

# City and County of San Francisco

Office of the Controller – City Services Auditor

## **BOARD OF SUPERVISORS:**

### **Administrative Code Chapter 12G, Political Activity Compliance Review**



*December 14, 2010*

**CONTROLLER'S OFFICE  
CITY SERVICES AUDITOR**

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the City to other public agencies and jurisdictions.
- Conducting financial and performance audits of City departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of City resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of City government.

The audits unit conducts financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both City departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of City services and processes, providing recommendations to improve department operations.

We conduct our audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

Audit Team: Houman Boussina, Associate Auditor  
Edwin De Jesus, Associate Auditor  
Helen Vo, Associate Auditor



# City and County of San Francisco

## Office of the Controller - City Services Auditor

**Board of Supervisors:**  
**Administrative Code Chapter 12G, Political Activity Compliance Review**

**December 14, 2010**

### **Purpose of the Audit**

CSA conducted this review to meet the San Francisco Administrative Code (Administrative Code) requirement that the Controller annually audit at least 10 persons or entities that enter contracts, grants, or loan agreements with the City to ensure that they comply with Chapter 12G of the Administrative Code, which prohibits the use of City funds for political activity.

### **Highlights**

- Nine of the ten organizations that were the subject of this audit did not use City funds to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure.
  - One organization used City funds to pay for one staff member to attend a political rally for one hour, and did not maintain adequate documentation for other staff at the same rally.
- Some City departments did not always comply with City rules or contract and invoicing requirements in awarding contracts, grants, or loans. In particular,
  - The Office of the City Administrator (CAO) used an abbreviated grant agreement that did not include important provisions.
  - The Mayor's Office of Housing (MOH) loan agreement with Chinatown Community Development Center did not contain the prohibition on the use of City funds for political activity.
  - The Office of Economic and Workforce Development (OEWD) extended the term of one of its agreements without the required approval and subsequent to the agreement's expiration date. The City Purchaser did not sign and approve OEWD's extension agreement.

### **Recommendations**

The audit report includes eight recommendations for ensuring that City departments and selected organizations comply with contract terms and City rules and regulations. Specifically:

- Unsupported expenditures totaling \$17 should be reimbursed to the City.
- CAO and the MOH should ensure that all agreements incorporate the City's required agreement provisions, including the prohibition on using City funds for political activity.
- OEWD should observe contracting best practices to ensure that agreements are properly extended.

*Copies of the full report may be obtained at:*

*Controller's Office • City Hall, Room 316 • 1 Dr. Carlton B. Goodlett Place • San Francisco, CA 94102 • 415.554.7500  
or on the Internet at <http://www.sfgov.org/controller>*

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

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
Deputy Controller

December 14, 2010

Board of Supervisors  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

President and Members:

The Controller's Office, City Services Auditor (CSA), presents its audit report of 10 organizations and their compliance with the City and County of San Francisco (City) ordinance prohibiting the use of City funds for political activity. CSA conducted this audit to meet the San Francisco Administrative Code (Administrative Code) requirement that the Controller annually audit at least 10 persons or entities that enter contracts, grants, or loan agreements with the City. The primary objective of the audit was to ensure that the persons or entities comply with Chapter 12G of the Administrative Code, which **prohibits** the use of City funds for political activity. The Administrative Code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

The audit found that 9 of the 10 organizations selected for review complied with the prohibition on the use of City funds received under grants, contracts, and loans with various City departments for political activity. One organization used City funds to pay for one staff member to attend a political rally for one hour, and did not maintain adequate documentation for other staff at the same rally. In addition, some City departments and organizations did not always comply with City rules or contract and invoicing requirements, and that some City agreements did not include the City's required agreement provisions.

The audit includes eight recommendations for ensuring that departments and organizations comply with contract terms, contracting best practices, and City rules and regulations. Responses to the audit from the departments and organizations selected are attached as Appendices A and B.

We appreciate the assistance and cooperation that the organizations' staff and staff in City departments provided during the audit.

Respectfully,

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

Tonia Lediju  
Director of Audits

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

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## LIST OF ACRONYMS

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BHNC	Bernal Heights Neighborhood Center
CAO	Office of the City Administrator
CCDC	Chinatown Community Development Center
CSA	Controller's Office City Services Auditor
DCYF	Department of Children, Youth and Their Families
MOH	Mayor's Office of Housing
MOU	Memorandum of Understanding
OEWD	Office of Economic and Workforce Development



# INTRODUCTION

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## Audit Authority

Chapter 12G of the San Francisco Administrative Code (Administrative Code) requires the Office of the Controller (Controller) to annually audit at least 10 persons or entities that enter contracts, grants, or loan agreements with the City to ensure compliance with the prohibition on the use of City funds for political activity.

