

DEPARTMENT ON THE STATUS OF WOMEN:

The Nonprofit Women Organized to
Make Abuse Nonexistent, Inc., Over
Billed the City for Services and Did
Not Maintain Adequate Accounting
Records

**FINANCIAL AUDITS
DIVISION**



February 2, 2006
03002



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

February 2, 2006

Audit Number 03002

Emily Murase, Executive Director
Department on the Status of Women
25 Van Ness Avenue, Suite 130
San Francisco, CA 94102

Dear Ms. Murase:

The Office of the Controller (Controller) presents its review of selected grant agreements between the City and County of San Francisco (City) and the nonprofit corporation, Women Organized to Make Abuse Nonexistent, Inc. (nonprofit), which assists women who are victims of domestic violence. In addition, we assessed allegations raised by the Department on the Status of Women (department) and the Office of the City Attorney that the nonprofit had mismanaged federal and city funds during the tenure of its former executive director.

This report concludes that the nonprofit overcharged the department by \$73,087 out of the \$200,919 that the nonprofit billed the department. The over billing related to the costs of establishing and running the SafeStart Domestic Violence Support Line, which provided a multilingual support line for domestic violence cases involving children 0 to 6 years of age. The nonprofit billed the department for expenses the nonprofit had not properly recorded in its accounting records, and billed the department improperly for work that its subcontractor had not yet completed. In addition, we found that the nonprofit did not maintain adequate accounting records to support the amounts it billed the City, and did not maintain adequate financial, accounting, and management systems and controls. The report also notes that the department did not properly review amounts billed by the nonprofit.

The nonprofit has taken corrective actions to address critical weaknesses identified in this audit. The Controller's Financial Audits Division will be working with the department to monitor the status of the recommendations made in this report.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller

INTRODUCTION

BACKGROUND

Established in 1978, Women Organized to Make Abuse Nonexistent, Inc., (nonprofit), is a California nonprofit corporation that offers multiple services at the local level to women living in San Francisco and the Bay Area. The nonprofit's mission is to confront violence against women, and it pursues this mission primarily by helping battered women and their children to secure safe environments and to build stable, violence-free lives. The nonprofit's specific activities include operating a 24-hour crisis hotline and providing or securing emergency shelter, food, and supportive services for women facing domestic abuse.

For fiscal years 2002 through 2005, the City and County of San Francisco (City) paid the nonprofit a total of approximately \$1.1 million to assist it in carrying out its programs. During fiscal year 2002-03, approximately the period of our review, the City's Department on the Status of Women (department), awarded funding to the nonprofit to operate or participate in multiple programs. These programs included the SafeStart Domestic Violence Support Line (SafeStart), which provided a multilingual support line for domestic violence cases involving children 0 to 6 years of age, and the 24-Hour Domestic Violence Crisis Line (Crisis Line), which provides a multilingual crisis line and non-residential services for battered women. Other programs included the Domestic Violence Intervention/Advocacy Project, which provided on-site victim advocacy for battered woman and training to San Francisco police officers; CalWORKS Domestic Violence Advocacy, which provided CalWORKS participants with domestic violence counseling and advocacy services; and the Greenbook Project, which focused on helping child welfare and domestic violence agencies and family courts work together more effectively to help families experiencing violence.

According to the department's deputy director, the department received some of the funding it awarded to the nonprofit through work orders from other city departments. For example, the department received the funding for SafeStart through a work order from the Department of Children, Youth and Their Families (Children, Youth and Families), which received the funding for the San Francisco SafeStart Initiative under a cooperative agreement with the United States Department of Justice.

According to management at the Department on the Status of Women, concerns about financial and other management weaknesses arose during the tenure of the nonprofit's previous executive director, who worked at the nonprofit from June 2002 through July 2003. The department expressed concern that the nonprofit was mismanaging and misusing city funds. Consequently, the department asked the Office of the Controller to perform a limited financial review of the payments related to selected grant agreements under which the nonprofit appeared to have improperly billed the City.

In addition to determining whether the nonprofit properly billed the City under the grant agreements, we also investigated specific allegations of fiscal mismanagement raised by the department and by the Office of the City Attorney (City Attorney). These allegations concerned improper accounting and billing procedures for the nonprofit's planned development and implementation of a Web-based database to collect and report upon SafeStart data. The nonprofit had contracted with Track Computer Center Services, Inc. (Track), an Oakland, California based private company, for these services.

SCOPE AND METHODOLOGY

The purpose of the review by the Controller's Financial Audits Division (division) was to determine whether the nonprofit's requests for reimbursements from the City for costs from July 1, 2002, through October 31, 2003, were accurate and based upon actual services that the nonprofit provided. After discussing the review with department management and the City Attorney, we chose to examine only the grants for the Crisis Line and SafeStart programs. We evaluated whether the nonprofit had adequate financial and management systems to ensure that it complied with the terms of these grant agreements with the City.

