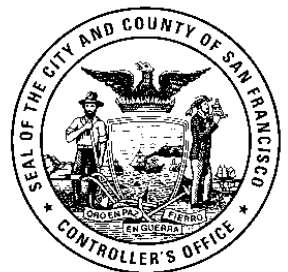


# 2014 Earthquake Safety and Emergency Response General Obligation Bond Funds Were Spent in Accordance With the Ballot Measure Through June 30, 2017



**September 27, 2018**

City & County of San Francisco  
Office of the Controller  
City Services Auditor

## About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the San Francisco City Charter that voters approved in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

### Audit Team:

Mark de la Rosa, Audit Deputy Director  
Nicole Kelley, Lead Supervising Auditor  
Snehi Basnet, Senior Auditor

### Audit Consultant:

Cumming Construction Management,  
Inc.

For more information please contact:

Tonia Lediju, PhD  
Chief Audit Executive  
Office of the Controller  
City and County of San Francisco  
(415) 554-5393



<http://www.sfcontroller.org>



@sfcontroller



<https://www.linkedin.com/company/sfaudits/>

## Audit Authority

CSA of the Office of the Controller conducted this audit under the authority of the Charter of the City and County of San Francisco, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services and activities.



# OFFICE OF THE CONTROLLER

## CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller

Todd Rydstrom  
Deputy Controller

September 27, 2018

Mr. Mohammed Nuru, Director  
San Francisco Public Works  
1 Dr. Carlton B. Goodlett Place, Room 348  
San Francisco, CA 94102

Mr. Harlan Kelly, Jr., General Manager  
San Francisco Public Utilities Commission  
525 Golden Gate Avenue, 13<sup>th</sup> Floor  
San Francisco, CA 94102

San Francisco Public Utilities Commission  
525 Golden Gate Avenue, 13<sup>th</sup> Floor  
San Francisco, CA 94102

Dear Mr. Nuru, Mr. Kelly, and Commissioners:

The Office of the Controller's City Services Auditor (CSA), Audits Division, presents its audit report of the 2014 Earthquake Safety and Emergency Response (ESER) general obligation (GO) bond program administered by San Francisco Public Works (Public Works) and the San Francisco Public Utilities Commission (SFPUC). CSA engaged Cumming Construction Management, Inc., (Cumming) to conduct the audit. The audit's objective was to evaluate whether bond funds were spent in accordance with the ballot measure authorizing the bonds.

Cumming tested \$89 million (85 percent) of \$104.8 million in expenditures for the 2014 ESER GO bond program through June 30, 2017, and found that all audited expenditures were spent in accordance with the ballot measure and that 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.

CSA and Cumming appreciate the assistance and cooperation of Public Works and SFPUC staff during the audit. For questions about the report, please contact me at [tonia.lediju@sfgov.org](mailto:tonia.lediju@sfgov.org) or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read "Tonia Lediju".

Tonia Lediju, PhD  
Chief Audit Executive

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



**2014 EARTHQUAKE SAFETY AND EMERGENCY RESPONSE  
GENERAL OBLIGATION BOND EXPENDITURES AUDIT**

**CITY AND COUNTY OF SAN FRANCISCO**

**September 19, 2018**



## **Executive Summary**

The Office of the Controller's City Service Auditor (CSA) engaged Cumming Construction Management, Inc., (Cumming) to audit the expenditures of the 2014 San Francisco Earthquake Safety and Emergency Response (2014 ESER) general obligation (GO) bond program of the City and County of San Francisco (City) to determine whether the bond funds were spent in accordance with the ballot measure and that no funds were used for any administrative salaries or other general governmental operating expenses.

As of June 2017, 44.06 percent or \$176.2 million of the bond has been expended (including the cost of bond issuance, GO bond audit cost, and debt service cost). Cumming tested \$89 million (85 percent) of \$104.8 million<sup>1</sup> in expenditures for the 2014 ESER GO bond program through June 30, 2017, and found that all audited expenditures were spent in accordance with the ballot measure and that 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.

## **Project Description**

On June 3, 2014, San Francisco's voters approved Proposition A for the 2014 Earthquake Safety and Emergency Response (2014 ESER) General Obligation Bond. The 2014 ESER Bond provided \$400 million in funding to the San Francisco Public Works (Public Works) and the San Francisco Public Utilities Commission (SFPUC) to continue the work of the 2010 ESER bond program to improve fire, earthquake and emergency response in the City. The objectives of the bond were to 1) improve and/or replace deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; 2) improve and/or replace neighborhood fire and police stations; 3) replace certain seismically-unsafe police and medical examiner facilities with earthquake-safe buildings; and 4) pay related costs.

The proceeds of the first two bond sales through June 2017 were appropriated only to Public Works and the SFPUC. The two departments provided funding to different city departments, such as the San Francisco Fire Department (Fire Department), San Francisco Municipal Transportation Agency (SFMTA), San Francisco Police Department (Police Department), and the San Francisco General Services Agency (GSA), depending on the project/program. Generally, a memorandum of understanding is signed identifying the roles and responsibilities of each department involved. The 2014 ESER program comprises the five major components listed in Exhibit 1 below.

