Agency Fiscal Year
2010-11 Work Orders

SUMMARY OF RESULTS

The Controller's Office, City Services Auditor Division (CSA), presents the findings and recommendations of a review of work orders that the San Francisco Municipal Transportation Agency (SFMTA) had with other City and County of San Francisco (City) departments in the first half of fiscal year 2010-11. The review considered the implementation status of the general recommendations from an April 2010 CSA compliance review of SFMTA's work orders, and found that SFMTA has made progress, but has not fully implemented the recommendations. For example, as recommended in 2010, SFMTA entered into a memorandum of understanding (MOU) with each City department that provides services to SFMTA. However, some MOUs were not appropriately signed and dated, some MOUs did not include sufficient detail to provide criteria for SFMTA to use when reviewing work order billings, and some work order billings did not comply with MOU requirements. In fiscal year 2010-11, SFMTA had work orders with 25 other City departments covering \$60,442,663 of budgeted costs, of which the review considered work orders with budgets totaling \$32,722,312 (54 percent).

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

On April 30, 2010, CSA released its report, *San Francisco Municipal Transportation Agency: A Compliance Review of the Agency's Work Orders for Fiscal Year 2008-09*. The report contained 38 recommendations related to findings concerning individual work orders that were reviewed, and 4 recommendations on general findings related to SFMTA's overall work order process.

According to SFMTA's financial services and revenue contracts manager, during fiscal year 2010-11, SFMTA executed MOUs with various departments that provide work order services to

SFMTA. The manager further explained that the MOUs are designed to incorporate the recommendations of the Controller’s review and protect SFMTA’s interests. As shown in Exhibit 1, SFMTA had work orders with 25 departments, several of them units of the General Services Agency (GSA), totaling \$60.4 million in fiscal year 2010-11.

Exhibit 1
SFMTA’s Work Orders and Budgets
Fiscal Year 2010-11

Performing Department	Fiscal Year 2010-11 Original Budget
1. City Attorney	\$12,510,442
2. Police	12,254,666
3. Technology	6,177,908
4. Real Estate (GSA)	5,993,184
5. 311 Customer Service Call Center (GSA)	5,748,478
6. Public Utilities	5,109,744
7. Controller	2,806,982
8. Central Shops (GSA)	2,198,147
9. Risk Management (GSA)	2,093,480
10. Public Works	1,875,726
11. Human Services	821,990
12. Contract Administration (GSA)	573,681
13. Public Health	500,000
14. Treasurer and Tax Collector	375,000
15. Human Rights	244,140
16. Economic and Workforce Development	239,956
17. Human Resources	235,000
18. Mayor	181,110
19. Civil Service	140,000
20. Labor Standards Enforcement (GSA)	138,810
21. Planning	100,000
22. Building Inspection	43,257
23. Board of Supervisors	28,322
24. District Attorney	26,111
25. Environment	18,529
Grand Total	\$60,442,663

Source: SFMTA

SFMTA pays the majority of its expenses from the Municipal Transportation Fund, which San Francisco voters established in 1999 and amended in 2007. The fund is to be appropriated, expended, or used solely for SFMTA operations, capital improvements, management, supervision, maintenance, extension, and day-to-day operations. The fund may be used for any division subsequently created or incorporated into SFMTA that performs transportation-related functions. SFMTA’s expenditures, including work order services purchased from other departments, are paid from the Municipal Transportation Fund.

Objectives

The objectives of the review were to determine whether SFMTA could show that it appropriately and accurately paid for services provided by other City departments, sometimes through contractors. The review considered work order activity from July 1 through December 31, 2010. The review is not an audit or attestation engagement as defined under generally accepted government auditing standards.

To maintain its independence, CSA did not review any MOUs or work orders between SFMTA and the Controller's Office. The review also did not consider the baseline level of General Fund support provided to the Municipal Transportation Fund, as was performed in the prior review.