To conduct the financial review, we interviewed key personnel from the nonprofit, the department, and Children, Youth and Families. The division performed a detailed examination of invoices that the nonprofit submitted to the City for reimbursement by reconciling invoiced amounts to amounts recorded in the nonprofit's internal financial records. In addition, we sampled and then traced invoiced amounts from the nonprofit's general ledger to check registers and to original supporting documentation, including vendor invoices and payroll records.

To investigate billings by Track for the Web-based database, we interviewed personnel from the nonprofit, the department, Children, Youth and Families, and Track, and we performed a detailed review of the nonprofit's payments to Track, including examination of all invoices and supporting documentation. The audit also reviewed system documentation, SafeStart progress reports, and other reports and records. In addition, we conducted a limited review of public records, including corporate records available from the California Secretary of State and Alameda and San Francisco county fictitious business name records, and performed other steps we considered necessary.

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AUDIT RESULTS

THE NONPROFIT OVERCHARGED THE DEPARTMENT FOR SOME SAFESTART EXPENSES

The nonprofit over - charged the department by \$73,000.

From July 1, 2002, through October 31, 2003, Women Organized to Make Abuse Nonexistent, Inc. (nonprofit) billed the Department on the Status of Women (department) \$200,919 under two grants for the SafeStart Domestic Violence Support Line (SafeStart). Our initial review revealed that the nonprofit improperly billed the department for grant expenses it had not yet incurred or had not recorded in its accounting records. Furthermore, we found that the nonprofit had not properly allocated indirect administrative expenses to SafeStart and the other city grants for which it received funding. Because we questioned more than \$100,000 billed by the nonprofit, the department allowed the nonprofit several months to put its accounting records in order, and we again reviewed the nonprofit's accounting and financial records. Although the nonprofit was able to provide resolution for many of the initial questioned costs, we still identified more than \$73,000 that the nonprofit should not have received from the department for the two SafeStart grants. Table 1 presents a summary of our audit results for the SafeStart grants.

TABLE 1

**Women Organized to Make Abuse Nonexistent, Inc.
SafeStart Grant Expenses Billed to the Department on the Status of Women
July 1, 2002, Through October 31, 2003**

Grant/Term Covered	Grant Budget	Billed to Department	Disallowed Charges
1 st Grant: (Term: 7/1/02 to 10/31/02)	\$105,000	\$105,000	\$53,497
2 nd Grant: (Term: 11/1/02 to 10/31/03)	105,000	95,919	19,590
Totals	\$210,000	\$200,919	\$73,087 *

** The department withheld payment of billings totaling \$15,543 for the months of September and October 2003, because of the potential that the nonprofit improperly billed the department. The nonprofit's liability to SafeStart net of the withheld amount is \$57,544.*

According to the SafeStart Director at Children, Youth and Families, the department did not renew the nonprofit's SafeStart grant, and its SafeStart agreement ended effective October 31, 2003.

The Nonprofit's Accounting Records Were in Disarray and Did Not Support Many of the Costs Billed for the SafeStart Grants

During the four-month term of the first SafeStart grant agreement, July through October 2002, the nonprofit billed the department for the entire grant amount of \$105,000 to reimburse the nonprofit for its grant-related expenses. However, our review of the nonprofit's general ledger showed it recorded SafeStart expenses of only \$21,388 for the period. The \$21,388 in SafeStart expenses recorded in the nonprofit's general ledger represented two invoices, one for \$20,000 and one for \$1,388, from Track Computer Center Services, Inc. (Track). The nonprofit's records showed that it had not paid these invoices at the time it billed the City, and we found that the nonprofit had not yet received the services included in the \$20,000 invoice. Since the grant terms stated that the nonprofit can only request reimbursement for costs it has actually incurred and paid in implementing the grant plan, we initially concluded that the nonprofit improperly billed the department for the entire \$105,000. After allowing the nonprofit several months to organize its financial records, we still found that the nonprofit could not support \$53,497 in grant expenditures.

The auditors initially disallowed the entire \$105,000 in the nonprofit's first SafeStart grant because of the poor condition of the financial records.

During the 12-month term of the second SafeStart grant agreement, from November 2002 to October 2003, the nonprofit billed the department for \$95,919 of the \$105,000 grant amount. Although the nonprofit recorded \$96,275 in apparent SafeStart expenses in its general ledger for this period, some of the charges the nonprofit billed the department exceeded the amount the nonprofit recorded in its general ledger. For example, the nonprofit billed the department \$18,333 for relief workers, but its general ledger showed expenses of only \$6,697 for these services. In another instance, the nonprofit billed the department \$6,000 for building space rent, but its general ledger showed expenses of only \$2,000.

