CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Department Heads and Commissioners (see cc list)

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

DATE: August 17, 2015

SUBJECT: Citywide Cash Disbursements Assessment: Ten of Nineteen Departments Tested Did Not Comply With City Payment Processing Guidelines and Must Create or Improve Cash Disbursements Policies and Procedures

EXECUTIVE SUMMARY

All 19 tested city departments generally adhere to city payment processing and prompt payment guidelines. However, improvements should be made to ensure that:

- Departmental policies and procedures are created and are specific to the operational and organizational needs of individual departments.
- Departments have proper controls over receipt, review, approval, and timeliness of payments made.

Based on a sample of 94 payments totaling $342,685 from the 19 departments, the assessment found that:

- 6 departments complied with both city payment processing guidelines and their departmental policies and procedures.
- 10 departments sometimes did not comply with city payment processing guidelines, including those on how to document receipt of invoices and on the approval and timeliness of payments made.
- 10 departments lack or need to enhance departmental cash disbursements policies and procedures that are specific to their operational and organizational needs.

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

Cash Disbursements Assessment Program: In accordance with its fiscal year 2014-15 work plan, the City Services Auditor Division (CSA) of the Office of the Controller (Controller) assessed the City and County of San Francisco's (City) cash disbursements based on a sample of 19 city departments. The purpose of the program is to evaluate departments' internal control structures around cash disbursements and determine whether cash disbursements are made in accordance with governing policies and procedures, while adequately safeguarding the City's resources. CSA analyzed payments made in fiscal year 2013-14 without prior encumbrances[1] and selected one payment type for review in this year's assessment.

Payments Without Prior Encumbrances

The City spent $531.5 million on payments without prior encumbrances in fiscal year 2013-14. In comparison, the City spent $3.1 billion on payments with encumbrances in that same fiscal year[2]. In the City's accounting system, the Financial Accounting and Management Information System (FAMIS), unencumbered disbursements are categorized as direct payment requests, direct vouchers, and one-time payments:

- *Direct payment requests*: Used for specific types of unencumbered transactions, examples of which are included below. Direct payment requests are documented in the City's accounting system as "PR" or "RM."[3]
- *Direct vouchers*: Nonrecurring purchases that are used only in unusual situations where funds were not encumbered first.
- *One-time payments*: Nonrecurring payments to vendors; for vendors that are not expected to be used again.

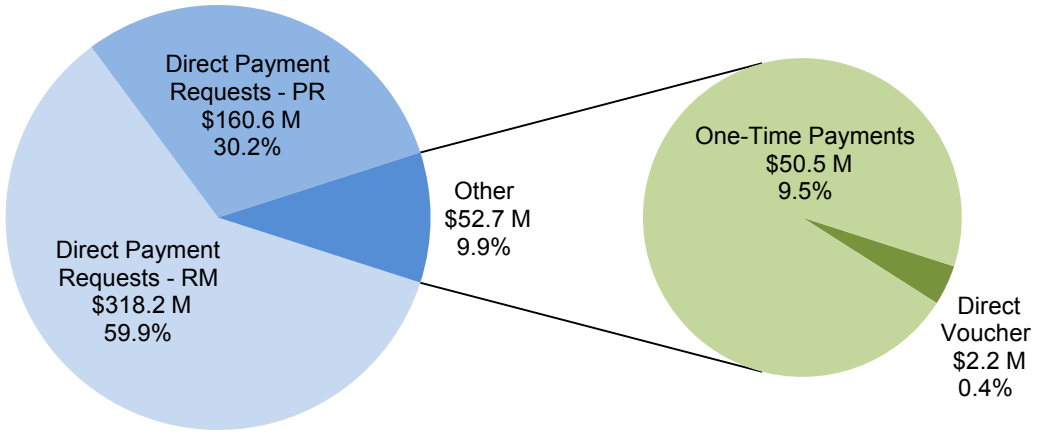
Exhibit 1 shows total unencumbered disbursements by payment categories in fiscal year 2013-14.

[1] An encumbrance is a document that reserves a specific amount of money for payment to a vendor for a specific purpose.

[2] The total population of $3.1 billion ($531.5 million without prior encumbrances plus $3.1 billion with encumbrances) consists of cash disbursements related to capital outlay and non-personnel services. CSA excluded payment types such as debt servicing, construction related payments and payroll expenditures, which are audited by other planned CSA audit programs.

[3] According to AOSD, "RM" is a template that users establish and save in the City's accounting system for recurring transactions; it has no differentiating use from "PR."

EXHIBIT 1 Payments Without Prior Encumbrances by Payment Category Fiscal Year 2013-14



Note: M = Millions

Source: Auditor's analysis of data in the City's accounting system.

CSA reviewed the "PR" direct payment requests, which accounted for $160.6 million (30.2 percent) of unencumbered disbursements in fiscal year 2013-14. Examples of appropriate purchases of goods or services made as "PR" direct payment requests include advertisements, payments to other government agencies, conference registrations, and training and professional membership fees. From all payments in this category, CSA randomly selected for analysis 94 payments made in fiscal year 2013-14, totaling $342,685.

Exhibit 2 summarizes payments tested by payment type. (See Attachment A for a breakdown of payments tested by department.)

EXHIBIT 2 Payments Tested by Payment Type Fiscal Year 2013-14

Payment Type	Amount	Percent of Total Payments Tested
Taxes, Licenses & Permits	$204,309	59.62%
Court Fees & Other Compensation	60,049	17.52%
Training	36,253	10.58%
Travel	24,710	7.21%
Professional & Specialized Services	8,598	2.51%
Other Current Expenses	5,483	1.60%
Membership Fees	2,190	0.64%
Utilities	1,073	0.31%
Rents & Leases	20	0.01%
Total	**$342,685**	**100.00%**

Source: CSA analysis

Objectives

The primary objectives of this assessment were to determine whether the city departments selected:

- Have adequate internal controls for the disbursement of cash.[4]
- Correctly recorded disbursements paid as to account, fund, period, and amount.
- Properly disbursed payments in accordance with applicable city policies and procedures.