Methodology

To conduct the review, the auditors:

1. Assessed SFMTA's internal controls over its work order processes.
2. Determined whether SFMTA has taken appropriate steps to implement the recommendations for the general findings made in the April 30, 2010, audit report.
3. Determined whether SFMTA has signed MOUs with performing departments for all work order activities.
4. Reviewed a sample of MOUs to ascertain whether the terms are appropriate for the services provided.
5. Reviewed a sample of work order billings to determine whether invoiced amounts are based on terms specified in the MOU and costs are properly supported.

RESULTS OF REVIEW

SFMTA significantly improved its work order procedures for fiscal year 2010-11. Since CSA's April 2010 audit report, SFMTA established written procedures over its work order processes that are generally adequate. SFMTA also established MOUs with all 25 City departments with which it has work orders.

I. GENERAL FINDINGS

1. SFMTA has taken appropriate steps to implement two of the four general recommendations in the Controller's April 2010 report. Those recommendations asked SFMTA to :

- Establish MOUs with each department with which it has a work order.
- Require written approval of changes to work order agreements.
- Monitor charges against work orders to ensure that they are appropriate.
- Not pay for costs without sufficient documentation.

Despite having less than three months to implement these recommendations before the new fiscal year began, SFMTA established an MOU with all 25 of the performing departments. A sample of five of those MOUs contained adequate descriptions of the scope and time frame of the services to be provided. SFMTA monitors certain charges against work orders to ensure that they are appropriate. When SFMTA identified charges that were not allowed under the MOU, SFMTA declined to pay those charges.

2. SFMTA's written internal control procedures over its work order processes are generally adequate. Since the April 2010 audit report, SFMTA developed written work order procedures that cover the initiation of a work order, the billing approvals, and the close-out or carry-forward of work orders.
3. Of the 25 departments' MOUs reviewed, 6 are not fully signed and dated, and those with dated signatures were not signed before their effective dates. All of the MOUs had at least one signature of an SFMTA representative and one of a performing department representative on either the MOU itself or an attachment. However:
 - One MOU lacked a signature.
 - More than half of the 11 MOU attachments containing signature fields were missing at least one signature.
 - 78 percent of the signatures were not dated.

Of the 12 departments whose MOUs or MOU attachments contain at least one dated signature, all were signed after the MOU's effective date. All the SFMTA MOUs reviewed have an effective date of July 1, 2010, except for a multiyear MOU with the Police Department, which has an effective date of July 1, 2007. Of the 24 departments' MOUs reviewed, 23 of them were established as result of a

recommendation from CSA's April 2010 audit report. Consequently, SFMTA had less than three months to fully implement the recommendation. This short time frame contributed to SFMTA's inability to ensure that all MOUs were signed before the start of the following fiscal year.

Because many of SFMTA's MOUs are for ongoing services, the services were likely to have been rendered before the MOU was approved by both parties. For example, although the Department of Public Works (DPW) did not sign its MOU with SFMTA until December 9, 2010, all four billings to SFMTA for fiscal year 2010-11 that the auditors tested included costs for services rendered in July and August 2010.

Good business practice requires that MOUs be signed and dated by the requesting and performing departments before the effective date and start of services to ensure both parties agree to all terms. Without a documented understanding before services are rendered, SFMTA may incur obligations for services that it did not intend to have provided and may adversely impact its budget.

4. Billing cycles specified in MOUs are not always used. Although MOUs required quarterly billing, many of the bills prepared for work done under these MOUs that the auditors reviewed were for a single month or for a six-month period. If SFMTA expects quarterly billings, but receives them at different intervals, it may be less able to manage its budget.
5. The SFMTA Financial Services and Revenue Contracts unit's review of bills may be insufficient to ensure their accuracy and appropriateness. SFMTA's work order procedures specify that the Financial Services and Revenue Contracts unit is to spot check work order billings for discrepancies. However, the term "spot check" does not sufficiently guide staff on the level and type of reviews to be performed. The SFMTA's procedures also specify that the SFMTA requesting manager is responsible for verifying the billing. However, the auditors found instances where the requesting managers approved bills that did not include supporting documentation. That documentation would have allowed the SFMTA requesting manager to verify the billing for accuracy and compliance with the MOU. For example, one bill from DPW included a summary of invoice amounts without descriptions of costs.