Furthermore, the nonprofit did not maintain adequate accounting records to support the amounts it billed the department. For example, the nonprofit did not maintain adequate timesheets or other records to support staff salary costs or the costs of contract relief workers billed under the SafeStart grant. The nonprofit also did not maintain records to support the amounts of answering

service, rent, building maintenance, and other expenses it billed the department. Instead, in most cases the nonprofit routinely billed the department for the full amounts in the grant agreement budget for these expenses. These practices are improper if the nonprofit billed the department for SafeStart grant costs that the nonprofit had not actually incurred and paid.

The Nonprofit Failed to Allocate Its Joint or Shared Costs Appropriately

In addition to its failure to correctly record SafeStart expenses in its general ledger, we found that the nonprofit did not employ acceptable methodologies for allocating expenses to SafeStart and the other programs it was administering.

As discussed in an earlier section of this report, the department received the funding for SafeStart through a work order from the Department of Children, Youth and Their Families (Children, Youth and Families), which received the funding under a cooperative agreement with the United States Department of Justice for the San Francisco SafeStart Initiative. Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, establishes principles for determining costs of grants, contracts, and other agreements with non-profit organizations. Circular A-122 defines direct and indirect costs, and provides guidelines for identifying costs considered direct costs for a particular program, and for allocating indirect costs among different programs. As a sub-recipient of federal funds awarded to the City's SafeStart program under a cooperative agreement, the nonprofit is subject to the principles specified in Circular A-122. Nevertheless, we found that the nonprofit did not adhere to these requirements in allocating joint or shared costs.

The nonprofit did not follow federal guidelines in allocating costs.

Corrective Action

Subsequent to our initial audit fieldwork, the department agreed to provide the nonprofit the opportunity to submit additional information and documentation to justify some of the billed amounts that the audit found to be unsupported. The nonprofit subsequently provided proposed procedures for allocating joint or shared costs during the first and second SafeStart grant periods. These procedures are based primarily on the number of calls and other contacts the nonprofit received for SafeStart in relation to the nonprofit's total calls and other contacts, as well as on the number of actual referrals the nonprofit made to the SafeStart program.

The department reviewed the nonprofit's procedures and found them to be acceptable. In addition, we found the procedures to be acceptable and consistent with the principles specified in Circular A-122.

The SafeStart Grant Agreements Were Inconsistent in the Requirements for the Level of Effort to Provide Services and the Related Expenses

Although the first SafeStart grant, which covered the period from July through October 2002, was a start-up grant, the services required under this grant were very limited when compared to the services required under the second SafeStart grant. Further, some of the budgeted expenses in the grants did not appear to be consistent and reflect the actual costs in the two grants.

The department's required level of service was questionable in the first SafeStart grant.

According to Children, Youth and Families' SafeStart director, the dedicated SafeStart Domestic Violence Support Line that the grants funded did not start operating until November 2002, the month after the first grant term ended. The services required under the first SafeStart grant agreement were therefore primarily of a start-up nature, and included work towards establishing the SafeStart Domestic Violence Support Line and developing the Web-based database to collect and report upon SafeStart data. Nevertheless, the number of support line calls and referrals required under the first SafeStart grant were very limited; the grant required only 20 support line calls and 12 referrals during the three-month period. In comparison, the corresponding requirements under the nonprofit's second SafeStart grant, for the following 12 months, were 1,000 support line calls and 60 referrals to service providers.

The audit found that some of the expenses included in the budget for the first SafeStart grant agreement were excessive, given the limited level of services required under the grant agreement, and that some of the expenses were not consistent with the start-up nature of the required services. For example, the grant allocated 31 percent of the nonprofit's office rent to SafeStart, which the audit found to be disproportionate, considering the start-up nature of the SafeStart services, the other programs the nonprofit was administering, and the fact that the one nonprofit staff member assigned 100 percent to SafeStart, the SafeStart Coordinator, was not hired until October 28, 2002. By comparison, the budgeted allocation to SafeStart of the nonprofit's office rent for the 12-month period of the second grant agreement was 12.2 percent. The

audit similarly found the first SafeStart grant agreement's 33 percent budgeted allocation to SafeStart of the nonprofit's answering service fees to be excessive.

