



REVIEW MEMORANDUM

TO: JD Beltran, Interim Executive Director of Cultural Affairs

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

DATE: November 15, 2011

SUBJECT: **Results of the Financial Management Review of the San Francisco Arts Commission**

EXECUTIVE SUMMARY

The Office of the Controller, City Services Auditor Division (CSA), reviewed the financial management of the San Francisco Arts Commission (SFAC). The review evaluated the organizational structure of SFAC finance personnel, assessed the financial practices of SFAC's programs, and evaluated the grants-making process, including procedures for issuing payments. The review found several operational and financial weaknesses upon which SFAC needs to improve. This memo contains 12 recommendations to help SFAC improve its financial and operational practices.

BACKGROUND

SFAC, established by the 1932 Charter of the City and County of San Francisco (City), is the city agency that promotes the arts in San Francisco. SFAC programs are designed to integrate the arts into all aspects of city communities. SFAC has the following nine programs and projects:

- City Hall Docent Tours
- Civic Art Collection
- Civic Design Review
- Community Arts and Education
- Cultural Equity Grants
- Public Art: Art Enrichment
- Arts Commission Gallery
- Street Artists
- San Francisco Symphony – Municipal Concerts

These programs are supported by SFAC's development and accounting sections. Exhibit 1 shows the fiscal year 2010-11 budgets of the seven SFAC general fund and special revenue fund programs that are budgeted through the City's Consolidated Budget and Annual Appropriation Ordinance.

EXHIBIT 1 San Francisco Arts Commission Program Budget Summary

Program	Fiscal Year 2010-11 Budget
Community Arts and Education	\$3,672,024
Cultural Equity	2,089,774
San Francisco Symphony – Municipal Concerts*	1,981,515
Street Artists	262,313
Public Art	165,090
Civic Collection	83,775
Gallery	25,000
TOTAL	8,279,491

*SFAC and the San Francisco Symphony Orchestra, through a contract, partner to produce a concert series that is intended to appeal to youth, families, and the diverse demographics of the City. This includes the Summer and the Symphony concert series.

Source: City and County of San Francisco Consolidated Budget and Annual Appropriation Ordinance for the fiscal year ending June 30, 2012.

Over the past four years, SFAC has undergone several management changes. Three directors of cultural affairs have been appointed in succession, and the deputy director position was eliminated. Eliminating the deputy director position was a significant change as managers and staff had to begin to report directly to the director of cultural affairs. SFAC recently appointed an interim director of cultural affairs, and is in the process of restructuring by reinstating the deputy director position and eliminating a director of programs position instituted by the previous director of cultural affairs. CSA agrees with the restructuring, and believes it will benefit SFAC.¹

METHODOLOGY

To conduct this review, CSA:

- Surveyed all SFAC employees to assess the organization.
- Researched SFAC's legislative requirements.
- Analyzed employee records to ensure that only active employees are paid and properly included on payroll and staff lists.
- Interviewed several program personnel, including a majority of SFAC's program directors.
- Tested samples of SFAC's expenditures, including grant, stipend, and administrative expenses, in the City's accounting system.

¹ The organizational structure proposed by SFAC management is detailed in Appendix A of this memorandum.

Of 105 expenditures recorded against SFAC's Administrative Fund, the review examined 10 (9.5 percent). The review summarized and assessed all of SFAC's grant programs, and analyzed historical grant award data. In relation to grants, the review examined:

- 23 (8 percent) of 282 Cultural Equity Grants (CEG) program grant payments, including those related to both organization and individual grants.
- 4 (11 percent) of 38 Community Arts and Education (CAE) program grant payments.
- 10 (12 percent) of 81 stipend payments issued from the CEG program.
- 4 (24 percent) of 17 Community Arts & Education WritersCorps, Youth Art Festival, and project support payments.

Of the 105 expenditures recorded against SFAC's Administrative Fund, all ten tested expenditures appeared to be for discretionary purposes inconsistent with the purposes intended by sources of the fund. Of the 23 CEG program grant payments tested, one payment was made after expiration of the grant period, one grant was incorrectly coded, and one grant was made that was not subject to a competitive process. Of the sample of 4 CAE grant payments tested, 1 grant amount was not adequately documented.

The review period was July 1, 2010, through August 15, 2011.

RESULTS

Finding 1: SFAC Uses Some Accounting Policies That Diverge from City Policies and Best Practices, and Should Improve Written Policies and Procedures for Its Programs

Recommendation 1: SFAC should include overhead charges as part of the City's regular annual budget process to ensure that funds are used for their intended purposes.

SFAC improperly accounts for discretionary spending and overhead by not including a clear budget for administrative expenditures charged to SFAC's administrative account in the City's annual budget process. This administrative account is primarily funded from the budgets of the various SFAC programs, which allocate specific amounts based on the needs of each program. SFAC uses an overhead cost allocation methodology from this account to charge each program a share of administrative expenditures. This includes costs such as rent, accounting services, information technology support, and human resources services. According to SFAC's finance director, once the allocations are combined into the administrative account, the funds are not restricted to specific purposes. This account does not operate under a budget that can be monitored throughout the fiscal year. Instead, the fund has been used for some overhead costs and discretionary expenses with the approval of the immediately prior director of cultural affairs. During the review period these expenditures totaled \$269,000 and included:²

- Catering expenses
- Consulting services
- Furniture and fixture purchases and installations
- Grant payments

² The expenditures listed are in alphabetical order. The review did not determine the value of each category.