RECOMMENDATIONS:

SFMTA should:

1. Ensure that signature requirements for its MOUs are consistently completed. Further, all MOUs should have a date block next to each signature block for the signer to specify the date signed. SFMTA should consult with the City Attorney on whether it should consistently have signature blocks on all attachments to MOUs, or have no signature blocks on attachments.

2. Ensure that MOUs are created and signed according to the deadlines specified in the MOUs, or before the start of the fiscal year to which they apply. Ensure that the MOU is amended and approved before a department renders services that are not specified in the MOU.
3. For any instance where SFMTA is unable to have a signed MOU before the start of the fiscal year, ensure that it has a signed MOU before a department renders services.
4. Review all of its MOUs to ensure that they include appropriate billing cycles.
5. Revise the Financial Services and Revenue Contracts unit's procedures to ensure that staff adequately reviews billings for accuracy and appropriateness. To best accomplish this, the Financial Services and Revenue Contracts unit should develop a checklist that specifies the tasks that staff is to perform in reviewing each work order billing. Specifically, unit staff should ensure that the SFMTA requesting manager obtained any supporting documentation required by the MOU before approving the billing for payment.

II. WORK ORDER SPECIFIC FINDINGS FOR FISCAL YEAR 2010-11

- A. Department: City Attorney
Purpose of MOU: Legal services performed for SFMTA
MOU Amount: \$12,510,442

The City Attorney's work order billings for legal services provided to the SFMTA's Transit Service unit often lacked key information. The City Attorney's bills did not list staff name, job classification, and hourly rates of those who did the work. The City Attorney also did not provide documentation to SFMTA that supported the charges included in the billings. Of a sample of \$1,410,203 of charges in City Attorney work order billings reviewed, only \$7,999 (0.6 percent) was found to be supported. The unsupported charges of \$1,402,204 consisted of \$1,320,200 in staff charges and \$82,004 in non-salaried expenses.

SFMTA's MOU with the City Attorney specifies that:

- The City Attorney is to provide quarterly invoices in a form agreed to by both parties.
- Invoices shall include appropriate supporting documentation describing the services rendered and associated costs.
- At a minimum, the information provided by the City Attorney must enable SFMTA to verify that the costs are billed appropriately.

The City Attorney's billing does not provide support for many line items. Each of these line items is designated with the term "summarized record" on the bill. According to a deputy city attorney and SFMTA staff, the City Attorney and SFMTA had a verbal understanding about the details that the City Attorney would provide in its billings, and that SFMTA understood that billings would not provide specifics regarding City Attorney efforts involving litigation or advice.

However, without key information such as the name, job classification, and pay rate of the City Attorney employees doing the work, SFMTA cannot verify whether the amount billed for staff time is accurate.

Recommendation:

6. SFMTA should modify the MOU to specify the information that the City Attorney will provide and any arrangements that SFMTA and the City Attorney make regarding confidential information. At a minimum, SFMTA should work with the City Attorney to identify the information that it will provide in each billing that will allow SFMTA to review bills for their accuracy and appropriateness. Specifically, SFMTA should consider having the City Attorney include at least the job classification and the pay rate of each employee whose time is billed.

SFMTA paid the City Attorney's bills without signed approvals from all SFMTA requesting managers that are designated to review and approve these billings. According to SFMTA's procedures for processing work order billings, they are to be approved by SFMTA's designated managers before payment. According to SFMTA, it designated a different manager to be responsible for the City Attorney's work order billing related to SFMTA's transit service, which delayed approval.

Recommendation:

7. SFMTA should ensure that staff approves City Attorney billings before paying them. If SFMTA's procedures are impractical, it should develop procedures that it can comply with and still protect its interests.

The City Attorney used some incorrect billing rates for services provided to SFMTA's Transit Service unit. For two of its staff, the City Attorney used billing rates that differed from the hourly billing rates listed in the MOU. For one employee, the rate billed exceeded the stated rate by \$6 per hour, and for the other staff, the rate billed was \$1 per hour less than the stated rate. As a result of these errors, the

City Attorney overbilled SFMTA by \$26 for services performed by these two attorneys for the Transit Service unit. Although this amount is insignificant, these errors indicate a risk of a more widespread problem that could result in significant errors.