## Background

*The Administrative Code of the City and County of San Francisco prohibits the use of City funds for political activity*

The prohibition on the use of City funds for political activity became part of the Administrative Code after voters in the City and County of San Francisco (City) passed Proposition Q on November 5, 2002. The proposition is now codified as Chapter 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Chapter 12G also requires that all City contracts, grants and loan agreements disclose the prohibition.

The Controller's rules and regulations for implementing the Administrative Code requires the City to demand repayment of any City funds used for political purposes. Moreover, the rules and regulations state specific penalties for grantees who violate the prohibition on the use of City funds for political purposes, including the City's option to take the following actions:

- Terminating the agreement and prohibiting the grantee from receiving any new City contract for two years.
- Obtaining reimbursement of all funds found to have been used for political activity.

## Objective

The primary purpose of this audit was to determine whether any of the 10 selected organizations inappropriately expended any City funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

### Scope and Methodology

*Ten organizations were selected for review with the assistance of audit analytic software*

To select the 10 organizations, the auditors obtained, from the City's financial systems, records for organizations that were paid City funds under contracts, grants, and/or loan agreements during the period from July 1, 2007, through June 30, 2009. Exhibit 1 summarizes amounts paid to organizations under contracts, grants, and loans. The auditors also obtained databases containing records of contributions to local, state, and federal political organizations.

<b>EXHIBIT 1</b>	<b>City and County of San Francisco Contract, Grant, and Loan Payments July 1, 2007, through June 30, 2009</b>
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Payment Category	Total Payment
Contracts	\$2,102,123,491
Grants	564,537,785
Loans	120,854,896
<b>Total:</b>	<b>\$2,787,516,172</b>

Source: City's report of all contracts, grant, and loan payments for fiscal years 2007-08 and 2008-09.

Using an audit analytic software program, the auditors searched for matches between the names and addresses of organizations receiving City funds and the names and addresses of organizations that made contributions to political groups. The auditors summarized and grouped the matched database records and made a final selection of 10 organizations for the audit to include:

- At least one for-profit organization.
- At least one organization that received funding under each of the three agreement categories specified in the Administrative Code (i.e. contracts, grants, and loans).
- Organizations that received various levels of funding from the City.

The final selection of the 10 organizations included consideration of other factors, such as the total amount of political contributions made by the organizations. Exhibit 2 lists the organizations that were selected for audit.

EXHIBIT 2	Ten Organizations Selected for Political Activity Audit			
Organization	Type	Category	Funding Received	
Barbary Coast Consulting	For-profit	Contracts	\$	184,564
Bernal Heights Neighborhood Center	Non-profit	Grants		2,199,786
Chinatown Community Development Center	Non-profit	Contracts, Grants, Loans		4,307,670
College Track	Non-profit	Grants		129,953
Community Housing Partnership	Non-profit	Grants, Loans		5,355,405
Conard House Inc.	Non-profit	Contracts, Grants		16,285,631
Our Family Coalition	Non-profit	Grants		935,441
San Francisco Architectural Heritage	Non-profit	Grants		64,000
San Francisco Education Fund	Non-profit	Grants		218,829
Tenderloin Neighborhood Development Corp	Non-profit	Contracts, Grants		3,087,853
Total				\$32,769,132

Note: Funding is the amount the City and County of San Francisco paid or loaned to the selected organizations for the accounting period from July 1, 2007, through June 30, 2009.

Source: City's report of all contract, grant, and loan payments for fiscal years 2007-08 and 2008-09.

To conduct the audit, the Controller's City Services Auditor (CSA) verified that the selected organizations' agreements with the City included the prohibition on using City funds for political activity, and other required contract provisions consistent with contracting best practices for City departments. The auditors assessed invoices submitted by the organizations, reviewed financial statements and accounting records, and verified certain contract payments that the City made to each organization for the period from July 1, 2007, through June 30, 2009.

The auditors also evaluated each department's procedures for processing payments under its agreements, and inquired of the organizations' officers whether they had spent City or other funds for purposes related to political activity. In the course of performing the audit, the auditors noted any instances of noncompliance with key contract terms or contract administration best practices.