The assessment period was July 1, 2013, to June 30, 2014.

Methodology

To perform this assessment, CSA:

- Extracted payment information from the City's accounting system.
- Using a randomly selected sample of 94 payments disbursed by 19 departments in fiscal year 2013-14, traced and agreed payments recorded in the City's accounting system to supporting documentation and verified whether payments were properly recorded and approved and disbursed in a timely manner.
- Consulted AOSD fund accountants assigned to the selected departments to verify the appropriateness of payments.
- Reviewed and assessed the adequacy of departmental policies and procedures related to payment processing.

Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, the departments are responsible for the substantive outcomes of the work performed during this assessment, and are responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service.

[4] Cash includes payment by cash, check, wire, and credit card.

RESULTS

Finding 1 – Ten departments did not comply with city payment processing guidelines, including proper documentation of receipt of invoices and approval and timeliness of payments.

Of the 19 departments tested, 10 (53 percent) did not comply with City's Payment Processing Guidelines. According to city guidelines issued by the Controller,[5] proper payment controls include ensuring that invoices are:

- Reviewed for completeness and accuracy.
- Marked with receipt date.
- Approved, signed, and dated by authorized departmental staff. This also applies to payment documents.
- Paid within 30 calendar days of the invoice receipt date.

Exhibit 3 summarizes the departments and issues found.

EXHIBIT 3 Problems With Tested Payments

Department	No Invoice Receipt Date	No Approval to Pay	Late Payments
Department of the Environment	✓		
Department of Human Resources	✓		
Department of Public Health	✓		
Fire Department	✓		
General Services Agency– Administrative Services		✓	
General Services Agency – Department of Technology	✓		✓
Juvenile Probation Department	✓	✓	✓
Office of the District Attorney	✓		✓
Office of the Public Defender			✓
Recreation and Park Department	✓		

Source: Auditor's analysis

Date of Receipt Not Always Indicated on Invoices

Eight (42 percent) of 19 departments did not stamp at least one invoice with the date of receipt. This was true for 25 (27 percent) of the 94 payments tested. Departments need the invoice receipt date to ensure that they pay vendors within 30 days, as required by city guidelines. Further, the invoice receipt date is needed for payments with early payment discounts.

Exhibit 4 summarizes the tested payments, by department, that lacked a receipt date.

[5] Departmental Guideline No. 008-11 and Departmental Guideline 001-07

EXHIBIT 4 Tested Payments Without an Invoice Receipt Date

Department	Number of Payments Without an Invoice Receipt Date	Total Payments Tested for Each Department	Percentage
Department of the Environment	1	2	50%
Department of Human Resources	2	3	67%
Department of Public Health	1	2	50%
Fire Department	2	2	100%
General Services Agency – Department of Technology	2	2	100%
Juvenile Probation Department	7	11	64%
Office of the District Attorney	8	10	80%
Recreation and Park Department	2	3	67%
Total	25	35	71%

Source: Auditor's analysis

Some Payments Lack Evidence of Approval

Of the 19 departments, 2 (11 percent) lacked evidence of approval for at least one payment. In total, this was the case for 8 (9 percent) of 94 payments tested. Proper approval of payments reduces the risk of unauthorized purchases and inaccurately recorded disbursements.

The assessment accepted any of the following forms of approval:

- The signature or initials of an authorized employee and the payment approval date on the invoice or supporting payment documentation.
- "OK to pay" on the invoice or supporting payment documentation.
- An e-mail or other electronic approval provided by an authorized employee.
- Other internal documentation used by a department with the approval date and the signature of an authorized employee.

Exhibit 5 summarizes the payments tested that lacked proper documentation of approval.

EXHIBIT 5 Tested Payments Without Approval

Department	Number of Payments Without Approval	Total Payments Tested for Each Department	Percentage
General Services– Administrative Services	2	6	33%
Juvenile Probation Department	6	11	55%
Total	8	17	47%

Source: Auditor's analysis

Some Payments Were Late

Of the 19 departments, 4 (21 percent) did not make at least one payment within the City's Prompt Payment Guideline of 30 calendar days from the invoice receipt date. In all, 6 (6 percent) of 94 payments were late in this regard.

Exhibit 6 summarizes the late payments tested.

EXHIBIT 6 Late Payments Tested

Department	Number of Late Payments	Total Payments Tested for Each Department	Percentage	Number of Days Late
General Services Agency – Department of Technology	1	2	50%	2
Juvenile Probation Department	2	11	18%	7, 10
Office of the District Attorney	1	10	10%	191
Office of the Public Defender	2	20	10%	1, 5
Total	6	46	13%	N/A

Source: Auditor's analysis

Due to the unique types of payments made as direct payments, departments do not always receive invoices for a direct payment. Instead, there may be another type of payment document that serves as the invoice, such as a membership renewal application or training registration form. Further, approvals may not be indicated on the invoice, but instead through e-mail correspondence.

Of the 19 departments, 9 (47 percent) adhered to the City's Payment Processing Guidelines for all of the payments tested. These departments are the Airport Commission, Adult Probation Department, Office of the Assessor, Department of Emergency Management, General Services Agency - Public Works, San Francisco Employees' Retirement System, San Francisco Municipal Transportation Agency, San Francisco Public Utilities Commission, and Office of the Treasurer and Tax Collector.