- Overhead expenses

Because SFAC charges its programs to recover the costs for administrative expenditures, the use of this account for discretionary spending is improper and not according to the account's intended purposes. Moreover, there is a risk that one program may be heavily subsidizing another program's discretionary spending.

CSA recommends that SFAC collaborate with the Office of the Controller's Budget Analysis Division and Accounting Operations and Systems Division during the current fiscal year to ensure that overhead charges and recoveries are included in the annual budget process and that funds are used for their appropriate and intended purpose.

Recommendation 2: SFAC should follow the authorized vendor and employee reimbursement procedures from the Office of the Controller, and implement payment restrictions over the use of the revenue held in Intersection for the Arts.

SFAC's fiscal accounts with the Intersection for the Arts (IFTA) circumvent the City's policies for vendor selection and restrictions on employee reimbursements. SFAC currently holds contracts with IFTA for three fiscal sponsorship accounts that are not subject to the City's codes and regulations. SFAC maintains these three accounts with IFTA to receive grants, donations, and contributions from the general public, government entities, foundations, and corporate entities that are not made directly to the City. The revenue received by IFTA is used to provide additional funds to the SFAC Gallery, WritersCorps, and general SFAC programs. According to SFAC program managers, the use of some of the funds recorded by IFTA can be restricted based on donor intent. However, unrestricted funds are used for general operating expenditures and SFAC programs, SFAC receptions and retreats, employee reimbursements for travel and meals, and, according to a program director, payments to vendors not approved by the City. SFAC circumvents city vendor and employee reimbursement policies by using the IFTA account in these ways.

CSA recommends that SFAC implement restrictions over the use of the revenue held in IFTA accounts, and implement procedures consistent with those required by the Office of the Controller for all payments, including those for vendors and employee reimbursements.

Recommendation 3: SFAC should institute policies to better track grants received.

The Development section of SFAC does not delineate the process to track and monitor grants once they are awarded to SFAC, including the process of reconciling actual grant funds received to the grant agreement. The Development section is charged with identifying and procuring additional funding for SFAC programs. According to the development director, the focus of the Development section includes those SFAC programs and initiatives that are not in the city Charter and that do not have dedicated funding sources such as from the general fund or special revenue funds. The Development section, upon receiving grant funds and allocating them based on donor intent, has no method to formally track and monitor the receipt of grants or reconcile the funds to grant awards and amounts recorded by the SFAC's Accounting section in the City's Financial Accounting and Management Information System (FAMIS). As a result, there is an increased risk that grants may go uncollected or may be received for amounts less than originally intended.

CSA recommends that the Development section work with other SFAC programs to which grant funds are ultimately paid to institute better policies to track and monitor the receipt of grant funds and to reconcile actual funds received to grant awards and funds recorded by the Accounting section.

Recommendation 4: SFAC should improve program accountability by separately tracking funds used by each program.

The CEG program and SFAC's Accounting section charge funds intended for the CAE program to the CEG program. The City's Annual Appropriation Ordinance requires separate FAMIS project accounts for the CAE and CEG programs as the budget sources are delineated for specific purposes. As part of a management decision made in fiscal year 2007-08, a grant award program operated by the CAE program was transferred to CEG, but funded out of CAE-budgeted funds. This results in a lack of transparency in SFAC's revenue sources and uses.

CSA recommends that the Accounting section work with SFAC management and the Office of the Controller's Budget and Analysis Division to ensure that expenditures are properly charged against appropriations approved by the Board of Supervisors.

Recommendation 5: SFAC should ensure that all programs have up-to-date program policies and procedures manuals that are in line with SFAC protocols and best practices.

Some SFAC programs lack an up-to-date manual of program-related policies and procedures. The purposes of such manuals include ensuring that all applicable SFAC program-related protocols are being applied, that similar transactions are treated consistently, and that reports are produced in the form desired by management.

CSA recommends that each SFAC program develop a program-specific policies and procedures manual. At a minimum, each manual should include:

- An organization chart of the program.
- Job descriptions, outlining duties and responsibilities.
- Descriptions of methods, procedures, and guidelines to be followed, including explanations and examples of principal transactions.
- Any other documents or forms for which uniformity of use is desired.

