




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

**Ben Rosenfield**  
**Controller**

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

**MEMORANDUM**

**TO:** Citizens' General Obligation Bond Oversight Committee

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

**DATE:** July 19, 2016

**SUBJECT:** CSA Audits Activity Update

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The following are highlights of the City Services Auditor Division (CSA) Audits Unit's activity during March 16, through July 19, 2016.

Date Issued	Report
7/13/2016	<p><i>San Francisco Municipal Transportation Agency: The Overhead Rate of One Central Subway Project Consultant Must Be Reduced</i></p> <p>Three consultants' overhead rates under the Central Subway Partners agreement were reviewed. Two consultants do not need overhead rate adjustments. However, although the other consultant's calculations mostly complied with contract terms and federal overhead rate requirements, this consultant incorrectly included nonreimbursable project expenses in its overhead rate calculations or was unable to demonstrate appropriate separation of personal or direct costs from indirect costs.</p>
7/12/2016	<p><i>Department of Public Works: Expenditures at the Department for the 2010 Earthquake Safety and Emergency Response Bond Program Were in Accordance With the Ballot Measure</i></p> <p>The Department of Public Works' 2010 Earthquake Safety and Emergency Response General Obligation Bond Program expenditures were in accordance with the ballot measure and funds were not used for any administrative salaries or other general governmental operating expenses other than those specifically authorized in the ballot measure for such bonds.</p>

Date Issued	Report
7/11/2016	<p><i>Office of the Treasurer and Tax Collector: Quarterly Review of the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2016</i></p> <p>No material modifications should be made to the Schedule of Cash, Investments, and Accrued Interest Receivable as of March 31, 2016, for it to be in conformity with generally accepted accounting principles</p>
7/7/2016	<p><i>Airport Commission: Swiss International Air Lines Ltd. Correctly Paid Its Landing Fees for 2013 and 2014</i></p> <p>Swiss International Air Lines Ltd. correctly reported 719 revenue aircraft landings and correctly paid \$1,293,595 in landing fees due to the Airport for the audit period.</p>
6/29/2016	<p><i>Department of Public Health: Field Follow-up of 2013 Audit of the Department of Public Health's Purchasing Structure</i></p> <p>All nine recommendations CSA made to the Department of Public Health in a 2013 audit report, <i>The Department's Siloed and Decentralized Purchasing Structure Results in Inefficiencies</i>, have been fully implemented or are no longer applicable and CSA considers them closed.</p>
6/28/2016	<p><i>Airport Commission: American Airlines, Inc., Correctly Paid Its Landing Fees for 2013 and 2014</i></p> <p>American Airlines, Inc., correctly reported 21,457 revenue aircraft landings and correctly paid \$15,972,815 in landing fees due to the Airport for the audit period.</p>
6/23/2016	<p><i>San Francisco Municipal Transportation Agency: AutoReturn Complied With Key Contract Provisions and a Few Enhancements Can Further Strengthen AutoReturn's Reporting and Recordkeeping</i></p> <p>TEGSCO, LLC, dba San Francisco AutoReturn (AutoReturn) correctly remitted all fees due to the San Francisco Municipal Transportation Agency and has adequate controls to ensure that financial and towing activities are properly performed. Although AutoReturn performed nearly all its activities as contractually required, it can improve in the areas of opposition holds, vehicle inventory, and subcontractor monitoring.</p>

Date Issued	Report
6/22/2016	<p data-bbox="410 289 1425 384"><i>Office of the Treasurer and Tax Collector: Quarterly Review of the Schedule of Cash, Investments, and Accrued Interest Receivable as of September 30, 2015</i></p> <p data-bbox="410 426 1425 520">No material modifications should be made to the Schedule of Cash, Investments, and Accrued Interest Receivable as September 30, 2015, for it to be in conformity with generally accepted accounting principles.</p>
6/22/2016	<p data-bbox="410 604 1425 667"><i>Office of the Treasurer and Tax Collector: Quarterly Review of the Schedule of Cash, Investments, and Accrued Interest Receivable as of December 31, 2015</i></p> <p data-bbox="410 709 1425 798">No material modifications that should be made to the Schedule of Cash, Investments, and Accrued Interest Receivable as of December 31, 2015, for it to be in conformity with generally accepted accounting principles.</p>
6/9/2016	<p data-bbox="410 882 1377 945"><i>Office of the City Attorney: Field Follow-up of 2015 Assessment of the Department's Cash Disbursements</i></p> <p data-bbox="410 987 1377 1108">The Office of the City Attorney (City Attorney) has fully implemented all five recommendations CSA made in its 2015 assessment of the City Attorney's cash disbursement procedures. Consequently, CSA considers all of the recommendations closed.</p>
5/25/2016	<p data-bbox="410 1192 1404 1287"><i>Airport Commission: The Airport Improved Its Construction Project Oversight, but Change Management and Data Reliability Procedures Must Be Strengthened</i></p> <p data-bbox="410 1329 1404 1522">The Airport Commission (Airport) has begun taking steps to improve its oversight and management of capital improvement programs and employs many leading practices. However, additional action is needed to address significant change management weaknesses and ensure that complete and accurate records are maintained in project files, among other areas noted for improvement.</p>
5/23/2016	<p data-bbox="410 1606 1399 1669"><i>City Services Auditor Summary of Recommendation Implementation Status - Fiscal Year 2015-16, Third Quarter</i></p> <p data-bbox="410 1711 1399 1831">Departments reported implementing 36 (42 percent) of the 85 open recommendations CSA followed up on during the third quarter of fiscal year 2015-16. As a result, CSA was able to close 3 of the 20 reports or memorandums.</p>