Recommendation

1. The Department of the Environment, Department of Human Resources, Department of Public Health, Fire Department, General Services Agency—Administrative Services, General Services Agency—Department of Technology, Juvenile Probation Department, Office of the District Attorney, Office of the Public Defender, and Recreation and Park Department should comply with the City's Payment Processing Guidelines by documenting evidence of receipt, review, and approval of payment documents for accuracy and appropriateness.

Finding 2 – Ten of 19 departments tested should create or improve payment processing procedures.

Two departments—Department of the Environment and Juvenile Probation Department—have no departmental guidelines for payment processing.

Eight departments provided guidelines, but those guidelines are missing key instructions that are required by the City's Payment Processing Guidelines. Exhibit 7 summarizes the departments whose guidelines are missing key required instructions and what is missing from each set of guidelines.

EXHIBIT 7 Summary of Key Instructions Missing From Departmental Guidelines

Department	Match Invoice to Evidence of Receipt of Goods	When an Invoice Must Have Secondary Approval	Review Invoice for Completeness & Accuracy	Systematically File Invoice & Documents for Future Audits	Instructions on the 30-Day Prompt Payment Program
Adult Probation Department				✓	
Department of Human Resources					✓
Department of Public Health				✓	
Office of the Assessor-Recorder				✓	
General Services–Administrative Services	✓		✓	✓	✓
Office of the Public Defender				✓	
Office of the Treasurer and Tax Collector	✓			✓	✓
Recreation and Park Department		✓		✓	✓

Source: Auditor's analysis

According to the City's Payment Processing Guidelines, departments are responsible for documenting their department-level policies and procedures. Also, departments must have a system of internal controls documented to meet the Prompt Payment Program Guidelines, which require that vendors be paid within 30 days of the date on which the City receives an invoice for work performed and accepted by the City.

Both departments that have no specific written guidelines for disbursements stated that they follow the guidelines issued by the Controller. However, the Controller's guidelines explicitly state that they are guidelines only and that departments must document and implement departmental policies and procedures that incorporate city policies, reflect good internal controls, and are specific to the operational and organizational risks in their environments. Without specific, written, comprehensive procedures that are clearly communicated to and understood by employees, duties may not be properly performed, conflicts can occur, poor decisions can be made, and serious harm can be done to the department's reputation and financial well-being. Further, the efficiency and effectiveness of operations can be adversely affected.

Of the 19 departments, 9 (47 percent) provided departmental policies and procedures on payment processing that incorporate key instructions, as are required by the Payment Processing Guidelines. These departments are the Airport Commission, Office of the District Attorney, Department of Emergency Management, Fire Department, General Services Agency - Public Works, San Francisco Employees' Retirement System, San Francisco Public Utilities Commission, San Francisco Municipal Transportation Agency, and General Services Agency – Department of Technology.

Recommendations

2. The Department of the Environment and Juvenile Probation Department should create departmental policies and procedures surrounding cash disbursements that are specific to the operational and organizational needs and risks of the department

3. The Adult Probation Department, Office of the Assessor-Recorder, General Services Agency–Administrative Services, Department of Human Resources, Office of the Public Defender, Department of Public Health, Recreation and Park Department, and Office of the Treasurer and Tax Collector should update their departmental policies and procedures to include major steps, as detailed in the City's Payment Processing Guidelines.

The departments' responses are attached. CSA will work with the departments to follow up on the status of the recommendations in this memorandum. CSA extends its appreciation to you and your staff who assisted with this assessment. If you have any questions or concerns, please contact me at (415) 554-5393 or tonia.lediju@sfgov.org.

cc: Adult Probation Department
Karen Fletcher
Diane Lim

Airport Commission
John L. Martin
Leo Fermin
Wallace Tang
Carlos Martinez
Hazelle Fernandez

Department of Emergency Management
Anne Kronenberg
Grace Chan

Department of the Environment
Deborah O. Raphael
Joseph Salem
Lloyd Arcega

Department of Human Resources
Micki Callahan
Brent Lewis
Arlene Mesa

Department of Public Health
Barbara Garcia
Greg Wagner
Valerie Inouye
Wilfredo Lim

Fire Department
Joanne Hayes-White
Mark Corso

General Services Agency – Administrative Services
Naomi Kelly
Kenneth Bukowski

General Services Agency – Department of Technology
Naomi Kelly
Miguel Gamiño, Jr.
Leo Levenson
Maria Soledad

General Services Agency – Public Works
Naomi Kelly
Mohammed Nuru
Julia Dawson

Juvenile Probation Department
Allen A. Nance
Catherine McGuire

Office of the Assessor-Recorder
Carmen Chu
Gigi Whitley

Office of the Controller
Ben Rosenfield
Todd Rydstrom
Mamadou Gning
Sandra Chen
Amanda Sobrepeña
Joseph Towner

Office of the District Attorney
George Gascón
Eugene Clendinen

Office of the Public Defender
Jeff Adachi
Angela Auyong

Office of the Treasurer and Tax Collector
José Cisneros
Pauline Marx
Tajel Shah

Recreation and Park Department
Philip A. Ginsburg
Katharine Petrucione

San Francisco Employees' Retirement System
Jay Huish
Jim Burruel

San Francisco Municipal Transportation Agency
Edward D. Reiskin
Alicia John-Baptiste
Sonali Bose
Tess Navarro

San Francisco Public Utilities Commission
Harlan Kelly, Jr.
Eric Sandler
Charles Perl
Nancy Hom
Christina Andersson
Lisa Agustin