Recommendation:

8. SFMTA should request the City Attorney to correct the existing billings for incorrect billing rates, and remind the City Attorney that it should bill at the hourly rates stated in the MOU for listed staff.

B. Department: San Francisco Police Department

Purpose of MOU: Public safety and the prevention, detection, and assisting in prosecution of criminal offenses on SFMTA transit systems and facilities

MOU Amount: \$12,254,666

SFMTA did not have an approved work order budget for the Police Department, contrary to a requirement in the fiscal year 2010-11 MOU. The MOU states that costs after fiscal year 2009-10 would be set forth in an "Approved Work Order Budget." According to the MOU, an approved work order budget is an annual budget for services provided by the Police Department, as approved by SFMTA's executive director (now director of transportation) and chief financial officer. SFMTA confirmed that it did not have a fiscal year 2010-11 work order budget for Police Department services. SFMTA staff explained that SFMTA's overall budget for the fiscal year included the budgeted amounts for the Police Department work orders. This budget was presented by SFMTA's chief financial officer (CFO) and approved by the SFMTA board, but was not signed and officially approved by the executive director and CFO as required by the MOU.

Recommendation:

9. SFMTA should ensure that an annual work order budget is developed and approved as specified in the Police Department MOU.

The MOU does not include sufficiently detailed cost information about the services the Police Department is to provide. The MOU specifies that costs for fiscal year 2010-11 would be set in an approved work order budget. The budget that SFMTA provided showed only total amounts for the work orders and did not include detailed cost information. Further, SFMTA staff stated that SFMTA did not have any

schedules of costs or labor rates for these recurring services. Such schedules would allow SFMTA staff to check whether billings complied with agreed-upon rates.

The MOU lays out the terms of the agreement between SFMTA and the Police Department. The MOU should include sufficient details to ensure that both parties understand the cost of the services to be provided. The MOU also should include sufficient details about the costs of services so that SFMTA staff can use it to verify that the Police Department's bills conform to the MOU. The lack of detailed budget and cost information in the MOU puts SFMTA at risk of receiving and paying for services that exceed the budgeted amount.

Recommendation:

10. SFMTA should include in its MOU with the Police Department cost details of what it expects the Police Department to provide, including hourly labor rates.

The SFMTA Financial Services and Revenue Contracts unit paid the first quarter billing of the Police Department's Traffic Company without obtaining all appropriate approvals. The Police Department submitted the billing and supporting documents on October 4, 2010. SFMTA paid the \$2.2 million billing on October 6, 2010. However, SFMTA Financial Services and Revenue Contracts staff did not obtain all required approvals for the billing until February 18, 2011.

SFMTA's work order procedures specify that SFMTA staff should gather supporting documents for work order billings immediately after seeing documents on the approval path and submit the billing with supporting documents to the SFMTA requesting manager. The SFMTA requesting manager is to verify and approve the billing. The procedures specify that the requesting manager has five days to return the approved billing to accounting staff. They then forward it to Financial Services and Revenue Contracts staff, who have another two days to approve the billing. SFMTA's work order procedures were established to help ensure that bills are reviewed and approved before payment. By not following its procedures, SFMTA is at greater risk for erroneous payments.

Recommendation:

11. SFMTA should ensure that staff approves billings before paying them. If SFMTA's procedures are impractical, it should consider developing procedures that it can comply with and that still protect its interests.

The pay rates the Police Department used in its billings may differ from actual pay rates. The Police Department MOU does not include specific employee pay rates. In May 2011, at SFMTA's request, the Police Department provided hourly rates of the job classifications of employees assigned to its Traffic Company. Of the billed hourly rates of 19 police officers reviewed, 12 (63 percent) were greater than the rates provided by the Police Department to SFMTA in May 2011.

The hourly rates the Police Department provided to SFMTA in May 2011 may be different than those that were in effect during August 2010, the month of the pay period tested for this review. It is unclear whether these rates were requested as part of the SFMTA verification process or due to CSA's review. In either case, without an understanding of the current rates, SFMTA cannot ensure the accuracy and appropriateness of the pay rates billed by the Police Department.