Finding 2: SFAC's Operations Require Better Management of Its Human Resources Functions

To understand SFAC's operational culture, CSA surveyed all departmental employees. The survey questionnaire consisted of 56 statements in seven sections.³ In six of the sections, employees were asked to indicate whether they *strongly agree*, *agree*, *disagree*, *strongly disagree*, *don't know*, or considered the statement *not applicable*. For the seventh section, which was on the SFAC's general control environment, employees were asked to respond yes if the control described was in place or *no* if the control was not in place, but still had the option to indicate *do not know* or *not applicable*. There also was an open-ended item in each section that

³ See Appendix B for the complete list of statements included in the survey.

asked respondents to explain any negative responses. Of the 39 questionnaires distributed, CSA received 26 completed surveys (a 66 percent response rate) from:

- 15 manager-level employees
- 6 administrative support staff
- 5 direct service staff
- 4 temporary employees
- 1 grant recipient

Respondents came from all programs. Most respondents were full-time employees (81 percent) and had been with the organization for five years or longer (42 percent).⁴

The following recommendations highlight areas of concern identified by CSA's analysis of the survey responses. Percentages indicate the number of respondents who gave the stated response as percentage of the total number of respondents who answered the question rather than choosing *don't know* or *not applicable*.

Recommendation 6: SFAC should ensure that employees are informed of appropriate and safe methods of reporting misconduct and that it trains its managers on how to respond to reports of misconduct.

Alleged retaliation and lack of training and information regarding recommended methods for reporting human resources problems prevents employees from reporting misconduct. Surveyed employees consistently reported that they did not feel that they could report misconduct or a human resources issue without retaliation. Over one-third (35 percent) of respondents indicated that they felt that staff could not report misconduct without fear of retribution. One response stated, "I certainly don't feel safe or comfortable lodging a complaint," while another stated, "historically, we've all been terrified of retribution (since 2008) because we all witnessed it in action." Multiple respondents indicated a lack of training and awareness about a safe venue for reporting perceived problems.

CSA recommends that SFAC provide training to all current and new employees on safe venues for reporting misconduct, including the process of redressing complaints and ways to communicate with the Department of Human Resources (DHR), the City Attorney's office, the Ethics Commission, and the City's Whistleblower hotline. Further, SFAC should train its managers on how to appropriately handle reports of misconduct.

Recommendation 7: SFAC should work with the Department of Human Resources to better align actual job duties and official job classifications for its employees.

Employees reported little to no relationship between the duties they perform and those in their official job classification descriptions. A large majority (62 percent) of respondents indicated that job classification specifications often do not match the employee's responsibilities and workload.⁵ For instance, one response identified a case in which a person hired as an intern continued to work for SFAC for over three years, taking on responsibilities that far exceeded

⁴ Thirty-five percent had been with the organization between two and four years and 23 percent had been with the organization less than two years.

⁵ Job classification specifications are written by the City's Department of Human Resources and outline the minimum requirements, describe job duties, and specify the level of compensation for a job class.

those of an intern, with no change in classification or compensation to reflect the increased responsibilities. Other respondents indicated that they consistently work more than 40 hours a week, with one citing a lack of recognition by management that the job carries official obligations outside the normal work day. Several employees cited a lack of opportunity for advancement. One employee went further, stating that even opportunities to move laterally between SFAC programs appear limited due to the lack of cooperation between programs.

CSA recommends that SFAC work with its client services representative at DHR to align job classifications with the staffing needs of SFAC. Specifically, SFAC should ask DHR to conduct a job analysis study or other effort to confirm whether each SFAC employee is working within the parameters of his or her job classification.

Recommendation 8: SFAC should ensure that employees receive adequate training, professional development, and evaluations. Specifically, SFAC should use uniform policies and procedures for a systematic, consistent performance review process across all programs. Further, SFAC should revise its professional development policies to ensure that all employees have equitable opportunities and resources to attend training. Finally, SFAC should sufficiently train its employees on its operations.

Employees responding to the survey noted inconsistency in employee performance evaluations, inequity in and unavailability of professional development opportunities, and insufficient training in certain operational areas. More than one-third (37 percent) of respondents indicated that roles and responsibilities were not clearly defined, with three respondents explaining further in their open-ended responses that job descriptions or roles and responsibilities were unclear.

Three respondents indicated that resources for professional development, such as reimbursement of travel and registration expenses to attend trainings, varied from program to program or were unfairly distributed. In addition to methods of reporting misconduct, areas where respondents feel staff is poorly informed include the budget process and certain financial processes involving SFAC's various funding sources.

CSA recommends that SFAC review its policies and procedures for performance reviews, and ensure that it has a systematic, consistent process aligned with city policies in which SFAC:

- Clearly communicates the performance planning and review process to each employee.
- Establishes annually and follows up on at least semi-annually a performance plan for each employee.
- Gives written performance evaluations on a known and regular schedule to all employees, no less than annually.
- Clarifies expectations when an employee's job duties or supervisors change.
- Requires supervisors to provide informal feedback, and encourages employees to seek informal feedback throughout the process.

Further, CSA recommends that SFAC ensure that all employees have equitable opportunities and resources to attend trainings. Finally, SFAC should work with employees to identify areas where improved training would increase employees' understanding of operations such as how the City and SFAC make budget decisions and how SFAC programs are funded.

Recommendation 9: SFAC management should encourage appropriate cooperation and collaboration among programs.