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<sup>1</sup> Note that the voter approved expenditure for Debt Service, Bond Issuance expenditure and GO Bond Audit costs through June 30, 2017, were outside the scope of this audit.

| <b>EXHIBIT 1</b>   |   | <b>2014 Earthquake Safety and Emergency Response Program</b> |                        |
|--|---|--|------------------------|
| Program Name   | Description   | Budget (millions)  | Expenditure (millions) |
| <b>POLICE FACILITIES (PF)</b>                                      | Rehabilitate and seismically upgrade selected police district stations throughout the City.   | \$29.5   | \$6.7                  |
| <b>OFFICE OF THE MEDICAL EXAMINER (OCME)</b>                       | Build a seismically secure structure for the Medical Examiner.                                | \$66.2   | \$59.7                 |
| <b>TRAFFIC COMPANY AND FORENSIC SERVICES DIVISION (TC and FSD)</b> | Build a seismically secure structure for the Traffic Company and Forensic Services Division.  | \$162.2  | \$23.4                 |
| <b>NEIGHBORHOOD FIRE STATIONS (NFS)</b>                            | Rehabilitate and seismically upgrade selected neighborhood fire stations throughout the City. | \$81.2   | \$10.1                 |
| <b>EMERGENCY FIREFIGHTING WATER SYSTEM (SFPUC)</b>                 | Upgrade, repair and retrofit the Emergency Firefighting Water System and related facilities.  | \$54.1   | \$4.9                  |
| <b>Total</b> <sup>[2]</sup>  |   | <b>\$393.2</b>   | <b>\$104.8</b>         |

[2] Debt Service, Bond Issuance and GO Bond Audit costs not included. Expenditure through June 30, 2017

## **Objective**

The purpose of this audit was to determine whether 2014 ESER GO bond funds were spent in accordance with the ballot measure, including whether funds were used for any administrative salaries or other general governmental operating expenses, which is impermissible unless specifically authorized in the ballot measure for such bonds.

## **Methodology**

To achieve the objective, Cumming collected and analyzed the following documents:

- Construction agreements and change orders;
- Design agreements and amendments;
- Notices to proceed;
- Purchase orders and/or work orders;
- Public Works direct labor and non-labor costs;
- SFPUC direct labor and non-labor costs;
- SFMTA direct labor and non-labor costs;

# CUMMING

- Memorandum of understanding between departments;
- Vendors proposals and invoices;

Cumming reviewed expenditures totaling \$89 million, or approximately 85 percent of the \$104.8 million that Public Works and SFPUC had spent under the 2014 ESER GO bond program through June 30, 2017.

This compliance audit was conducted by Cumming and performed in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Cumming believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## **Results**

**Finding 1 – Audited expenditures under the 2014 ESER GO Bond program were spent 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.**

Cumming reviewed \$89.0 million of the \$104.8 million in bond funds expended by Public Works and SFPUC and found that all the funds were spent in accordance with the ballot measure.

### Office of the Medical Examiner:

Funded by two series of bond sales, the majority bond expenditures audited, 56.9 percent (\$59.7 million) related to GSA's Office of the Medical Examiner program. Public Works is managing the design and construction of the project. KMD Architects designed the new facility, Clark Construction Group is the general contractor, contracted to build a two-story building with 46,000 square feet of space, with room for 50 employees. Vanir/Saylor, a Joint Venture Partnership, is providing supporting management services, mainly in the review of cost estimates, construction schedule, etc.

### Traffic Company and Forensic Services Division:

The Police Departments' Traffic Company and GSA's Office of Medical Examiner's Forensic Services Division program used 22.3 percent (\$23.4 million) of the total expended funds for relocation of the motorcycle police and crime lab. Land was acquired for 1995 Evans Street, lot 4, 5, and 6 at block 5231. Hellmuth, Obata and Kassabaum Architects was awarded a contract for program validation and conceptual design for approximately 107,000 SF of new space. Harley Ellis Devereaux Architects was awarded a contract for specialized peer reviews for the project. A memorandum of understanding was signed between Public Works and the Police Department identifying the roles and responsibilities of each department related to this project. Public Works' role as the program manager is to manage the program scoping, regulatory acceptance, contract management etc. The project is scheduled to start with construction phase in December 2018.

### Neighborhood Fire Stations:



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The Fire Department's Neighborhood Fire Stations program used 9.7 percent (\$10.1 million) of the total expended funds for improvements and seismic upgrades to approximately 25 neighborhood fire stations which are in every district of San Francisco, comprised of Apparatus Bay doors, roofing, showers, windows, exterior envelopes, mechanical, emergency generators, sidewalks, and security access. Public Works Building Design and Construction completed an initial assessment of the Fire Department's facilities with help of subcontractors. A memorandum of understanding was signed between Public Works and the Fire Department identifying the roles and responsibilities of each department related to the overall project. Public Works' role as the program manager is to manage the program scoping, regulatory acceptance, contract management etc. SFFD designated a representative whose primary tasks include facilitation of SFFD stakeholder involvement and related activities.