Recommendation:

12. SFMTA should modify its MOU with the Police Department to specify that the Police Department is to provide official employee pay rates to SFMTA before the Police Department submits its billings.

The Police Department underbilled SFMTA by \$1,293,635 for the first two quarters of fiscal year 2010-11. While SFMTA has MOUs with other departments that specify that the total amount paid will not exceed a specified amount for the year, SFMTA's MOU with the Police Department requires it to bill the full actual costs of the services requested by SFMTA. SFMTA's Financial Services and Revenue Contracts unit reviewed the supporting documentation of the full actual costs provided by the Police Department and identified some costs that were unallowable under the MOU. Even after removing these costs, the net actual costs exceeded the amount the Police Department billed SFMTA. Exhibit 2 on the next page shows the amount of actual costs, adjustments, billed costs and the amount the Police Department underbilled.

Exhibit 2
Underbilling of SFMTA by the Police Department
First Two Quarters of Fiscal Year 2010-11

	1st Quarter	2nd Quarter
Police Department actual costs	\$2,997,709	\$3,506,252
Less: Unallowable costs identified by SFMTA	(561,383)	(152,517)
<i>Total billable actual costs</i>	<i>\$2,436,326</i>	<i>\$3,353,735</i>
Less: Amount Police Department billed to SFMTA	2,248,213	2,248,213
<i>Difference (amount underbilled)</i>	<i>\$188,113</i>	<i>\$1,105,522</i>
Two quarter cumulative underbilled amount		\$1,293,635

Source: SFMTA Financial Services and Revenue Contracts unit.

Recommendation:

13. SFMTA should modify its billing procedures with the Police Department to ensure that it pays only for actual costs. Further, SFMTA should ensure that its MOU with the Police Department accurately reflects their current agreements.

- C. Department: 311 Customer Service Call Center (311 Center)
- Purpose of MOU: Provide SFMTA customers with information on all SFMTA-related matters including parking, transit, and taxi services
- MOU Amount: \$5,748,478

The 311 Center submitted its billings late and the billings covered six months rather than three. The MOU requires that the 311 Center provide SFMTA with quarterly invoices no later than 30 days after the end of the fiscal quarter. The 311 Center was required to provide its invoices to SFMTA by October 30, 2010, for the first quarter billing and by January 31, 2011, for the second quarter billing. Rather than submitting quarterly invoices, the 311 Center billed \$3,018,807 for the first two quarters in a single billing. Further, the 311 Center did not submit this bill until March 4, 2011, which was 63 days after the close of the second quarter of fiscal year 2010-11. If SFMTA expects quarterly invoices, but receives semi-annual bills, it is less able to manage its resources effectively.

Recommendation:

14. SFMTA should request the 311 Customer Service Call Center to submit bills in accordance with the billing cycle and deadlines

specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both parties can comply with and still allow SFMTA to effectively manage its resources.

D. Department: Department of Public Works

Purpose of MOU: Street and platform cleaning, graffiti removal, street paving, building repair and improvements, hazardous material abatement, architectural services, and information technology services

MOU Amount: \$1,875,726

SFMTA and DPW use an automated process for some billings that is not specified in the MOU. Of 20 DPW bills to SFMTA for October 2010 chosen for review, 16 (80 percent), representing \$240,467 of costs, could not be tested because SFMTA did not have documentation to support the payments. According to an SFMTA employee, these transactions did not include supporting documents because they were billed through an automated billing process that is subject to several internal controls. The SFMTA employee further explained that the process allows SFMTA to request specific supporting documents from DPW, at which point, DPW is required to provide them. While this automated process may be an efficient and accurate method of processing certain work order billings, it is not included as an allowable billing method in the MOU.

Recommendation:

15. If it chooses to keep the automated billing process with DPW, SFMTA should modify its MOU with DPW to specify the expectations for this process. SFMTA should ensure that the MOU specifies the criteria for allowing a cost to be billed automatically, a description of the controls DPW is to maintain to ensure automated billings are accurate, and the procedures that SFMTA and DPW are to follow for requesting and providing supporting documents. In addition, SFMTA should develop procedures for periodically reviewing DPW's supporting documents that details the frequency and nature of the review. SFMTA should require DPW to comply with the billing procedures specified in the MOU.