The survey found that a culture of mistrust and an environment in which employees work in silos⁶ prevent teamwork, collaboration, and cooperation among programs and between the programs and SFAC. Several survey respondents expressed personal or observed feelings of mistrust of both the management and administration of SFAC and between various programs.

For instance:

Responses indicate that teamwork is not encouraged.

- 61 percent of respondents believe that SFAC does not foster teamwork among its program and project staff.
- Nine open-ended responses indicate that programs operate in “silos” with little to no cooperation or collaboration with other departments.

Respondents reported doubts about management’s decisions and noted a lack of transparency.

- 39 percent of respondents believe that management does not use resources wisely.
- 36 percent reported that management does not make good expenditure decisions.
- Two open-ended responses specifically cited a lack of transparency in budget and decision-making processes.

CSA recommends increasing transparency of all decision-making, budgeting, and funding processes by communicating to all employees how decisions are made, what the various funding sources are for SFAC’s programs, and what impact each funding source has on the expenditures it funds. This could be achieved through procedure manuals, training sessions, and staff meetings. Management should consider incorporating staff feedback into these processes. Further, SFAC management should encourage appropriate cooperation and collaboration among programs.

Finding 3: The Cultural Equity Grants Program Lacks Adequate Oversight

Recommendation 10: The Cultural Equity Grants program should cease funding and administering the four grants that are outside of its legislative scope.

The SFAC CEG program funds grants that are not in line with its voter-approved, enabling legislation. As a result, the CEG program is not in compliance with the City’s Administrative Code. Administrative Code Chapter 68 established the Cultural Equity Endowment Fund from an allocation of hotel tax revenues. These funds are to be used to move SFAC’s funding toward cultural equity opportunities. Section 68.3 establishes the four grant programs for which funds from the Cultural Equity Endowment Fund shall be expended as the:

- Cultural Equity Initiatives Program (CEI)

⁶ “Silos,” in this context, refers to a style of management where employees work in small groups that operate almost as though they are separate entities. In a silo-style work environment, there is no reciprocal exchange of information or resources.

- Program for Commissions to Individual Artists (IAC)
- Project Grants to Small and Mid-size organizations (OPG)
- Facilities Fund (CRSP)⁷

However, the CEG program operates eight grant categories, four of which are not cited in the Administrative Code:

- Native American Arts & Cultural Traditions (NAACT)
- Innovations in Strengthening the Arts (ISA)
- Arts & Communities: Innovative Partnerships (ACIP)
- Arts for Neighborhood Vitality grant categories (ANV)

These programs are funded by a variety of sources including the general fund, Grants for the Arts, and the Arts Commission Administrative Fund, as well as the Cultural Equity Endowment Fund. During fiscal year 2010-11, approximately \$97,000 in grants was funded by the Cultural Equity Endowment Fund for programs not provided for in the Administrative Code.

CSA recommends that, to ensure compliance with the law, the CEG program and SFAC senior management cease all funding from the Cultural Equity Endowment Fund to grant categories not listed in the Administrative Code, and cease administering grants in these categories until and unless the Administrative Code is changed to include the additional categories. SFAC should work with the Mayor’s Office and Board of Supervisors to seek such a change.

Recommendation 11: The Cultural Equity Grants program should improve its grantee awarding process to ensure that no recipient receives simultaneous grants and that a competitive process exists.

The CEG program does not have adequate restrictions to limit the number of simultaneous grant awards applicants may receive in a fiscal year and does not have a competitive process for every grant it issues. At least 55 grant recipients received simultaneous grants in the same fiscal year, for a total of 122 grants, during the period from July 1, 2006, through June 30, 2011, a period in which 738 grants were awarded. The total number of applicants, awards, and multiple grant award recipients for fiscal year 2010-11 are shown in Exhibit 2 below.

EXHIBIT 2 Cultural Equity Grants Program: Applicants, Awards, and Simultaneous Grants Fiscal Year 2010-11

Type	Count	Amount
Grant Requests	284	\$4,386,198
Grants Awarded	172	2,385,421
Multiple-Award Recipients*	14	644,363

*Grantees that received two or more simultaneous grants in fiscal year 2010-11. The 14 grantees received 35 CEG program grants.

Source: SFAC CEG Applicant and Award Data

⁷Designated as Creative Space Grants by SFAC.

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The CEG program has some limitations on grant recipients receiving multiple grants in the same year, but these limitations are inconsistent. The CEG program's fiscal year 2010-11 grant guidelines indicate that a grant recipient cannot receive multiple grants for the same project across its grants programs, but can receive additional grants for different projects. However, this limitation is difficult to enforce, so there is some risk that the same recipient may use multiple grants for one project. Further, restrictions are in place to prohibit a recipient from receiving more than one grant from the CEI, OPG, and IAC programs at the same time. However, there is no prohibition of simultaneously receiving grants from all other grants programs, including CRSP, ACIP, ANV, ISA, and NAACT, for different projects.