We found that the second SafeStart grant agreement for \$105,000, for the 12-month period November 2002 through October 2003, was better written than the first grant agreement. However, we also found that some of the budgeted allocations to SafeStart were excessive and inconsistent with other budgeted allocations. For example, the budgeted allocation to SafeStart for building maintenance services was 40 percent of the nonprofit's building maintenance costs. However, as noted above, the budgeted allocation to SafeStart of the nonprofit's office rent for the 12-month period of the second grant agreement was only 12.2 percent. The grant agreement language does not adequately explain this disparity.

THE NONPROFIT BILLED THE CITY IMPROPERLY FOR SOME EXPENSES RELATED TO ITS DOMESTIC VIOLENCE CRISIS LINE

The nonprofit improperly billed for expenses it had not yet incurred.

For fiscal year 2002–03, the nonprofit had a \$152,393 grant from the Department on the Status of Women to operate the Domestic Violence Crisis Line (Crisis Line), a 24-hour hotline for those dealing with violent relationships. The nonprofit violated the terms of its grant with the department in fiscal year 2002-03 when it billed the department for some expenses that the nonprofit had not yet incurred. Although the nonprofit eventually incurred the expenses it billed the department, the grant specifically requires the nonprofit to bill the department only for those costs the nonprofit incurred and paid.

According to the nonprofit's financial records for fiscal year 2002-03, it did eventually incur sufficient Crisis Line expenditures to justify its total billings to the City. However, as stated earlier in this report, the audit found that the nonprofit did not consistently segregate in its general ledger the costs for different programs, did not employ acceptable methodologies for allocating expenses to the programs it was administering, and did not maintain adequate timesheets or other records to support staff salary costs.

The nonprofit also had a \$152,393 grant from the department to operate the Crisis Line during fiscal year 2003-04. During this fiscal year, the nonprofit discontinued the improper billing practices and began billing the department for eligible expenses

that the nonprofit had already incurred and paid to its staff and vendors.

Although the audit found that the nonprofit incurred sufficient Crisis Line expenditures to justify its total billings to the City, we did not assess whether the nonprofit complied with its line item budgets for the Crisis Line grants. Subsequent to our initial audit fieldwork, the department agreed to perform this review.

TABLE 2

**Women Organized to Make Abuse Nonexistent, Inc.
Crisis Line Expenses Billed to the Department on the Status of Women
And Expenses Recorded by the Nonprofit
July 1, 2002, Through October 31, 2003**

Grant/Term Covered	Grant Budget	Billed to Department	Recorded Expenses	Amount Billed Less Recorded Expenses
1 st Grant: (Term: 7/1/02 to 6/30/03)	\$152,393	\$152,388	\$186,991	(\$34,602)
2 nd Grant: (Term: 7/1/03 to 6/30/04)	\$152,393	*\$48,629	*\$49,507	(\$878)

** These are expenses billed and recorded from July 2003 through October 2003*

**The Nonprofit Billed The City
In Advance for Crisis Line Expenses**

For 10 consecutive months during fiscal year 2002-03, the nonprofit routinely billed the City each month for one-twelfth of the grant agreement's \$152,393 annual budget. However, the nonprofit's grant agreement for operating the Crisis Line limited eligible expenses to those that the nonprofit has already incurred and paid. In billing the department each month for one-twelfth of the grant agreement's budgeted costs, the nonprofit billed for some costs it had not yet incurred, and therefore violated its grant agreement. These expenses encompassed all costs except personnel costs, and they totaled approximately \$33,000, or 21 percent, of the total grant amount.

We reviewed and tested the nonprofit's financial records and concurred with the nonprofit that it did eventually incur sufficient Crisis Line expenses to justify its total billings to the City for that fiscal year. The nonprofit's financial records for fiscal year 2002-03 indicate that it incurred \$186,991 in Crisis Line expenses, compared to the \$152,388 it billed to the City.

The Nonprofit Failed to Segregate and Allocate Properly Its Costs for the Crisis Line

Because the nonprofit did not consistently segregate the costs for different programs in its general ledger, we could not determine conclusively whether the nonprofit billed some expenses to the Crisis Line correctly. For example, in its general ledger, the nonprofit did not segregate in separate accounts for the Crisis Line and SafeStart the costs of relief workers for those programs. The nonprofit also did not consistently segregate in its general ledger the appropriate amounts of other costs shared by both programs, including the portions of telephone and answering service expenses attributable specifically to each program. Further, as discussed earlier in this report, the nonprofit did not employ acceptable methodologies for allocating expenses to the programs it was administering, and did not maintain adequate timesheets or other records to support staff salary costs. Moreover, the nonprofit's deputy director, who is also the Crisis Line director, charged to the Crisis Line 100 percent of her work hours for fiscal year 2002–03. Although the deputy director may have allocated this amount correctly, her timesheets lack approvals by a senior manager to substantiate her reported hours and their allocation to the Crisis Line.