This performance audit was conducted 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. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## AUDIT RESULTS

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### Summary

Nine of the ten organizations that were the subject of this audit did not use City funds to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. In reviewing each organization's reimbursement requests and financial records, the auditors found only one instance of political activity paid with City funds. The auditors obtained written management representation from each organization certifying that no City funds were used for political activity.

The audit revealed that one organization, the Bernal Heights Neighborhood Center (BHNC), improperly used City funds for political purposes. However, the total amount was not significant.

### Finding 1

#### **One organization improperly used some City funds for political activity.**

*BHNC staff participated in a political rally during business hours funded in part by the City*

BHNC inappropriately used \$17 of City funds to pay for staff time spent attending a political rally. BHNC failed to maintain adequate documentation to support \$159 for additional staff time spent at the same political rally during work hours. On July 25, 2008, BHNC submitted a reimbursement request for \$60,087 to the Department of Children, Youth and Their Families (DCYF) for its May 2008 activities, under its July 1, 2007, grant agreement with DCYF. The monthly narrative report submitted by BHNC accompanying the reimbursement request states that a majority of BHNC staff attended the "No on 98! Yes on 99!" rally at City Hall on May 21, 2008. Section 16.11 of the BHNC agreement with DCYF states that City funds may not be used for organizing, participating in, or supporting any political campaign. The agreement also specifically states that employees shall not participate in political activity during work hours funded by the agreement.

BHNC's attendance sheet for the May 21, 2008, rally identified 13 staff members in attendance whose salaries were paid using City funds.<sup>1</sup> According to BHNC's director, one staff member was paid with 100 percent City funding, which was \$17 for the one hour of attendance at the rally. According to BHNC's deputy director, the remaining 12 staff were generally 50 percent privately funded and 50 percent City-funded. Based on BHNC's computation, the total salary for the 12 staff members' one hour of rally attendance was \$318. Based on the funding allocation stated above, the City would have been charged half of \$318, or \$159. However, for this rally the BHNC's deputy director stated that City funds were not used to pay the salaries of the 12 staff.

*BHNC did not keep appropriate records to show compliance with the Administrative Code prohibition on using City funds for political activity*

BHNC does not have documentation clearly identifying the funding sources for the staff time spent at the rally. In addition, the attendance sheet documents that the salaries for the 12 staff were paid using both City and private funding sources.

Both the Controller's rules and regulations for implementing the Administrative Code prohibition on the use of City funds for political activity and Sec. 16.11 of BHNC's agreement with DCYF state that grantees have the burden to prove that City funds were not used for political activity, and that grantees are required to keep appropriate records to show compliance with the prohibition.

The BHNC deputy director has stated that she is not aware of any other instance in which BHNC staff participated in political activity during work hours. The auditors noted that the amount of City funds used by BHNC for political purposes appears minimal. However, the Controller's rules and regulations require CSA to demand repayment of any City funds used for political purposes.

*DCYF should ensure that reimbursements are not made for political activity*

The BHNC reimbursement request for May 2008 indicated in a supporting narrative document that BHNC staff had participated in a political rally. City departments are responsible for ensuring compliance with the City's

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<sup>1</sup> The attendance sheet uses the term "public," which BHNC's deputy director confirmed to mean that the staff member was paid specifically from City funds.

grant agreement provisions, including the prohibition on the use of City funds for political purposes. A DCYF program manager stated that, while he was aware of the information indicating that BHNC had engaged in political activity, he did not think that the narrative indicated that City funds were used for political activity. The DCYF program manager explained that DCYF has agreements with several politically active organizations that provide supporting documentation that describe general organizational activities; however, the payment was approved because it appears that BHNC conducted the contracted activities and the reimbursement amounts do not exceed agreement budgets. The DCYF program manager further stated that this finding regarding BHNC's use of City funds for political purposes has prompted DCYF to review its procedures to ensure that City funds are not used for political purposes.

## Recommendations

The Department of Children, Youth and Their Families should:

1. Require Bernal Heights Neighborhood Center to reimburse the appropriate City department unsupported expenditures totaling \$17.
2. Ensure that Bernal Heights Neighborhood Center maintains detailed records of its use of City funds, including records of its allocation of staff work hours to funding sources.
3. Remind Bernal Heights Neighborhood Center of its responsibility to maintain appropriate records that show no City funds are used for political purposes.
4. Review in detail the required narrative document submitted in support of reimbursement requests and require additional assurance from organizations prior to making payments if there is any question as to whether City funds were used appropriately, in order to ensure that City funds are not used for political purposes and that payments are strictly for activities and services described in agreements.