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

ATTACHMENT A: SUMMARY OF PAYMENTS TESTED

Department	Number of Payments Tested	Amount	Percent of Total Payments Tested
Adult Probation Department	1	$13,440	3.92%
Airport Commission	15	7,915	2.31%
Department of Emergency Management	1	2,160	0.63%
Department of the Environment	2	4,248	1.24%
Department of Human Resources	3	2,298	0.67%
Department of Public Health	2	194,216	56.67%
Fire Department	2	2,873	0.84%
General Services Agency – Administrative Services	6	6,712	1.96%
General Services Agency – Department of Technology	2	2,895	0.85%
General Services Agency – Public Works	3	1,849	0.54%
Juvenile Probation Department	11	11,757	3.43%
Office of the Assessor-Recorder	2	394	0.11%
Office of the District Attorney	10	2,721	0.79%
Office of the Public Defender	20	17,623	5.14%
Office of the Treasurer and Tax Collector	1	1,354	0.40%
Recreation and Park Department	3	1,020	0.30%
San Francisco Employees' Retirement System	1	160	0.05%
San Francisco Municipal Transportation Agency	4	45,429	13.26%
San Francisco Public Utilities Commission	5	23,621	6.89%
Total	**94**	**$342,685**	**100.00%**

ATTACHMENT B: DEPARTMENT RESPONSES

ADULT PROBATION DEPARTMENT:

City and County of San Francisco

Adult Probation Department
Hall of Justice

Protecting the Community, Serving Justice and Changing Lives

Karen L. Fletcher
Chief Adult Probation Officer

July 16, 2015

Ms. Lediju, Director of Audits
Office of the Controller, City Services Auditor Division
City Hall 1 Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102

Re: Response to Citywide Cash Disbursement Assessment

Dear Ms. Lediju:

The Adult Probation Department has received the draft of the City Services Auditor's Citywide Cash Disbursement Assessment. We appreciate the time and effort spent on the assessment.

Attached please find the Adult Probation Department response to the Assessment recommendations. If you have any questions regarding the department's response, please feel free to contact me at 415-553-1058

Sincerely,

Diane Lim
Director of Finance and Administrative Services

Cc: Karen Fletcher
Chief Adult Probation Officer

880 Bryant Street, Room 200 • San Francisco, California 94103 • Phone (415) 553-1706 • Fax (415) 553-1771

AIRPORT COMMISSION:

San Francisco International Airport

July 2, 2015

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

Subject: Citywide Cash Disbursements Assessment

Dear Ms. Lediju:

San Francisco International Airport (SFO) has received and reviewed the final audit report of the Citywide Cash Disbursement Assessment. This letter is to confirm that based upon the details provided, I agree with the audit results that SFO has no findings in this audit.

If you have any questions, please feel free to call me at (650) 821-2850.

Very truly yours,

Wallace Tang, CPA, CGMA
Airport Controller
Business and Finance Division

cc: John L. Martin
Leo Fermin
Hazelle Fernandez
Mamadou Gning - CSA
Amanda Sobrepena - CSA
Sandra Chen - CSA

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE *MAYOR* | LARRY MAZZOLA *PRESIDENT* | LINDA S. CRAYTON *VICE PRESIDENT* | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | JOHN L. MARTIN *AIRPORT DIRECTOR*
Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

DEPARTMENT OF EMERGENCY MANAGEMENT:

Edwin M. Lee
Mayor

Department of Emergency Management
1011 Turk Street, San Francisco, CA 94102

Division of Emergency Communications
Phone: (415) 558-3800 Fax: (415) 558-3843

Division of Emergency Services
Phone: (415) 487-5000 Fax: (415) 487-5043

SFDEM
SAN FRANCISCO DEPARTMENT OF EMERGENCY MANAGEMENT

Anne Kronenberg
Executive Director

July 15, 2015

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

Subject: Citywide Cash Disbursements Assessment

Dear Ms. Lediju,

Thank you for providing us the draft report on the *'Citywide Cash Disbursements Assessment,'* as prepared by the Controller's Office, City Services Auditor.

Department of Emergency Management (DEM) has reviewed the report and this letter is to confirm that based upon the details provided, I agree with the audit results that DEM has no findings in this audit.

If you have any further questions, please do not hesitate to contact William Lee, our Deputy Director of Administration and Support at (415) 558-3866.

Sincerely,

Anne Kronenberg
Executive Director

cc: Grace Chan, Budget Manager

DEPARTMENT OF THE ENVIRONMENT:

SF Environment
Our home. Our city. Our planet.
A Department of the City and County of San Francisco

Edwin M. Lee
Mayor

Deborah O. Raphael
Director

July 16, 2015

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

RE: Response to the Citywide Cash Dispursements Assessment Audit

Dear Ms. Lediju,

The Department of the Environment is in receipt of the draft City Services Auditor's Citywide Cash Disbursement Assessment document. Thank you for allowing us to respond to the findings. Attached please find Environment's response to the audit recommendations.

If you have any questions or concerns, please contact Joe Salem, the department's Fiscal and Administrative Manager at (415) 355-3721.

Sincerely,

Deborah O. Raphael

Deborah O. Raphael
Executive Director

Attachment

San Francisco Department of the Environment
1455 Market Street, Suite 1200, San Francisco, CA 94103
Telephone: (415) 355-3700 • Fax: (415) 554-6393
Email: environment@sfgov.org • SFEnvironment.org

Printed on 100% post-consumer recycled paper.

DEPARTMENT OF HUMAN RESOURCES:

City and County of San Francisco
Edwin M. Lee
Mayor

Department of Human Resources
Micki Callahan
Human Resources Director

July 6, 2015

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

Re: Response to the Citywide Cash Disbursements Assessment Audit

Dear Ms. Lediju:

The Department of Human Resources (DHR) has received the draft of the City Services Auditor's Citywide Cash Disbursement Assessment. We appreciate the time and effort that your staff spent on this audit.