The Nonprofit Corrected Its Billing Practices During Fiscal Year 2003-04

The nonprofit's former interim executive director stated that, in fiscal year 2003-04, the nonprofit discontinued the improper billing practices that it used during the previous fiscal year. Our review and testing of the nonprofit's financial records and billings for the first four months of fiscal year 2003-04 support her statement. The nonprofit's financial records for fiscal year 2003-04 indicate that as of October 31, 2003, the nonprofit submitted invoices to the City that covered only those expenses that the Crisis Line had already incurred. For the first four months of fiscal year 2003–04, the nonprofit incurred \$49,507 in Crisis Line expenses and billed the City for \$48,629.

The Department Agreed to Perform Additional Reviews of Crisis Line Billings

Because of the weaknesses in the nonprofit's accounting practices, we could not determine conclusively whether the nonprofit complied with amounts budgeted for individual line items in the Crisis Line grants. Subsequent to our initial audit fieldwork, the department agreed to review the nonprofit's Crisis Line billings for both fiscal years 2002-03 and 2003-04.

THE NONPROFIT'S INADEQUATE FINANCIAL AND MANAGEMENT SYSTEMS CONTRIBUTED TO ITS SUBMISSION OF INCORRECT BILLINGS TO THE DEPARTMENT

In addition to the internal control weaknesses we identified in the previous sections of this report, we also identified a number of other weaknesses in the nonprofit's systems and controls for financial records, accounting, and management that contributed to incorrect billings to the City. However, the nonprofit subsequently corrected many of these problems.

The Nonprofit Lacked Key Accounting Functions, Necessary Procedures, and Qualified Accounting Staff

The nonprofit lacked a number of key accounting functions. These weaknesses were also corroborated by the nonprofit's former interim executive director, accountant, and other staff. For example, the nonprofit did not have an accounts payable function, which is needed to readily determine outstanding vendors' bills and monitor cash flow. In addition, the nonprofit lacked general disbursement controls, such as approval and documentation requirements and adequate segregation of duties.

The nonprofit's accountant also stated that the nonprofit did not properly account for its payroll. Timesheets did not always assign hours worked to specific programs and were not signed, and there was no evidence that they had been reviewed. Furthermore, there were no W-9 Forms on file for many of the individuals employed as independent contractors. In fact, when some former employees changed their status to that of independent contractors, the nonprofit continued to record their salaries to the same account numbers, and failed to notify its payroll service vendor about the

change in status. As a result, the payroll service vendor treated these individuals as employees for tax withholding purposes.

The accountant also stated that the nonprofit did not reconcile balance sheet accounts on a timely basis, including accounts for employee withholdings, employee advances, and employee medical premium payments. Reconciliation of balance sheet accounts is required to ensure the accuracy of the nonprofit's financial statements.

As a result of the weaknesses in the financial accounting and internal control systems, the nonprofit did not issue its audited financial statements for its fiscal year ending June 30, 2003, until July 16, 2004. According to the former interim executive director, the nonprofit's independent auditors originally indicated that they would be unable to complete the audit because the nonprofit's books for that year contained incomplete records. The nonprofit had to engage another independent auditor, which eventually completed the audit.

The Nonprofit Improved Its Financial and Management Controls During Fiscal Year 2003-04

According to the nonprofit's former interim executive director, accountant, and other personnel, the nonprofit has addressed most of the weaknesses in financial and management systems that we identified. The nonprofit's accountant and former interim executive director have also stated that the nonprofit has established contract administration and billing procedures, and that the nonprofit has discontinued the improper billing practices described in this report. Our review and testing of the nonprofit's billings to the City during fiscal year 2003-04 support these statements. However, as stated elsewhere in this report, the nonprofit needs to ensure that it has fully implemented procedures to allocate and segregate the costs for different programs.

The nonprofit now has an accountant working on a contract basis. This accountant previously worked at the nonprofit as a temporary employee and as a volunteer, and is experienced with the nonprofit's operations and procedures. According to the accountant, he has instituted an accounts payable function and implemented general disbursement controls, including approval and documentation requirements and adequate segregation of duties. Checks for more than \$5,000 require dual signatures and, according to the nonprofit's former interim executive director, a

board member must sign any checks that are payable to the executive director. The one exception to this procedure involves payroll checks, which are generated through the payroll system and on which the executive director's signature is applied electronically.

The nonprofit has revised the time sheets that it uses. Timesheet forms list specific job functions and require both the employee's signature and a supervisor's signature indicating that the employee's time has been verified. The nonprofit also addressed other weaknesses in its payroll procedures. According to the accountant and the interim executive director, the nonprofit now reconciles balance sheet accounts in a timely manner.