## Finding 2

**Some City agreements were not adequately written and/or did not include the prohibition on the use of City funds for political activity.**

*Some City departments had*

Some City departments did not always comply with City

*numerous deficiencies in  
basic contract management*

contracting rules and best practices. In particular:

- The Office of the City Administrator (CAO) used an abbreviated grant agreement that did not include important provisions.
- The Mayor's Office of Housing (MOH) loan agreement with Chinatown Community Development Center (CCDC) did not contain the prohibition on the use of City funds for political activity.
- The Office of Economic and Workforce Development (OEWD) extended the term of one of its agreements after the agreement had already expired.
- The City Purchaser did not sign and approve a OEWD agreement extension.

*The City Administrator's  
Office did not incorporate the  
City's boilerplate grant  
agreement provisions in  
contracting for services*

CAO used a Memorandum of Understanding (MOU) when it contracted with BHNC. The MOU lacks the City's boilerplate grant language, such as the prohibition on the use of City funds for political activity. CAO also extended the term of the MOU informally through an electronic mail. Chapter 12G of the Administrative Code requires that all agreements with the City incorporate the City's prohibition on the use of City funds for political purposes. The City's boilerplate grant agreement also contains provisions that incorporate the City's social and other policies designed to uphold the interests of the City, such as policies addressing:

- Non-discrimination in benefits.
- Drug free workplace.
- The City's right to audit.

According to its deputy city administrator, CAO inherited oversight responsibility for the agreement from DCYF, which had been contracting for services with BHNC using the MOU. The deputy city administrator stated that it is not the CAO's policy to use MOUs when contracting with City grantees. Because the MOU did not contain the standard provisions of the City's boilerplate grant agreement, the City's contracting requirements and regulations may not have been clearly communicated to BHNC.



**Recommendation**

5. The City Administrator's Office should ensure that all its agreements incorporate the City's boilerplate agreement language, including the prohibition on the use of City funds for political activity.

*A MOH loan agreement did not include a provision stating the prohibition on the use of City funds for political activity*

MOH's March 30, 2006, construction loan agreement with CCDC did not contain language stating the prohibition on the use of City funds for political activity. Chapter 12G of the Administrative Code requires all contracts, grant agreements, and loan agreements to incorporate the prohibition by reference. MOH's manager of fiscal operations and analysis is uncertain why the agreement does not contain the required agreement provision; however, he confirmed that MOH relies on the Office of the City Attorney for verification of all contract wording, and forwards MOH's agreements to the Office of the City Attorney for review and approval.

**Recommendation**

6. The Mayor's Office of Housing should work with the Office of the City Attorney to develop a checklist to use in reviewing its contracts to ensure that the City's required agreement provisions are included.

*OEWD extended the terms of an agreement months after it had already expired*

OEWD, acting through the director of the Office of Contract Administration and City Purchaser, contracted with Barbary Coast Consulting (Barbary Coast) to develop and implement a communications strategy to build awareness among San Francisco employers about San Francisco's Minimum Wage Ordinance, Health Care Security Ordinance, and Paid Sick Leave Ordinance. The original contract term was from February 29, 2008, through November 30, 2008. The OEWD amended the agreement to extend the term by two months from November 30, 2008, to January 31, 2009. However, the amendment itself had an effective date of June 4, 2009, more than six months after the contract expiration date, which implies that the amendment was executed to retroactively extend the term of the contract to a date already passed.

According to OEWD's chief financial officer, the amendment may have been executed in June 2009 because there were outstanding invoices for services under the agreement that needed to be paid after the November 2008 agreement expiration date. The auditors

concluded that the retroactive extension of an agreement term is a questionable business practice and may expose the City to risk. The effective date and expiration date of contracts set a duration under which the City and the contractor are expected to comply with all terms of the agreement. The contract duration and expiration date are important to ensure that:

- Required services are performed when needed and in a timely manner.
- There is a limit on the duration of the liability to the City and contractor.
- The City is able to accurately budget for expenditures under its agreements.

*The director of the Office of Contract Administration and City Purchaser did not sign OEWD's amendment extending the agreement term*

The OEWD amendment extending the term of the agreement to January 29, 2009, was not signed by the director of the Office of Contract Administration and City Purchaser, who represents the City under the contract. Section 21.03 of the San Francisco Municipal Code authorizes the City's Purchaser to purchase all commodities and services for the City. The OEWD amendment specifically identifies the City's director of the Office of Contract Administration and Purchaser, who represents the City under the agreement, as the signatory authorized to approve the agreement. OEWD did not obtain the required approval for the amendment prior to making payment during the extended contract term.