CEG also operates two grant programs, ISA and ANV, that are not subject to a peer panel review process. As detailed in the CEG program grant guidelines, all other grant programs administered by the CEG program require grant applications to be evaluated by a peer panel, the results of which are open to the public. The panelists are intended to "reflect the diversity of San Francisco," and "have general knowledge about the various disciplines and issues, and have experience that aligns with the purpose of the grant category." Instead, the ISA grant program only requires a proposal meeting with the CEG program director and a proposal packet that is evaluated by the director of cultural affairs and the CEG program director. The method for awarding grants from the ANV grant program only includes an SFAC staff review.

Exhibit 3 details the ten grant recipients that have received the most funding during July 2006 through June 2011, and whether the funding was awarded through a competitive or non-competitive process.

EXHIBIT 3 Cultural Equity Grants Program: Top 10 Grant Recipients Fiscal Years 2006-07 Through 2010-11				
Grantee	Competitive	Non-Competitive	Grants Awarded	Amount Awarded
Center for Cultural Innovation		X	7	\$477,000
Galeria de la Raza	X		12	236,950
Queer Cultural Center	X		6	215,750
Queer Women of Color Media Arts Project	X		6	212,000
Dance Brigade	X		6	211,500
Chinese Culture Foundation of San Francisco	X		7	196,250
Women's Audio Mission	X		7	184,100
Croatian American Cultural Center	X		9	182,750
Radar Productions	X		6	179,000
Flyaway Productions	X		5	176,600

Source: SFAC CEG Applicant and Award Data

The CEG program's mission intends grants to be awarded through a competitive process and to reach as many community programs and projects as possible. Because there are few limitations on who may receive grants, the CEG program issues awards in a category based on its staff's discretion rather than panel-based scoring of applications. As a result, there is greater risk that the CEG program unfairly limits the number of grants awarded to community programs and projects.

CSA recommends that, to ensure that grant awards are in line with the CEG program's mission and are available to a larger pool of applicants, the CEG program change its policies and procedures to ensure that all applicants are subject to the same application process and that no applicant may receive simultaneous grants in more than one CEG program.

Recommendation 12: The Cultural Equity Grants program should implement a system to adequately monitor its grants including application, selection, award, and payment details.

The CEG program does not have a systematic, centralized grant tracking and reporting tool to monitor grants awarded. Currently, the CEG program uses various summary schedules and stand-alone electronic spreadsheets to track different aspects of grants, including application, panel review, award, and reporting details. Because the CEG program does not track and monitor its grants with reliable tools, the risk of having inaccurate and outdated information is increased. With a centralized tool, CEG program staff could streamline grant administration and easily track information, plan and schedule grant-making activities, and project cash flow needs. If the CEG program had all grants information in one tool, grants would more likely be properly managed, tracked, and reported on.

Although both the CEG and CAE programs do not use a grant-reporting tool to monitor grants, the CEG program is a better candidate for such a tool because the program awards significantly more grants as well as grants to outside applicants, while the CAE program only awards grants to six cultural centers in San Francisco.

CSA recommends that the CEG program and SFAC management research the various grant management systems on the market, and implement a system that will sufficiently track all aspects of grants, including application, selection, award, and payment details.