THE DEPARTMENT DID NOT PROPERLY REVIEW AMOUNTS BILLED BY THE NONPROFIT

The department did not have procedures in place to ensure that the nonprofit's invoices were supported and accurate.

The Department on the Status of Women authorized payments of the nonprofit's Crisis Line and SafeStart invoices to the department despite billing practices that were obviously improper. For example, 10 of the 16 Crisis Line invoices the nonprofit submitted during the audit period were for the same amount: \$12,699. It should have been apparent that the nonprofit was billing the department on some basis other than actual monthly expenses. As previously stated in this report, the nonprofit's grant agreements with the City define eligible expenses as expenses incurred and paid.

According to the department's former grants administrator, the department did not have procedures in place for the review of invoices when she started with the department in January 2001. She stated that most grants were invoiced in one-twelfth increments, and that the department required no supporting documents. The former grants administrator also stated that, during her tenure, the department began implementing some documentation requirements, including the requirement that grantees must submit documentation for the expenses billed for at least one month, the final month, during each grant period year. However, she also stated that this limited procedure was not fully implemented because the department did not always review the documentation.

THE NONPROFIT MISMANAGED CITY AND FEDERAL FUNDS TO PAY FOR SOFTWARE DEVELOPMENT DURING THE TENURE OF ITS FORMER EXECUTIVE

We substantiated the allegation that the nonprofit mismanaged federal and city funds during the tenure of its former executive director. The nonprofit billed the Department on the Status of Women, under the SafeStart grants, for some services that its subcontractor, Track Computer Center Services, Inc. (Track) had not completed or provided. Furthermore, the former executive director had Track falsely claim on its invoices that the work had been completed or services provided.

The nonprofit had its subcontractor falsely claim that work had been completed.

The nonprofit's first SafeStart grant agreement included a budget of \$50,000 for the development and implementation of a Web-based database system by Track. The subcontract between the nonprofit and Track is included in the first grant agreement, and outlines the proposed services and their associated costs, including \$18,000 for application development; \$16,000 for application hosting; \$5,000 for training; \$3,000 for network installation and support; and \$8,000 for technical assistance. The nonprofit billed the department for the entire \$50,000 for development of the web-based database and related services under the first SafeStart grant. In billing the department for some costs under the first grant, the nonprofit billed the department improperly for work that its subcontractor had not yet completed. However, the nonprofit had its subcontractor falsely claim on its invoices that the work had been completed or services provided. The nonprofit then submitted the invoices to support its request to be reimbursed for the work. The grants, however, specifically indicate that the nonprofit is only to be reimbursed for costs it actually incurred and paid at the time the reimbursement is made to the nonprofit.

At the start of our audit, the nonprofit's former interim executive director stated that although the nonprofit had invoiced the City the full \$50,000 for services performed by Track, not all of those services had been performed. According to the former interim executive director, the former executive director used the cash flow from the \$50,000 she billed the department to meet the nonprofit's other obligations. The former interim executive director also indicated that the nonprofit had not paid Track approximately \$36,000 of the \$50,000 it had billed the nonprofit.

A detailed examination of the invoices confirmed the former interim executive director's statements about the former executive

director's practices and documented other deficiencies regarding the Track invoices. For example, a \$5,000 Track invoice for training on the system is dated July 31, 2002, which precedes the development of the system in September 2002. Furthermore, according to the former interim executive director, there is no supporting documentation showing who received this training. Another example is an October 31, 2002, invoice for \$8,250 for technical assistance. The nonprofit has no documentation to substantiate how much technical assistance Track actually provided. Finally, a \$20,000 Track invoice for network support and application hosting is dated August 31, 2002. However, Track's subsequent invoice for the actual software development indicates that the application was developed in September 2002. These documents indicate that Track invoiced \$20,000 for network support and application hosting for the Web-based database it had not yet developed.

The subcontractor stated that the nonprofit's former executive director asked for the invoices to allow her to prepay for services.

Track's executive director stated to us that he provided the invoices at the request of the nonprofit's former executive director because she wanted to prepay for services. He stated that Track generated these invoices for prepaid service hours, and that this practice is common in the technology industry. However, Track's subcontract with the nonprofit, which was in the form of a memorandum of understanding, does not mention this business arrangement, nor do the Track invoices. Further, he stated that only a small amount of the invoiced training and technical support had been provided to date. He also stated that the \$20,000 Track invoiced for network support and application hosting was for the provision of these services on an ongoing and continuing basis, and that Track normally bills monthly for these services. However, the City's policy is that it should not prepay for any services, and should only pay for services that have been received.