Attached, please find DHR's response to the audit recommendations. If you have any questions regarding the department's response, please contact Brent Lewis, the department's Director of Finance and IT at 415-557-4944.

Sincerely,

Micki Callahan
Human Resources Director

Attachment

cc: Brent Lewis, DHR
Mamadou Gning, CON

DEPARTMENT OF PUBLIC HEALTH:

City and County of San Francisco
Edwin M. Lee, Mayor

Department of Public Health
Greg Wagner
Chief Financial Officer

July 15, 2015

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

Re: Draft Citywide Cash Disbursements Assessment Memorandum

Dear Ms. Lediju:

Thank you for the draft citywide cash disbursements assessment memorandum emailed to my staff on July 1, 2015. I appreciate the hard work of your office for its high level of professionalism and for the quality of the report.

I have reviewed the sections related to Department of Public Health – San Francisco General Hospital (DPH-SFGH). Below are our responses to the recommendations.

1. Concur and adopted. DPH-SFGH Accounting staff has been reminded to stamp all invoices received to ensure compliance with the City's payment processing guidelines for accuracy and appropriateness.
2. Concur and adopted. DPH-SFGH's departmental policies and procedures have been updated to include guidelines to systematically file invoices and documents for future audits. The updated policies and procedures have been communicated with DPH-SFGH Accounting staff.

If you have any questions, please email me at greg.wagner@sfdph.org or call me at 415-554-2610.

Yours truly,

Greg Wagner
Chief Financial Officer, Department of Public Health

Enclosure:
Cc. Barbara Garcia
Valerie Inouye
Wilfredo Lim

FIRE DEPARTMENT:

JOANNE HAYES-WHITE
CHIEF OF DEPARTMENT

EDWIN M. LEE
MAYOR

SAN FRANCISCO FIRE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO

July 17, 2015

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

RE: City Services City-wide Cash Disbursement Assessment

Dear Ms. Lediju:

Enclosed is the Fire Department's completed Audit Recommendation and Response Form regarding your office's assessment on City-wide cash disbursements. These recommendations were based on a review of documentation provided by the Department to your staff.

The finding pertaining to the Fire Department was in reference to compliance with city payment processing guidelines, specifically how invoices were not marked with a receipt date. The Department agrees with the finding. In fact, since the time the Department processed the documentation that was reviewed by your staff (October/November 2013), the Fire Department has updated its policies and practices to ensure that all invoices and requests for payment that are processed through the Department's Accounting Division are time-stamped upon receipt at the unit.

I would like to thank your staff for the thorough and professional work they performed in conducting the Fire Department audit. Please feel free to contact me for any additional information or if you have any questions. Thank you for your assistance.

Sincerely,

Mark Corso
Chief Financial Officer
San Francisco Fire Department

Enclosure

cc: Mamadou Gning, Audit Manager
Sandra Chen, Staff Auditor

GENERAL SERVICES AGENCY – ADMINISTRATIVE SERVICES:

OFFICE OF THE
CITY ADMINISTRATOR

Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

August 3, 2015

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

Re: GSA-Administrative Services Response to Citywide Cash Disbursements Assessment

Dear Ms. Lediju:

Thank you for the opportunity to review the recently completed Controller's Office assessment memorandum titled "Citywide Cash Disbursements Assessment: 10 Departments Did Not Comply With City Payment Processing Guidelines and 10 Departments Need to Create or Improve Cash Disbursements Policies and Procedures".

We have reviewed the assessment's findings and recommendations regarding cash disbursement policies and procedures for GSA-Administrative Services. As indicated on the attached response form, we will immediately work to implement the recommendations.

Please contact me if you need any additional information.

Sincerely,

Naomi M. Kelly
City Administrator

Cc: Ken Bukowski, Deputy City Administrator/CFO

1 Dr. Carlton B. Goodlett Place, City Hall, Room 362, San Francisco, CA 94102
Telephone (415) 554-4852; Fax (415) 554-4849

GENERAL SERVICES AGENCY – DEPARTMENT OF TECHNOLOGY:

City & County of San Francisco
Department of Technology
Powered by Innovation

One South Van Ness Avenue, 2nd Floor
San Francisco, CA 94103-0948
Office: 415-581-4001 • Fax: 415-581-4002

July 16, 2015

Tonia Lediju, Audit Director
Office of the Controller, City Services Auditor Division
City Hall, Room 476
One Dr. Carlton B. Goodlet Place
San Francisco, CA 94102

Subject: Citywide Cash Disbursements Assessment: 10 Departments Did Not Comply With City Payment Processing Guidelines and 10 Departments Need to Create or Improve Cash Disbursements Policies and Procedures.

Dear Ms. Lediju,

Thank you for providing the Department of Technology with an opportunity to review and response to your assessment memorandum, "*Citywide Cash Disbursements Assessment: 10 Departments Did Not Comply With City Payment Processing Guidelines and 10 Departments Need to Create or Improve Cash Disbursements Policies and Procedures*," as prepared by the Controller's Office, City Services Auditors.

I am glad to report that your recommendation that the Department document evidence of receipt, review and approval of payment documents for accuracy and appropriateness for Cash Disbursements has been implemented. We appreciate the time spent by your staff to review the Cash Disbursements Assessment Program.

If you have any additional questions or need additional information, please do not hesitate to contact me at (415) 581-4082.

