



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER
AUDITS DIVISION

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

September 21, 2005

Audit Number 05017

Chairperson and Members
First Five San Francisco
1390 Market Street, Suite 318
San Francisco, California 94102-5329

Audit for the Fiscal Year Ended June 30, 2005 - Management Letter

We have audited the financial statements of the First Five San Francisco, also known as the Children and Families Commission (Commission), for the fiscal year ended June 30, 2005, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit of the financial statements of the Commission, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our consideration of internal control would not necessarily disclose all weaknesses in the system of internal control or all errors or irregularities that might have occurred during the audit period, because it was based on selective tests of accounting records and related data. However, our audit did disclose certain matters, which we believe should be addressed to improve the Commission's system of internal control or bring it into compliance with laws and regulations. We note these matters below:

Our fieldwork was completed on September 21, 2005.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Prior Audit Recommendation No. 1

The Commission should only award advances as stated in its contracts and it should recoup those advances over a short period of time and preferably before year-end. If advances are outstanding at year-end, the Commission should reclassify those expenditures as advances

Status of Prior Audit Recommendation No. 1

The Commission now has an Administrative Policy Manual, which states that the Commission may disburse an advance payment equal to one-sixth of the total award, or two prorated months of funding, to any grantee requesting an advance. The advance is to be recovered in the first six months of the grant year. A grantee must submit a letter to the Commission requesting the advance. This recommendation has been implemented.

Prior Audit Recommendation No. 2

The Commission should implement a policy to require submission of work order supporting documentation or implement site visits and have appropriate personnel review and approve the supporting documentation for accuracy and as an allowed cost under Health & Safety Code section 130105(f).

Status of Prior Audit Recommendation No. 2

The Commission now requires submission of work order supporting documentation for review and approval by Commission staff. This recommendation has been implemented.

Prior Audit Recommendation No. 3

The Commission should enforce its policies and procedures for monitoring all grantees, including performing, documenting, and evaluating its site visits.

Status of Prior Audit Recommendation No. 3

The Commission now has an Administrative Policy Manual, which states that the Commission will perform a minimum of one fiscal site visit and one program visit per year. Although the Commission made a vast improvement over the prior year, the Commission still did not comply with its own policy because it did not complete program site visits for 23 of its grantees. The Commission did perform fiscal site visits of all but two of its grantees. This recommendation has not been implemented.

CURRENT AUDIT COMMENTS AND RECOMMENDATIONS

1. Coding of Expenditures for Recording in FAMIS

The Commission staff approves invoices for payment, codes the invoices with the index code and sub-object account code, and forwards the invoices to the department's accountant for processing. However, we noted a few instances where the accountant changed the index code and/or account code when he processed payments in FAMIS. It did not appear that the accountant notified the Commission staff of the changes to the invoice coding. The Commission staff should be notified of any changes so that they can approve the change and adjust their own records and budgets accordingly, if in fact the change is warranted.

Current Audit Recommendation No. 1

We recommend that in the event the department's accountant changes the coding of invoices or charges, the accountant should notify the Commission of those changes so that the Commission can approve the changes and adjust their own records and budgets accordingly.

In conclusion, we wish to convey our appreciation for the cooperation and courtesy accorded to us during the audit.

Sincerely,

Original signed by:
Elisa Sullivan
Audit Manager

cc: First Five California