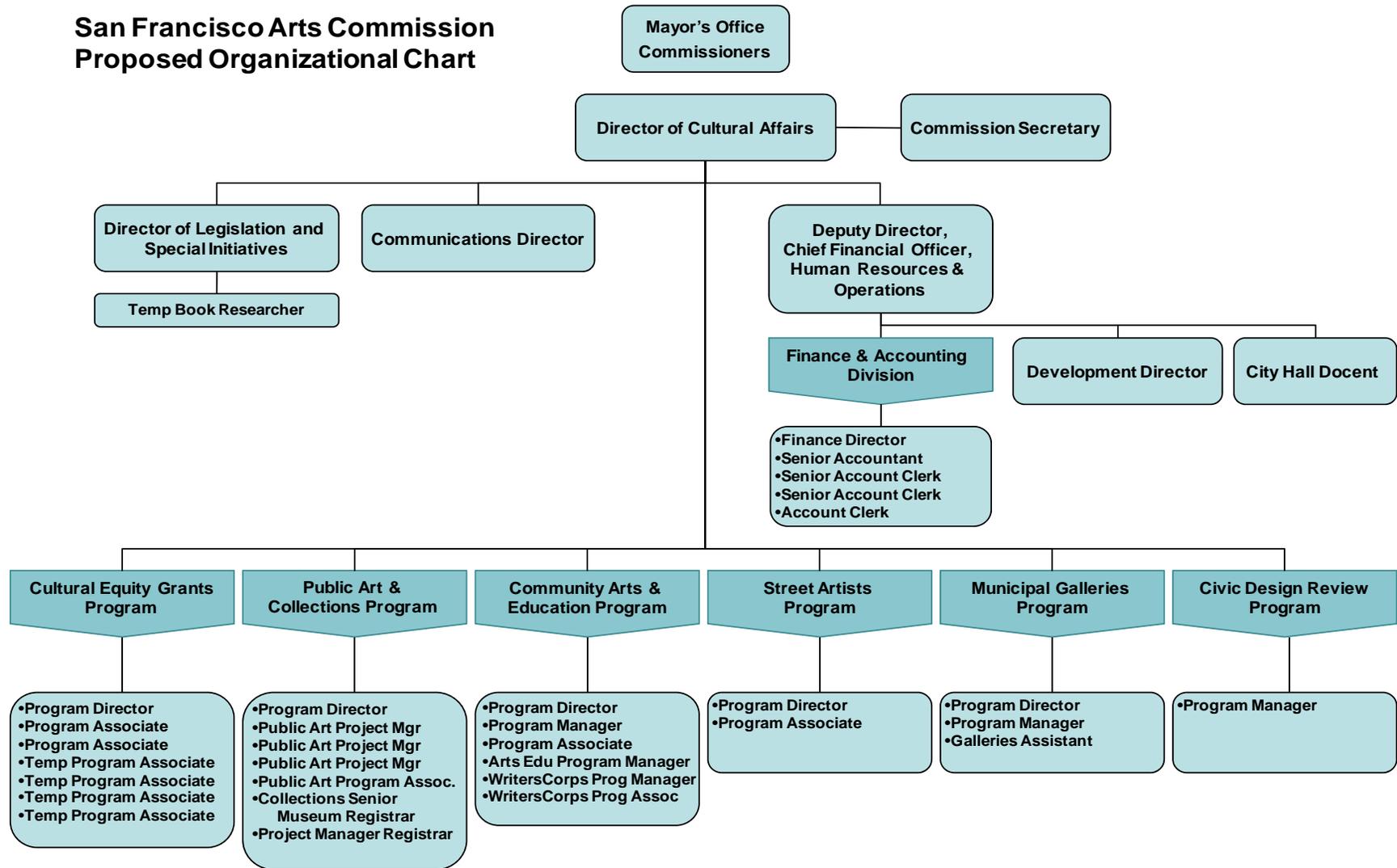
CSA thanks the SFAC's interim director of cultural affairs and her staff for their cooperation and assistance throughout the review. This memorandum is intended to communicate CSA's evaluation of SFAC's current accounting processes, organizational structure, and program-related financial practices. CSA has identified certain operational and control deficiencies that merit the attention of management. Although improvement is needed, SFAC has made recent progress in the organizational areas discussed in this memorandum.

cc: Ben Rosenfield, Controller
Irella Blackwood, Audit Manager
Nicholas Delgado, Associate Auditor
Kathleen Scoggin, Associate Auditor
Vivian Chu, Associate Auditor

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APPENDIX A: ARTS COMMISSION PROPOSED ORGANIZATION CHART



Source: New organization structure proposed by San Francisco Arts Commission management.

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APPENDIX B: SURVEY QUESTIONS

CSA administered a survey with the following main questions to assess employees' knowledge of the systems, processes, strategic planning, and shared values at SFAC. Respondents were asked to respond to each statement with *strongly agree*, *agree*, *disagree*, *strongly disagree*, *don't know*, or *not applicable*, with the exception of the items under General Control Environment. For those items, respondents could choose between *yes*, *no*, *don't know*, and *not applicable*, with a positive response indicating that the control was in place.

Directions and Context

1. SFAC's mission statements and fundamental values are clearly communicated by management.
2. The current programs and projects undertaken by SFAC successfully ensure that the arts are incorporated into the civic infrastructure for the City's residents.
3. My program has clear expectations and goals that help SFAC effectively achieve its mission.
4. SFAC has a clear strategic direction for the next 3 years.
5. The programs and projects undertaken by SFAC effectively address the needs of the community and are well connected with the community they are meant to serve.
6. SFAC effectively ensures that the community has sufficient input into the development of programs and services provided.

Programs and Services

7. SFAC 's management has effectively developed and implemented our programs and projects.
8. Our programs are very focused on getting the best results and providing the best experience for clients, the community and other audiences.
9. Our programs effectively address the needs of the community.
10. Our programs efficiently accomplish our responsibilities in a timely manner.

Contribution to and From Society

11. SFAC and its programs are well supported by the art community as well as the general public.
12. SFAC and its programs use what is learned to advocate for cultural and artistic change or structural change (e.g., governmental policy change) to increase the inclusion of art in the community's infrastructure.
13. SFAC and its programs make positive contributions to society beyond the direct contribution of our services to the community.

Organizational Culture and Practices

14. SFAC and its programs are managed so they are focused on continually improving services and how responsibilities are fulfilled.
15. SFAC and its programs learn from successful projects and build new knowledge to further develop the quality of services that enrich the community.
16. The practices used by SFAC foster teamwork among its program and project staff.
17. SFAC manages change well.

18. SFAC management uses practices that provide for a systematic review and evaluation of our services.
19. Each SFAC program has adequate and appropriate policies in place that provide a clear framework for action for staff.