Sincerely,

Miguel Gamino Jr.
City CIO/ Executive Director, Department of Technology

cc: Leo Levenson, Deputy Director, CFO/CAO

Attachment: Recommendation and Response Form

Printed on recycled paper

GENERAL SERVICES AGENCY – PUBLIC WORKS:

SAN FRANCISCO PUBLIC WORKS

Edwin M. Lee
Mayor

Mohammed Nuru
Director

Julia Dawson
Deputy Director
for Financial Management
and Administration

1 Dr. Carlton B Goodlett Pl.
Room 348
San Francisco, CA 94102
tel 415-554-4831

sfpublicworks.org
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twitter.com/sfpublicworks

July 16, 2015

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

Dear Ms. Lediju:

Thank you for giving us the opportunity to respond to your draft report, "Citywide Cash Disbursement Assessment," prepared by the Controller's Office, City Services Auditor. This letter is to confirm that we have reviewed the results of this assessment. Public Works has no findings related to this report.

Sincerely,

Julia Dawson
Deputy Director, Finance and Administration

Cc: Mohammed Nuru, Public Works Director
Sreed Pisharath, Public Works Accounting Manager

JUVENILE PROBATION DEPARTMENT:

City and County of San Francisco
Juvenile Probation Department

Allen A. Nance
Chief Probation Officer

375 Woodside Avenue
San Francisco, CA 94127
(415) 753-7800

July 13, 2015

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

Dear Ms. Lediju,

We would like to thank you and your staff for the hard work and attention to our Department's Citywide Cash Disbursements Assessment. We appreciate the insight and information provided by such reviews and are encouraged by what will result in improvements to our operations and accountability.

Since the time period covered by testing, the Department has already implemented improved procedures to comply with Controller's Office guidance. In addition, we seek to develop comprehensive, written Department-specific guidance for payment processing, inclusive of specific controls consistent with the feedback identified through the audit findings.

We look forward to demonstrating our policies and procedures improvements in a future follow-up review.

Thank you,

Allen A. Nance
Chief Juvenile Probation Officer

C: Paula Hernandez, Assistant Chief Probation Officer
Catherine McGuire, Finance Director

OFFICE OF THE ASSESSOR-RECORDER:

CARMEN CHU
ASSESSOR-RECORDER

SAN FRANCISCO
OFFICE OF THE ASSESSOR-RECORDER

July 13, 2015

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

Re: Citywide Cash Disbursements Assessment

Dear Ms. Lediju:

Thank you for providing my office with the opportunity to respond to the recent Citywide Cash Disbursements Assessment, as prepared by the Office of the Controller, City Services Auditor Division.

During Fiscal Year 2014-15, my office worked closely with the Office of the Controller's Accounting Operations and Systems Division to review and improve our internal fiscal controls, and create new financial policies and procedures.

I'm pleased our office has documented its department-level policies and procedures surrounding cash disbursements, specific to our office's operational and organizational needs and risks. In the final version of these policies, my office plans to incorporate a provision to file invoices and supporting documents systematically for future audits, in accordance with the report's recommendation.

I appreciate the work and professionalism of you and your staff in reviewing our cash disbursements and assisting us in improving our financial policies and procedures.

If you have additional questions, please contact Gigi Whitley, Deputy Director of Administration and Finance, at (415) 554-5598.

Sincerely,

Carmen Chu
Assessor-Recorder

City Hall Office: 1 Dr. Carlton B. Goodlett Place
Room 190, San Francisco, CA 94102-4698
Tel: (415) 554-5596 Fax: (415) 554-7151
www.sfassessor.org
e-mail: assessor@sfgov.org

OFFICE OF THE DISTRICT ATTORNEY:

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE DISTRICT ATTORNEY

George Gascón
District Attorney

July 2, 2015

Tonia Lediju
Director of City Audits
City Services Auditor Division
Office of the Controller
City Hall, Room 476
1 Dr. Carlton B. Goodlett, Pl.
San Francisco, CA 94102

Re: Cash Disbursement Assessment Program

Dear Ms. Lediju;

After reviewing the results of your Cash Disbursement Assessment Program report, we are in full agreement with Finding 1 – "Ten departments did not comply with city payment processing guidelines, including proper documentation of receipt of invoices and approval and timeliness of payments." More specifically, this audit revealed that our office in fact had not been date stamping invoices for payment when received. Instead, we had been using the date of the invoice as the date by which we were assessing the 30 day payment guideline. We have begun the process of updating our policies and procedures to institute a date stamping of invoices when received.

We appreciate the time and effort put forward by you and your staff.

George Gascón
District Attorney

c: Eugene Clendinen

850 BRYANT STREET, THIRD FLOOR · SAN FRANCISCO, CALIFORNIA 94103
RECEPTION: (415) 553-1752 · FACSIMILE: (415) 553-9054

OFFICE OF THE PUBLIC DEFENDER:

SAN FRANCISCO PUBLIC DEFENDER
JEFF ADACHI – PUBLIC DEFENDER
MATT GONZALEZ – CHIEF ATTORNEY

July 6, 2015

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

RE: Citywide Cash Disbursement Assessment

Dear Ms. Lediju,

The Public Defender's Office received citywide cash disbursement assessment. First of all, thank you so much to you and your staff who conducted the assessment. After reviewing the draft memorandum, we concur with your findings and recommendations. Please see completed response form attached.

Thank you again and please feel free to contact me if you have any further questions.