Although Track billed the nonprofit for the entire amount of \$50,000, we could not initially determine if Track had completed the Web-based database system. While the SafeStart director for Children, Youth and Families stated that he tested the system and found it to be fully functional, the City had not tested the system using qualified technology professionals and formal testing protocols. During our review, the City Attorney agreed to have its director of information systems review and coordinate testing of the system. The City Attorney subsequently completed its test of the system and found it to be functional. We discussed our findings concerning the Track billings with the City Attorney, which agreed that it would be appropriate to allow the charges that the nonprofit billed the City for the programming to develop the system

software, which totaled \$16,000. The City Attorney also agreed that the balance of the \$50,000 in Track billings, \$34,000, should properly be disallowed. The amount of \$34,000 is therefore included in Table 1 in the disallowed charges for the first SafeStart grant.

RECOMMENDATIONS

To ensure that the Department on the Status of Women properly manages public funds, it should take these steps:

- Collect \$57,544, representing \$73,087 in disallowed charges for the first and second SafeStart grant agreements, less \$15,543 currently withheld by the department.
- Consider performing a line-item review of the amounts and types of expenses the nonprofit billed to the City for the Crisis Line grants for fiscal year 2002-03 and fiscal year 2003-04.
- Ensure that all grant agreements contain all necessary language and requirements, including appropriate budget guidelines.
- Implement adequate procedures for the review of invoices submitted by grantees. For grantees that submit inaccurate invoices, the department may possibly include a requirement that grantees submit full documentation supporting each invoice.
- Ensure that department staff members receive training in the proper procedures for the review of invoices submitted by grantees.

To fulfill its grant obligations with the City and County of San Francisco (City) and to remain financially sound enough to enter grant agreements with the City, Women Organized to Make Abuse Nonexistent, Inc., should take the following actions:

- Repay \$57,544, representing \$73,087 in disallowed charges for the first and second SafeStart grant agreements, less \$15,543 currently withheld by the department.
- Retain qualified accounting staff and ensure that adequate financial, accounting, and management systems and

controls are maintained, including acceptable procedures for allocating expenses to programs and adequate accounting records to support amounts billed to the City.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Robert Tarsia, Financial Audit Manager
Edvida Moore

DEPARTMENT ON THE STATUS OF WOMEN RESPONSE TO THE AUDIT:



City and County of San Francisco

Department on the Status of Women

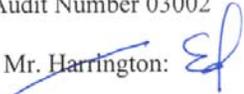
Mayor Gavin Newsom

Executive Director Emily M. Murase, PhD

January 12, 2006

Ed Harrington
Controller
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Re: Audit Number 03002

Dear Mr. Harrington: 

Thank you for your office's review of grant agreements between the City and W.O.M.A.N., Inc., and, in particular, for the recommendations contained in the December 16, 2005 report. Since the events described in the report, the Department has been working very closely with the staff and board of W.O.M.A.N. Inc. to ensure full compliance with City requirements and procedures for funding. Since 2003, the agency has undergone a major turnover in staffing and leadership. We are pleased to report that the current staff and leadership have been extremely cooperative in working with us, and, as you know, in working with your staff to complete review. In addition, our Department has made significant changes to improve our grants management. These are highlighted below in our response to the recommendations contained in the report.

- **Collect \$57,544, representing \$73,087 in disallowed charges for the first and second SafeStart grant agreements, less \$15,543 currently withheld by the Department.**

The Department proposes a three-year payment plan by W.O.M.A.N., Inc. as follows: \$750 per month for the first year, \$1,250 per month for the second year, and \$3,000 per month for 10 months and a final payment of \$3,544 in the third year to complete payment to the City of \$57,544 in ineligible expenditures of the SafeStart Grant, with no penalty for pre-payment. The graduated payment plan recognizes that W.O.M.A.N., Inc. is in the beginning phase of a major sustainable fundraising campaign spanning the next year, including the hiring of a development director for the first time in the agency's history.

- **Perform a line-item review of the amounts and types of expenses the nonprofit billed to the City for the Crisis Line grants for fiscal year 2002-03 and fiscal year 2003-2004.**

Completing this recommendation would require staff time above and beyond what the Department can currently support. However, we will explore with the Mayor's Budget Office whether anticipated salary savings this fiscal year can be reallocated to obtain temporary help for approximately 100 hours to complete a line-item review of the amounts and types of expenses billed to the City for fiscal year 2002-03 and fiscal year 2003-04.

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- **Ensure that all grant agreements contain all necessary language and requirements, including appropriate budget guidelines.**

While this may have been an issue for the Department in 2002, the Department is currently in full compliance with guidelines established by the Office of Contract Administration for grant agreements. For example, the Department utilizes Form G-100 – Model Grant Agreement boilerplate template developed by the Office of Contract Administration which includes Article 5 – Use and Disbursement of Grant Funds, and Appendix A – Definition of Eligible Expenses. Furthermore, all grant agreements are carefully reviewed by the City Attorney's Office.