One DPW bill for \$6,696 lacked appropriate support but SFMTA paid it. For this bill, for July and August 2010, DPW provided only a summary list of invoice amounts, but no actual invoices. The summary did not include a description of the costs or applicable rates. The MOU requires that billings include detailed non-labor costs and service descriptions, and that charges for the sidewalk inspection and repair

program be based on the applicable rate per square foot for sidewalk repair work on SFMTA property. In this case SFMTA did not request further documentation before approving payment. Without detailed documentation, SFMTA cannot assess whether DPW's billings are in accordance with the MOU.

Recommendation:

16. SFMTA should ensure that DPW provides sufficient documentation in accordance with the MOU requirement for detailed non-labor costs and services descriptions for each billing.

The supporting documents that DPW submitted for two bills did not include labor hourly rates as required by the MOU. One billing, for \$24,418, did not specify any detailed labor information such as hours worked or the labor hourly rate for the DPW employees. The other billing, for \$35,218, included a labor invoice that detailed the number of hours worked and the total actual cost, but did not specify the labor hourly rates. SFMTA cannot determine that billings are at the agreed upon rates specified in the MOU without sufficient supporting documentation.

Recommendation:

17. SFMTA should review with DPW the billing formats specified in their MOU to ensure they specify a level of detail that is both sufficient for SFMTA to review billings and practical for DPW to prepare billings. SFMTA should request DPW to submit billings in the agreed-upon format, including requirements to provide hourly labor rates.

For the \$35,218 bill mentioned above, the SFMTA requesting manager did not include a date of approval with his signature. SFMTA work order procedures require that billings be approved by the requesting manager before being paid. Without a date accompanying approval signatures, SFMTA cannot be assured that the requesting manager approved the bill before it was paid.

Recommendation:

18. SFMTA should ensure that the requesting manager dates approval of billings at the time of approval.

The DPW bill for \$24,418 mentioned above was for one month instead of a quarter. The MOU requires that DPW provide SFMTA with quarterly invoices no later than 30 days after the end of the fiscal

quarter. If SFMTA receives monthly bills instead of quarterly invoices, it is less able to manage its resources effectively, especially if billed amounts end up exceeding annual budgets.

Recommendation:

19. SFMTA should request DPW to submit bills in accordance with the billing cycle specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both DPW and SFMTA can comply with and that still allow SFMTA to effectively manage its resources.

E. Department: Office of the Treasurer and Tax Collector (Treasurer and Tax Collector)
Purpose of MOU: Selling transit items; operating the revenue control equipment program
MOU Amount: \$375,000

SFMTA did not amend the Treasurer and Tax Collector's MOU to change the services it covers. The itemized list of work to be performed in this MOU includes cost recovery of up to \$20,000 for the Treasurer and Tax Collector to collect taxi fees. However, according to SFMTA staff, SFMTA and the Treasurer and Tax Collector came to a verbal agreement in September 2010 that this service was no longer needed. However, the MOU was not modified to reflect this change, and the Treasurer and Tax Collector billed the \$20,000 budgeted amount for this fee in accordance with the MOU. SFMTA then appropriately identified the charge as unauthorized and did not pay it. The billing error may have been avoided if SFMTA had documented the change with an amendment to the MOU signed by both parties.

Recommendation:

20. SFMTA should ensure that its future MOUs with the Treasurer and Tax Collector include only the services and charges agreed to by both parties and do not include taxi fee collection services and associated charges.

The Treasurer and Tax Collector's bill covered six months rather than three months. The MOU requires that the Treasurer and Tax Collector provide SFMTA with quarterly invoices no later than 30 days after the end of the fiscal quarter. If SFMTA receives bills for six months' of services instead of quarterly invoices, it is less able to manage its resources effectively, especially if billed amounts end up exceeding annual budgets.

Recommendation:

21. SFMTA should request the Treasurer and Tax Collector to submit bills in accordance with the billing cycle specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both parties can comply with and still allow SFMTA to effectively manage its work orders.