## Police Facilities:

The Police Department's Police Facilities program used 6.4 percent (\$6.7 million) of the total expended funds for focused scope and comprehensive facility upgrade projects at 12 police facilities across the City. \$2.6 million of the expenditure was related to a series of onsite investigations, observations, and professional evaluations of different building systems that include mechanical, electrical, plumbing, fire protection, and structural safety. It also includes assessments of building envelope (i.e. integrity of roof, doors, windows, and walls), Americans with Disabilities Act (ADA) accessibility requirements, as well as other site improvements that ensure safety and security. A memorandum of understanding was signed between Public Works and the Police Department identifying the roles and responsibilities of each department related to this project. Public Works' role as the program manager is to manage the program scoping, regulatory acceptance, contract management etc. The Police Department designated a representative whose primary tasks include facilitation of stakeholder involvement and related activities.

## Emergency Firefighting Water System:

The SFPUC's Emergency Firefighting Water System program, managed by SFPUC, used 4.7 percent (\$4.9 million) of the total expended funds. Cumming's selected testing sample that accounted for 43 percent of the total expenditure through June 30, 2017. Cumming tested Candlestick Point New Pipeline Installation (\$999.8 thousand) and Columbus Avenue Existing Pipeline Replacement (\$816.0 thousand) projects for replacement of the existing pipe with a new Auxiliary Water Supply System pipe to increase the ability to provide adequate water for fire-fighting purposes following a major earthquake and during multiple-alarm fires from other causes.

There is no recommendation for this finding, Public Works and SFPUC should continue to ensure bond expenditures are spent in accordance with the ballot measure and funds are not used for any administrative salaries or other general governmental operating expenses.



## Appendix: Departments' Responses



London N. Breed  
Mayor

Mohammed Nuru  
Director

San Francisco Public Works  
1 Dr. Carlton B. Goodlett Pl.  
Room 348  
San Francisco, CA 94102  
tel 415-554-6920

[sfpublicworks.org](http://sfpublicworks.org)  
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[twitter.com/sfpublicworks](https://twitter.com/sfpublicworks)

September 13, 2018

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

RE: 2014 Earthquake Safety and Emergency Response GO Bond Expenditures audit

Dear Ms. Lediju:

Thank you for the opportunity to review the audit report prepared by your office and Cumming Construction Management. The auditors examined bond expenditures related to the 2014 Earthquake Safety and Emergency Response general obligation bond program. San Francisco Public Works manages this complex \$400 million bond program to deliver 59 construction projects among four separate bond components on behalf of three clients: the San Francisco Police Department, the San Francisco Fire Department, and the Office of the Chief Medical Examiner (OCME). The SFPUC manages the separate bond component of Emergency Firefighting Water System.

The report's finding that Public Works and PUC have spent bond funds in accordance with the ballot measure authorizing the bonds is consistent with our deliberate expenditure of bond proceeds, our respect for the laws governing bond expenditures, and our commitment to delivering projects to the people of San Francisco.

As always, the final audit report, and the in-depth conversations we had with the auditors who prepared it are essential contributions to our mission of delivering quality projects to the public on behalf of client departments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mohammed Nuru", written over a horizontal line.

Mohammed Nuru  
Director

cc: Edgar Lopez, Deputy Director  
Ron Alameida, Director of Project Management  
Charles Higuera, ESER Program Manager  
Marisa Fernandez, Capital Projects & Program Controls Manager  
• Kelly Griffin, Senior Analyst

# CUMMING



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

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September 14, 2018

Tonia Lediju  
Director of City Audits  
Office of the Controller, City Services Auditor  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Subject: 2014 Earthquake Safety and Emergency Response General  
Obligation Bond Funds Were Spent in Accordance With the  
Ballot Measure Through June 30, 2017

Ms. Lediju,

Thank you for providing us the opportunity to review the audit report, *2014 Earthquake Safety and Emergency Response General Obligation Bond Funds Were Spent in Accordance With the Ballot Measure Through June 30, 2017*, prepared by the Controller's Office, City Services Auditor.

We appreciate the time your staff dedicated to this audit, and are pleased that there are no findings.

If there are any questions or additional information is needed, please do not hesitate to contact me at (415) 554-1600.

Sincerely,

A handwritten signature in black ink, appearing to read "Harlan L. Kelly, Jr.".

Harlan L. Kelly, Jr.  
General Manager

cc: Michael Carlin, Deputy General Manager  
Kathryn How, AGM Infrastructure  
Charles Perl, Acting AGM Business Services and Chief Financial Officer  
Nancy L. Hom, Deputy Chief Financial Officer

**London Breed**  
Mayor

**Ike Kwon**  
President

**Vince Courtney**  
Vice President

**Ann Moller Caen**  
Commissioner

**Francesca Vietor**  
Commissioner

**Anson Moran**  
Commissioner

**Harlan L. Kelly, Jr.**  
General Manager

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