- **Implement adequate procedures for the review of invoices submitted by grantees, possibly to include a requirement that grantees submit full documentation supporting each invoice.**

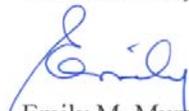
In response to the difficulties encountered with the WOMAN Inc. grant, the Department created a new invoice form for all grantees, Appendix C – Form of Funding Request (attached). This new form has enabled the Grant Administrator to review each line item expense. In addition, the form requests expenses for the period, expenses year to date, and remaining balance to assist staff in identifying major deviations in budgeted expenses. Since 2003, the invoice form has worked very well to create an opportunity for the Grants Administrator to address potential budgeting problems well in advance of widespread and serious issues of the kind that emerged in the W.O.M.A.N, Inc. case. Furthermore, the Department now requires supporting documentation for any non-personnel expense line item that is \$1,000 or above, as well as for all expenses incurred by outside service providers / subcontractors.

- **Ensure that department staff members receive training in the proper procedures for the review of invoices submitted by grantees.**

The Department has experienced a number of personnel changes in the Grants Administrator position since 2003. The incumbent currently has more than eight years of contract administration experience working for the Department of Aging and Adult Services and is very familiar with budget / financial analysis and the review and processing of monthly invoices submitted by grantees. The incumbent will pursue additional training opportunities within the constraints of a limited training budget.

Finally, I would like to take this opportunity to commend the dedicated efforts of Robert Tarsia, who made an exceptional effort to work collaboratively with the W.O.M.A.N., Inc. staff, provide technical assistance above and beyond his normal duties, and worked tirelessly to complete this review. Again, thank you for the opportunity to respond to the recommendations set forth in your review. Should you have any further questions or concerns, please do not hesitate to contact me at 415.252.2571.

Yours sincerely,



Emily M. Murase, Ph.D.
Executive Director

Attachment: Appendix C – Form of Funding Request

WOMEN, INC. RESPONSE TO THE AUDIT:



WOMAN, Inc.

Women Organized to Make Abuse Nonexistent, Inc.

January 25, 2006

Ed Harrington, Controller
Office of the Controller
City Hall
1 Dr. Carlton B. Goodlett Place, Rm 316
San Francisco, CA 94102-4694

Audit Number 03002

Dear Mr. Ed Harrington,

The completion of the review of the grant agreements between the City and County of San Francisco and WOMAN, Inc is a major milestone in moving WOMAN, Inc forward in continuing our mission of assisting domestic violence survivors in securing a violence free life. We, as the current and completely new management and staff, have cooperated and will continue to cooperate with the Department on the Status of Women in resolving issues relating to this review.

- We have been proactive with DOSW and SafeStart in bringing to their attention in October of 2003 all the questionable TRACK accounting transactions that related to the SafeStart Program grant agreements dated July 2002 to October 2003. Within a three month period we hired an interim executive director, researched the accounting transactions and presented our discoveries to DOSW and SafeStart.
- As reported in this review WOMAN, Inc.'s new interim executive director and new accountant made immediate changes to address any questionable accounting practices. We are working diligently to continue to resolve any ramifications from our previous executive director's management.
- All during the investigation of the SafeStart Program grants, WOMAN, Inc. recognized that any debt caused by the previous administration's practices had to be repaid.

To address the recommendations from the audit review, we have following replies:

- **Repay \$57,544 (total) from the first and second SafeStart grant agreements.**

WOMAN, Inc will make the appropriate payments under the proposed payment plan as our cash flow permits.

- **Retain qualified accounting staff and ensure that adequate financial, accounting, and management systems and controls are maintained, including acceptable procedures for allocating expenses to programs and adequate accounting records to support amounts billed**

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Web Site: www.womaninc.org

Women Organized to Make Abuse Nonexistent, Inc.

to the City.

Through the tenacious effort of our interim executive director in conjunction with the new accountant we instituted systems and controls for Timesheet reporting, procedures for allocating expenses to grant programs, and for retaining documentation to support any amounts billed to the City of San Francisco. Support and assistance during this period also came from our current executive director who transitioned into this position from President of the Board of Directors. The only change to this team is that our interim executive director is now our Fund Developer. By retaining our management team, WOMAN, Inc. is maintaining the expertise to support our current accounting systems and controls.

WOMAN, Inc appreciates the support of DOSW in allowing us to rebuild our infrastructure so that we can carry out our mission of assisting domestic violence survivors in securing a violence free life.

Thank you,



Roberta Toomer
Executive Director
WOMAN, Inc.

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library