Date Issued	Report
5/9/2016	<p><i>Citywide Contract Compliance Audit: The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts</i></p> <p>CSA tested the contract compliance of \$1.8 million in payments across 20 city departments and 51 contracts. CSA also assessed citywide early payment discounts and potential interest income. Based on a sample of 100 payments tested in detail, the majority had at least one problem identified, including that departments sometimes make unverifiable vendor payments, miss early payment discounts, and pay vendors late or too soon. Also, of the \$1.1 billion in payments the City made under contracts in fiscal year 2013-14, only 1 percent had associated early payment discounts. Of the 1 percent, the City missed an estimated \$44,143 in early payment discounts due to late payments and user input or processing errors. Last, the City could have increased its investment earnings by as much as an estimated \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates.</p>
4/26/2016	<p><i>Airport Commission: The Airport's Employee Separation Process Needs Improvement to Minimize the Risk of Unauthorized Access to Premises or Data and to Ensure That Airport Property Is Collected</i></p> <p>The Airport Commission (Airport) risks that its premises or data will be accessed by unauthorized individuals by not disabling separating employees' physical and network access in a timely manner. Also, the Airport's process for collecting city property from separating employees does not ensure that all items that were issued are collected.</p>
4/13/2016	<p><i>Airport Commission: Sankaku, Inc., Correctly Reported Its Revenue and Paid Its Rent for 2013 and 2014</i></p> <p>Sankaku, Inc., correctly reported \$5,354,067 in gross revenues and correctly paid \$471,407 in rent due to the Airport.</p>
3/29/2016	<p><i>Department of Aging and Adult Services: Insufficient Inventory Tracking and Supervisory Practices and Failure to Segregate Duties Increase the Risk That Inventory Will Be Lost or Misappropriated</i></p> <p>The Public Administrator and Public Guardian divisions of the Department of Aging and Adult Services does not appropriately maintain records or segregate duties to control the risk of theft or loss of client property.</p>

Date Issued	Report
3/24/2016	<p><i>Airport Commission: TripTel, Inc., Correctly Reported Its Revenues and Paid Rent for May 2013 Through April 2015</i></p> <p>TripTel, Inc., correctly reported \$1,514,823 in gross revenues and correctly paid rent due to the Airport.</p>
3/24/2016	<p><i>Airport Commission: Goodfellows Shoeshine-California, Inc., Underpaid Rent by \$3,486 and Needs to Submit Certified Revenue Reports and Complete Revenue Statements for 2013 Through 2014</i></p> <p>Goodfellows Shoeshine-California, Inc., (Goodfellows) reported gross revenue of \$1,370,488 and paid percentage rent of \$133,562 but underreported revenue of \$34,874, resulting in net underpayment of \$3,486 in rent due to the Airport. The tenant does not know the cause for the discrepancy. According to the lease, Goodfellows must reimburse the Airport for the cost of this audit because the underpaid rent is greater than 2 percent of the rent due. However, the Airport considers charging Goodfellows the audit cost overly punitive, so will only collect the underpayment. Also, contrary to the lease, Goodfellows did not submit certified monthly revenue reports or submit complete financial statements for one year.</p>
3/17/2016	<p><i>Airport Commission: RDG Concessions, LLC, Correctly Reported Its Revenue and Paid Its Rent for January 2013 Through December 2014</i></p> <p>RDG Concessions, LLC, (RDG) correctly reported \$1,163,543 in gross revenues and paid \$284,890 in rent to the Airport. However, the Airport incorrectly recorded the minimum monthly rent in its billing system and consequently underbilled RDG by an insignificant amount per month. The Airport states this was an isolated incident due to a clerical data entry error and that it has procedures to ensure accuracy.</p>