Management Decisions

20. SFAC uses my program's resources wisely.
21. Management provides the appropriate materials and equipment for staff to perform their job.
22. Management makes good expenditure decisions.
23. Management has adequate processes for budgeting, monitoring and reporting on SFAC's finances.
24. Management monitors the inappropriate use of equipment and resources for personal purposes.
25. Management distributes work across its Programs appropriately.
26. Management facilitates communication with other City departments for efficiency.
27. Tasks are performed according to each employee's job classification.
28. Management makes good staffing decisions such as training, special assignments and projects and advancement.
29. All SFAC staff conduct business in an ethical, honest and fair manner.
30. Management ensures adherence to all relevant City legislation applicable to SFAC.
31. Staff can report misconduct or potential violations without fear of retribution.
32. Management effectively manages SFAC's human resources.
33. Management ensures staff have a healthy and safe workplace.

General Control Environment

34. My program has written policies and internal operating procedures that been approved by SFAC senior management.
35. My program's procedures are formally documented, kept current and are readily available for daily use by all staff.
36. Management has implemented a formal record retention policy in line with City administrative codes.
37. SFAC has a code of ethical conduct that has been made available to all staff.
38. Roles and responsibilities are clearly defined in writing and are communicated by management.
39. Management understands the knowledge and skills required to accomplish key tasks.
40. Management has established back-up plans for sudden or significant changes in personnel.
41. Management is actively involved in and encourages staff training.
42. SFAC finance and accounting activities are under the supervision of a knowledgeable accounting supervisor.
43. Management uses budgets or spending plans to review SFAC's financial performance.
44. Management periodically reports on the status of actual financial performance in comparison to the budget prepared.
45. Management has established performance goals for key programs and projects and compares actual performance with goals and objectives.

46. Management has made available an organizational chart that clearly defines the lines of management authority and responsibility.
47. Management actively follows up on complaints from contractors/clients/community members.
48. Management cooperates with external audits.

People

49. We have committed, motivated and energized staff.
50. We have staff with appropriate knowledge and skills.
51. Our directors/program managers are good managers.
52. Our coordinators/team leaders are good team leaders.
53. We have enough volunteers.
54. We have the volunteers with the skills and experience we need.
55. Our employees are as well off working for us as they would be if they were working for other organizations.
56. We have committed and motivated commission members.
57. We have a commission with appropriate knowledge and skills.
58. Our commission leads the organization.

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APPENDIX C: DEPARTMENT RESPONSE



SAN FRANCISCO ARTS COMMISSION

EDWIN M. LEE
MAYOR

November 9, 2011

JD BELTRAN
INTERIM DIRECTOR OF
CULTURAL AFFAIRS

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

PROGRAMS

CIVIC ART COLLECTION
CIVIL DESIGN REVIEW
COMMUNITY ARTS
& EDUCATION
CULTURAL EQUITY GRANTS
PUBLIC ART
STREET ARTISTS LICENSES

ARTS COMMISSION GALLERY
401 VAN NESS AVENUE
415.554.6080

WWW.SFARTSCOMMISSION.ORG

ARTSCOMMISSION@SFGOV.ORG

Re: SFAC Response to Draft Financial Management Review

Dear Ms. Lediju:

Attached please find the San Francisco Arts Commission's written response to your Controller's team draft financial management review of the Arts Commission's organizational structure, financial practices, administrative and personnel practices, and grant making processes. Additionally, my staff has prepared comments and factual corrections to the draft report, which are attached as a separate document for your review.

As you noted in the "Background & Methodology" section of the report, the agency has undergone considerable management changes over the past several years. Of note, four months ago, the prior director departed and I was appointed Interim Director and have since been overseeing the agency. Your review period covered July 2010 through August 15, 2011, and hence many of the administrative structures, accounting policies, and financial and granting practices reviewed were those of the prior administration, and are now being brought into compliance with your office's close guidance.

We thank you for your staff's time researching and developing this report, and for the opportunity to comment. We feel affirmed in requesting your help in reviewing the practices of this agency, and your report provides the agency with an excellent roadmap towards taking the necessary steps to develop a more stable and fiscally responsible agency. If you would like to discuss any of SFAC's feedback, please feel free to contact either me at 252-3281 or Rebekah Krell, Deputy Director, at 252-4665.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD Beltran', with a long horizontal stroke extending to the right.

JD Beltran
Interim Director of Cultural Affairs



CITY AND COUNTY OF
SAN FRANCISCO

Cc: Rebekah Krell, Deputy Director of the San Francisco Arts Commission
Irella Blackwood, Audit Manager, Office of the Controller
Nicholas Delgado, Auditor, Office of the Controller