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY RESPONSE

SFMTA | Municipal Transportation Agency

Edwin M. Lee | Mayor
Tom Nolan | Chairman
Jerry Lee | Vice-Chairman
Leona Bridges | Director
Cheryl Brinkman | Director
Malcolm Heinicke | Director
Bruce Oka | Director
Joél Ramos | Director
Edward D. Reiskin | Director of Transportation

August 24, 2011

Tonia Lediju, Director of Audits
Controller's Office
City Hall, Room 476
1. Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Work Order Review for FY 2010 - 2011

Ms. Lediju:

Please find attached the completed Non-audit Services Recommendation and Response Form in connection with the Controller's Office review of San Francisco

in Agency Memorandum of Understanding for budgeted work
ous city agencies for fiscal year ending June 30, 2011.

staff for their time and effort. If you have any questions or
ct Sonali Bose at 701.4617.

on

Municipal Transportati
order services with vari

Thank you and your s
concerns, please conta

Sincerely,

Edward D. Reiskin
Director of Transportati

cc: Sonali Bose, CFO
Attachment

ATTACHMENT: RECOMMENDATIONS AND RESPONSES

Recommendation	Response
<p>1. SFMTA should ensure that signature requirements for its MOUs are consistently completed. Further, all MOUs should have a date block next to each signature block for the signer to specify the date signed. SFMTA should consult with the City Attorney on whether it should consistently have signature blocks on all attachments to MOUs, or have no signature blocks on attachments.</p>	<p>Concur. All MOUs and/or attachments will be consistently completed with dated signature blocks.</p>
<p>2. SFMTA should ensure that MOUs are created and signed according to the deadlines specified in the MOUs, or before the start of the fiscal year to which they apply. Ensure that the MOU is amended and approved before a department rendering services that are not specified in the MOU.</p>	<p>Concur. Payments will not be made until MOUs and/or attachments are agreed upon and signed by both parties. The Controller's Office Accounting section should be advised of this finding and response.</p>
<p>3. For any instance where SFMTA is unable to have a signed MOU before the start of the fiscal year, ensure that it has a signed MOU before a department renders services.</p>	<p>Concur. See #2 above – except in the cases of emergency situations which require immediate safety or service attention.</p>
<p>4. SFMTA should ensure that all of its MOUs include appropriate billing cycles.</p>	<p>Concur, the standard will be quarterly billing unless there is a good reason why this cannot be the case for administrative efficiency.</p>

Recommendation	Response
<p>5. SFMTA should revise the Financial Services and Revenue Contracts unit's procedures to ensure that staff adequately reviews billings for accuracy and appropriateness. To best accomplish this, the Financial Services and Revenue Contracts unit should develop a checklist that specifies the tasks that staff is to perform in reviewing each work order billing. Specifically, unit staff should ensure that the SFMTA requesting manager obtained any supporting documentation required by the MOU before approving the billing for payment.</p>	<p>Concur. Revising procedures and preparing checklist to incorporate Controller's recommendations for appropriate levels of approval within current section capacity.</p>
<p>6. SFMTA should modify its MOU with the City Attorney to specify the information that the City Attorney will provide and any arrangements that SFMTA and City Attorney make regarding confidential information. At a minimum, SFMTA should work with the City Attorney to identify the information that it will provide in each billing that will allow SFMTA to review bills for their accuracy and appropriateness. Specifically, SFMTA should consider having the City Attorney include at least the job classification and the pay rate of each employee whose time is billed.</p>	<p>Concur – however this is subject to City Attorney agreement and compliance.</p>
<p>7. SFMTA should ensure that staff approves City Attorney billings before paying them. If SFMTA's procedures are impractical, it should develop procedures that it can comply with and still protect its interests.</p>	<p>Concur. The volume and details related to CAO billing are now provided electronically which is a significant improvement from past practices. SFMTA will review billings to make sure that the subject matter is associated with the SMFTA. The SFMTA cannot, however, determine the appropriateness of the level of effort expended to address legal issues nor the requirement for the need for legal services as these are under the jurisdiction of the City Attorney by Charter.</p>