Sincerely,

Angela Auyong
Office Manager

Adult Division - HOJ
555 Seventh Street
San Francisco, CA 94103
P: 415.553.1671
F: 415.553.9810
www.sfpublicdefender.org

Juvenile Division - YGC
375 Woodside Avenue, Rm. 118
San Francisco, CA 94127
P: 415.753.7601
F: 415.566.3030

Juvenile Division - JJC
258A Laguna Honda Blvd.
San Francisco, CA 94116
P: 415.753.8174
F: 415.753.8175

Clean Slate
P: 415.553.9337
www.sfpublicdefender.org/services

Community Justice Center
P: 415.202.2832
F: 415.563.8506

Bayview Magic
P: 415.558.2428
www.bayviewmagic.org

MoMagic
P: 415.567.0400
www.momagic.org

OFFICE OF THE TREASURER AND TAX COLLECTOR:

Office of the Treasurer & Tax Collector
City and County of San Francisco

José Cisneros, Treasurer

DATE: June 25, 2015

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

SUBJECT: Citywide Cash Disbursements Assessment Memorandum – Recommendation 3

Please find enclosed the response from the Office of the Treasurer and Tax Collector to the Citywide Cash Disbursements Assessment Memorandum.

Yours sincerely,

Pauline Marx

Chief Assistant Treasurer
Office of the Treasurer and Tax Collector
City and County of San Francisco

City Hall - Room 140
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4638

RECREATION AND PARK DEPARTMENT:



Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

DATE: July 7, 2015

TO: Tonia Lediju
Director of City Services Auditor Division
Office of the Controller

FROM: Katie Petrucione KCP
Director of Administration and Finance

SUBJECT: Response to Findings – Citywide Cash Disbursements Assessment Memorandum

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Thank you for the draft memorandum sent via e-mail on July 1, 2015 containing results of the Citywide Cash Disbursements Assessment.

The Recreation and Park Department (RPD) staff strives to ensure compliance to the Citywide Policies and Procedures established by the Controller's Office and will work diligently in implementing the action plan for the areas that have specific findings and needs improvement such as:

Finding 1 – Ten departments did not comply with city payment processing guidelines, including proper documentation of receipt of invoices and approval and timeliness of payments.
Response/Action Plan
RPD's Finance and Accounting Operations Manager will review the detailed payment processing guidelines regarding processing of payments with the Accounts Payable staff when the updated Controller's Policies and Procedures are published. The review and training will occur every six months to ensure that detailed steps are being observed.

Finding 2 – Ten of 19 departments tested should create or improve payment processing procedures.
Response/Action Plan
RPD will update its department level policies and procedures for Payment Processing which will include detailed step and responsibilities, upon publication of the most recent version of the Accounting Policies and Procedures for Payment by the Controller's Office.

Please feel free to contact me at (415) 831-2703 or Maria Sutton at (415) 831-2754, if you need additional information regarding RPD's response.

CC: Mamadou Gning, City Services Auditor Division, Controller
Maria Sutton, Finance and Accounting Operations Manager, RPD

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM:

SFERS
San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System
Office of the Executive Director

July 15, 2015

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

Subject: SFERS Retirement System Acknowledgement to CSA Citywide Cash Disbursement Assessment and City Payment Processing Guidelines

Dear Ms. Lediju,

Thank you for providing us the opportunity to respond to your report, Citywide Cash Disbursements Assessment: 10 Departments Did not Comply With City Payment Processing Guidelines and 10 Departments Need to Create or Improve Cash Disbursements Policies and Procedures.

We appreciate the time spent by your staff to review the Retirement Systems Disbursement and Payment Processing Guidelines.

If you have any questions or need additional information, please do not hesitate to contact me at: (415) 487-7020.

Sincerely,

Jay Huish
Executive Director
San Francisco Employees' Retirement System

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY:

SFMTA
Municipal Transportation Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*
Cheryl Brinkman, *Vice-Chairman*
Gwyneth Borden, *Director*
Malcolm Heinicke, *Director*
Joél Ramos, *Director*
Cristina Rubke, *Director*

Edward D. Reiskin, *Director of Transportation*

July 16, 2015

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

Re: Citywide Cash Disbursements Assessment Memorandum

Dear Ms. Lediju:

SFMTA hereby acknowledges the city-wide assessment performed by your office related to disbursements. Also, acknowledging receipt of the memorandum summarizing the results of the review.

Thank you for your work on this project and confirmation that SF MTA has no audit exceptions.

Sincerely,

Sonali Bose
Chief Financial Officer

SAN FRANCISCO PUBLIC UTILITIES COMMISSION:



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Assurance & Internal Controls
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

July 6, 2015

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

Subject: Management's Response to CSA Draft Audit Report
Citywide Cash Disbursements Assessment: 10 Departments Did Not Comply With City Payment Processing Guidelines and 10 Departments Need to Create or Improve Cash Disbursements Policies and Procedures

Dear Ms. Lediju,

Thank you for providing us the opportunity to provide a response to your draft report on the '*Citywide Cash Disbursements Assessment*,' as prepared by the Controller's Office, City Services Auditor.

We appreciate the staff time and effort required to complete this audit. We acknowledge the report's two findings and gladly accept that the SFPUC adhered to all guidelines for payments and provided all relevant policies. We note that none of the recommendations are directed at the SFPUC.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 554-1600.