Memorandum to the San Francisco Arts Commission
November 15, 2011

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APPENDIX D: RECOMMENDATIONS AND RESPONSES

Recommendation	Response
<p>1. SFAC should include overhead charges as part of the City’s regular annual budget process to ensure that funds are used for their intended purposes.</p>	<p>Concur. The CFO is working with staff from the Controller’s Budget and Analysis Division on a reorganization of the budget, which will include ensuring overhead charges are incorporated into the regular annual budgeting process. Currently, the Deputy Director and the Finance Director are having weekly meetings with a team from the Controller’s Office to effect this budget reorganization. The budget reorganization will be built into the base budget for the upcoming fiscal year, 2012-13.</p>
<p>2. SFAC should follow the authorized vendor and employee reimbursement procedures from the Office of the Controller, and implement payment restrictions over the use of the revenue held in Intersection for the Arts.</p>	<p>Concur. The Interim Director and Deputy Director are reviewing the use of revenue held in Intersection for the Arts accounts and will explore processes that will ensure the agency implements payment procedures that implement restrictions over the use of revenue held in IFTA accounts, and implement procedures consistent with those required by the Office of the Controller for all payments including those for vendors and employee reimbursements.</p>
<p>3. SFAC should institute policies to better track grants received.</p>	<p>Concur. The Development Director’s role and responsibilities at the agency will be expanded to include creating, implementing, and managing accountability policies to better track grants received, programmatic deliverables, and reporting procedures to ensure compliance with all philanthropic entities as well as for internal controls.</p>
<p>4. SFAC should improve program accountability by separately tracking funds used by each program.</p>	<p>Concur. The newly re-instated Deputy Director position is responsible for acting as a liaison between the accounting and finance teams, and the program directors and staff, and will work to ensure tracking of funds and improved accountability, on both programmatic and financial levels.</p>

Recommendation	Response
<p>5. SFAC should ensure that all programs have up-to-date program policies and procedures manuals that are in line with SFAC protocols and best practices.</p>	<p>Concur. The Interim Director will direct all Program Directors to review policies and procedures and ensure manuals are up-to-date and in line with the Agency’s protocols and best practices. She will also enforce the creation of manuals where none currently exist.</p>
<p>6. SFAC should ensure that employees are informed of appropriate and safe methods of reporting misconduct and that it trains its managers on how to respond to reports of misconduct.</p>	<p>Concur. The Interim Director meets with all Program Directors as a group twice a month, and will dedicate one of the regularly scheduled meetings to providing training on how to respond to reports of misconduct. Training may also be provided at a monthly all-staff meeting, and senior management will arrange a session for a speaker from the City’s Whistleblower Complaints Program in order to train and educate all employees in the process of reporting misconduct.</p>
<p>7. SFAC should work with the Department of Human Resources to better align actual job duties and official job classifications for its employees.</p>	<p>Concur. The Interim Director and Deputy Director have conducted 1-on-1 interviews with every employee to discuss roles, responsibilities, and concerns and have compiled a list of all outstanding HR issues as well as created a resolution plan. The Interim Director and Deputy Director also have already been engaged in strategy meetings with senior management and staff to develop and implement an office-wide plan to appropriately align job duties and official job classifications for the agency’s employees.</p>

Recommendation	Response
<p>8. SFAC should ensure that employees receive adequate training, professional development, and evaluations. Specifically, SFAC should use uniform policies and procedures for a systematic, consistent performance review process across all programs. Further, SFAC should revise its professional development policies to ensure that all employees have equitable opportunities and resources to attend training. Finally, SFAC should sufficiently train its employees on its operations.</p>	<p>Concur. The Interim Director and Deputy Director will work together with all of the Program Directors to ensure SFAC institutes a systematic, consistent annual performance review process. Senior management will revise professional development policies to ensure equitable opportunities and resources to attend trainings and other professional development activities. Senior management will utilize the monthly all-staff meetings as an opportunity to provide training to staff on the agency’s universal technology and operations.</p>
<p>9. SFAC management should encourage appropriate cooperation and collaboration among programs.</p>	<p>Concur. The Interim Director is committed to creating a more cohesive agency, and already schedules bi-weekly Program Director meetings to foster cooperation and collaboration between programs. Also, to that end, an all-staff retreat is planned for next month in order to formulate working on ways to improve cooperation and collaboration throughout the department, better positioning SFAC to work inter-departmentally.</p>
<p>10. The Cultural Equity Grants program should cease funding and administering the four grants that are outside of its legislative scope.</p>	<p>Concur. The Interim Director recognizes that administration of the Cultural Equity Grants Program has grown increasingly complicated, expensive, and onerous in recent years, and supports eliminating grant categories outside of the agency’s legal mandate in order to decrease administration, streamline funding procedures and ensure the maximum amount of money possible goes directly to the arts community. The Interim Director will begin working with the Commission immediately in order to accomplish this goal.</p>

Recommendation	Response
11. The Cultural Equity Grants program should improve its grantee awarding process to ensure that no recipient receives simultaneous grants and that a competitive process exists.	Concur. The Interim Director will work with CEG program staff to revise policies in order to ensure that inappropriate funds are not granted to identical recipients and that funds are being distributed as widely and equitably as possible, and that a competitive process is mandatory for disbursing all CEG funds.
12. The Cultural Equity Grants program should implement a system to adequately monitor its grants including application, selection, award, and payment details.	Concur. The CEG Program Director will research the available grant management system options and work with staff to implement a grant reporting and accountability tool that will sufficiently track all aspects of the grant process, thereby streamlining administrative functions.