Recommendation	Response
<p>8. SFMTA should request the City Attorney to correct the existing billings for incorrect billing rates, and remind the City Attorney that it should bill at the hourly rates stated in the MOU for listed staff.</p>	<p>Concur – however, this is subject to the City Attorney agreement and compliance.</p>
<p>9. SFMTA should ensure that an annual work order budget is developed and approved as specified in the Police Department MOU.</p>	<p>Concur. The SFPD MOU specifies that both SFMTA and SFPD CFOs must agree to and sign the annual budgeted amounts (Attachment A) but given the two year budget, the agreement must be a bi-annual authority.</p>
<p>10. SFMTA should include in its MOU with the Police Department cost details of what it expects the Police Department to provide including hourly labor rates.</p>	<p>Partially concur. Rates should not be in the MOU but in Attachment A which is updated bi-annually as stated above.</p>
<p>11. SFMTA should ensure that staff approves billings before SFMTA pays them. If SFMTA's procedures are impractical, it should consider developing procedures that it can comply with and that still protect its interests.</p>	<p>Concur. This practice is already in effect. The Controller's Office Accounting section should be advised of this finding and response.</p>
<p>12. SFMTA should modify its MOU with the Police Department to specify that the Police Department is to provide official employee pay rates to SFMTA before the Police Department submitting its billings.</p>	<p>Partially concur. Rates should not be in the MOU but in Attachment A which is updated bi-annually as stated above. We are working with SFPD on receiving official pay rate information on a regular basis.</p>
<p>13. SFMTA should modify its billing procedures with the Police Department to ensure that it pays only for actual costs. Further, SFMTA should ensure that its MOU with the Police Department accurately reflects their current agreements.</p>	<p>Concur. However, in order to address this discrepancy, the Mayor's Budget Office and the Controller will need to be involved in the discussion.</p>

Recommendation	Response
14. SFMTA should require the 311 Customer Service Call Center to submit bills in accordance with the billing cycle and deadlines specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both parties can comply with and still allow SFMTA to effectively manage its resources.	See Response to 4.
15. If it chooses to keep the automated billing process with DPW, SFMTA should modify its MOU with DPW to specify the expectations for this process. SFMTA should ensure that the MOU specifies the criteria for allowing a cost to be billed automatically, a description of the controls DPW is to maintain to ensure automated billings are accurate, and the procedures that SFMTA and DPW are to follow for requesting and providing supporting documents. In addition, SFMTA should develop procedures for periodically reviewing DPW's supporting documents that details the frequency and nature of the review. SFMTA should require DPW to comply with the billing procedures specified in the MOU.	Partially Concur. SFMTA will modify MOU outline review procedures related to automated billing solely for capital projects. For the operating budget, work order billings will not automated and must comply with the procedures outlines in the MOU.
16. SFMTA should ensure that DPW provides sufficient documentation in accordance with the MOU requirement for detailed non-labor costs and services descriptions for each billing.	Concur. This issue has been addressed.
17. SFMTA should review with DPW the billing formats specified in their MOU to ensure it specifies a level of detail that is both sufficient for SFMTA to review billings and practical for DPW to prepare billings. SFMTA should request DPW to submit billings in the agreed upon format including requirements to provide hourly labor rates.	Concur. This has been addressed.
18. SFMTA should ensure that the requesting manager dates approval of billings at the time of approval.	Concur. This has been addressed.

Recommendation	Response
19. SFMTA should request DPW to submit bills in accordance with the billing cycle specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both DPW and SFMTA can comply with and that still allow SFMTA to effectively manage its resources.	Concur for operating work orders. The MOU does not apply to capital projects which are automatically billed.
20. SFMTA should ensure that its future MOUs with the Treasurer and Tax Collector include only the services and charges agreed to by both parties and do not include taxi fee collection services and associated charges.	Concur. The MOU was created during the transition period prior to Taxi Services fully merging into the SFMTA and has been corrected.
21. SFMTA should require the Treasurer and Tax Collector to submit bills in accordance with the billing cycle specified in the MOU. If appropriate, SFMTA should modify the MOU to specify billing terms that both parties can comply with and still allow SFMTA to effectively manage its work orders.	Concur. This has been corrected.