Sincerely,

Harlan L. Kelly, Jr.
General Manager

Edwin M. Lee
Mayor
Ann Moller Caen
President
Francesca Vietor
Vice President
Vince Courtney
Commissioner
Anson Moran
Commissioner
Ike Kwon
Commissioner
Harlan L. Kelly, Jr.
General Manager

cc: Eric Sandler, AGM Business Services & Chief Financial Officer
Charles Perl, Deputy Chief Financial Officer
Nancy L. Hom, Director, Assurance & Internal Controls

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

RECOMMENDATIONS AND RESPONSES

Recommendation	Responsible Agency	Response
1. Comply with the City's Payment Processing Guidelines by documenting evidence of receipt, review, and approval of payment documents for accuracy and appropriateness.	Department of the Environment	The department concurs with the auditor's recommendation. The Finance and Administration Manager will review the payment processing guidelines with Accounts Payable staff to ensure that all procedures are being followed correctly. The procedures will be reviewed with staff semi-annually.
	Department of Human Resources	The Department of Human Resources concurs with the recommendation. The recommendation to update DHR's departmental guidelines documenting receipt of payment documents has already been implemented as of June 8, 2015.
	Department of Public Health	Concur and adopted. DPH-SFGH Accounting staff has been reminded to stamp all invoices received to ensure compliance with the City's payment processing guidelines for accuracy and appropriateness.
	Fire Department	The Department agrees with this recommendation. Since the time that the documents in question were processed, the Fire Department has updated its policies and practices so that all documents that are processed for payment are time stamped upon their receipt by the Accounting unit.

Recommendation	Responsible Agency	Response
	General Services Agency—Administrative Services	Concurs. While there were emails documenting approval of the PR documents reviewed during the assessment, GSA-Administrative Services will clarify its internal policies to make sure future approvals fully comply with the approval requirements set forth in the City's payment processing guidelines. The final Cash Disbursements Assessment will be shared with all accounting staff once issued so they can understand and immediately implement use of the accepted forms of payment approval. This information will also be included in the updated GSA-Administrative Services policies and procedures to be distributed in September.
	General Services Agency—Department of Technology	Department of Technology concurs with your recommendation. As of July 2015, the recommendation has been implemented, with staff reminded of the need for absolute consistency with the documentation requirements.
	Juvenile Probation Department	Juvenile Probation makes every attempt to comply with the City's payment processing guidelines. We concur with the absence of sufficient documentation. One example of our compliance efforts is reflected in a recent Post Audit where JPD, "processed all invoices timely within 30 days of receipt for three calendar years in a row, and is a role model in this area for other departments to follow." JPD is constantly improving payment processing procedures and the time period tested reflects a previous lack of consistent vigilance in this area. JPD is committed to the development of clear policies and procedures that guide the documentation of receipt, review, and approval of payment documents.

Recommendation	Responsible Agency	Response
	Office of the District Attorney	After reviewing the results of your Cash Disbursement Assessment Program report, we are in full agreement with Finding 1 – "Ten departments did not comply with city payment processing guidelines, including proper documentation of receipt of invoices and approval and timeliness of payments." More specifically, this audit revealed that our office in fact had not been date stamping invoices for payment when received. Instead, we had been using the date of the invoice as the date by which we were assessing the 30 day payment guideline. We have begun the process of updating our policies and procedures to institute a date stamping of invoices when received.
	Office of the Public Defender	Concur. Department will maintain airline invoices which are sent from the Controller's Office effective immediately.
	Recreation and Park Department	Concur. RPD's Finance and Accounting Operations Manager will review the detailed payment processing guidelines regarding processing of payments with Accounts Payable staff when the updated Controller's Policies and Procedures are published. The review and training will occur every six months.
2. Create departmental policies and procedures surrounding cash disbursements that are specific to the operational and organizational needs and risks of the department.	Department of the Environment	The department concurs with the auditor's recommendation. This responsibility has now been directed to specific staff to ensure effectiveness and accountability. This process will take approximately 6 months.
	Juvenile Probation Department	The Juvenile Probation Department has begun the development of policies and procedures surrounding all financial functions, including cash disbursements. The Department, although minimally staffed, is seeking to have draft policies completed by September 2015.

Recommendation	Responsible Agency	Response
3. Update their departmental policies and procedures to include major steps, as detailed in the City's Payment Processing Guidelines.	Adult Probation Department	The Adult Probation Department concurs with the recommendation. ADP will update departmental policies and procedures to include additional language to address the filing system method of invoices and documents for future audits. Updated ADP departmental policies and procedures will be completed by December 2015.
	Office of the Assessor-Recorder,	Concur. The department will incorporate into its final payment policies and procedures the provision for accounting staff to file invoices and supporting documents systematically for future audits.
	General Services Agency – Administrative Services	Concurs. GSA-Administrative Services is in the process of updating its various fiscal policies and procedures during August 2015, and we will make sure all major steps detailed in the City's Payment Processing Guidelines are included as part of the update. While the department follows the Controller's office guidelines, the department's written policies do not fully reflect the payment processing steps that are followed. The policies and procedures update will be completed by early September and distributed to all relevant department staff members no later than September 18.
	Department of Human Resources	The Department of Human Resources concurs with the recommendation. The recommendation to update DHR's departmental guidelines documenting receipt of payment documents has already been implemented as of June 8, 2015.
	Office of the Public Defender	Concur. Department will ensure invoices are paid within 30 calendar days after receiving the invoices. Department will update the policies and procedures by July 31, 2015.

Recommendation	Responsible Agency	Response
	Department of Public Health	Concur and adopted. DPH-SFGH's departmental policies and procedures have been updated to include guidelines to systematically file invoices and documents for future audits. The updated policies and procedures have been communicated with DPH-SFGH Accounting staff.
	Recreation and Park Department	Concur. RPD will update its department level policies and procedures for Payment Processing which will include detailed steps and responsibilities, upon publication of the most recent version of the Accounting Policies and Procedures for Payment by the Controller's Office.
	Office of the Treasurer and Tax Collector	Concur. The Office of the Treasurer and Tax Collector (TTX) will amend departmental policies and procedures to more closely match the City's Payment Processing Guidelines (e.g. match invoice to evidence of receipt of goods, file invoice and documents for future audits, instructions on 30-Day Prompt Payment Program). TTX anticipates implementation of these amendments by September 2015.