## Recommendations

The Office of Economic and Workforce Development should:

7. Ensure that it monitors activities conducted under the terms of its agreements to ensure that any needed contract amendments are executed before agreements expire.
8. Ensure that it secures the required approvals for its agreements and modifications to its agreements.

## APPENDIX A: DEPARTMENT RESPONSES DEPARTMENT OF CHILDREN, YOUTH & THEIR FAMILIES

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**Maria Su, Psy.D.**  
DIRECTOR



**Gavin Newsom**  
MAYOR

September 3, 2010

Tonia Lediju  
Audit Director  
Controller's Office  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102

Subject: Prop Q Audit- Prohibition of Use of City Funds for Political Activity- Response

Dear Ms. Lediju:

I have reviewed the Controller's Prop Q Audit and attached the department's response. If you have any questions concerning the department's response, please contact Taras Madison, Budget & Operations Director, at (415) 554-8959 or [taras.madison@sfgov.org](mailto:taras.madison@sfgov.org).

Sincerely,

Maria Su  
Director

cc: Taras Madison

Department of Children, Youth & Their Families  
1390 Market Street Suite 900 • San Francisco, CA 94102 • 415 554-8990 • [www.DCYF.org](http://www.DCYF.org)

## OFFICE OF THE CITY ADMINISTRATOR

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Gavin Newsom, Mayor  
Edwin M. Lee, City Administrator

### OFFICE OF THE CITY ADMINISTRATOR



September 10, 2010

Ms. Tonia Lediju, CSA Director of Audits  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Ms. Lediju,

Please find attached the City Administrator's response to "Prop Q Audit (Prohibition on the Use of City Funds for Political Activity)." We understand that Grants for the Arts, a GSA division submitted its response directly to your office on September 3, 2010. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda S. Yeung".

Linda S. Yeung  
Deputy City Administrator

Copy: Edwin Lee, City Administrator

Attachment: Prop Q Audit Recommendation and Response – City Administrator

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

# MAYOR'S OFFICE OF HOUSING

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## MAYOR'S OFFICE OF HOUSING CITY AND COUNTY OF SAN FRANCISCO



GAVIN NEWSOM  
MAYOR

DOUGLAS SHOEMAKER  
DIRECTOR

September 3, 2010

Tonia Lediju, Director of Audits  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Subject: Response to CSA Audit of Compliance with Chapter 12G of the Administrative Code

Dear Ms. Lediju:

This letter responds to the City Services Auditor report reviewing 10 organizations and their compliance with the City and County of San Francisco ordinance prohibiting the use of City funds for political activity.

I have reviewed the report and responded to the audit's recommendations in the attached *Audit Recommendation and Response Form*. I would like to thank you and your team for their recommendations to improve the administration of our agency's programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Gigi Whitley".

Gigi Whitley  
Chief Financial Officer

Enclosure

1 South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103  
Phone: (415) 701-5500 Fax: (415) 701-5501 TDD: (415) 701-5503 [www.sfgov.org/moh](http://www.sfgov.org/moh)

## OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT

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City and County of San Francisco :: Gavin Newsom, Mayor  
Economic and Workforce Development :: Michael Cohen, Director

September 3, 2010

Tonia Lediju, Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: Prop Q Audit

Ms. Lediju,

Please find our formal response to each recommendation pertaining to the Office of Economic and Workforce Development on the attached Audit Recommendation and Response Form.

Please let me know if you have any questions.

Thank You,

A handwritten signature in black ink, appearing to read "Merrick Pascual".

Merrick Pascual  
Office of Economic and Workforce Development  
1 Dr. Carlton B. Goodlett Place, #448  
San Francisco, CA 94102



1 Dr. Carlton B. Goodlett Place, Room 448

San Francisco, CA 94102 | [www.oewd.org](http://www.oewd.org)

p: 415.554.6969 f: 415.554.6018

## AUDIT RECOMMENDATIONS AND RESPONSES

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Recommendation	Responsible Agency	Response
1. Require Bernal Heights Neighborhood Center to reimburse the appropriate City department unsupported expenditures totaling \$17.	Department of Children, Youth and their Families	The department concurs with this finding. The DCYF Program Officer will meet with BHNC Fiscal Unit to review the May 2008 invoice and documentation. The documentation will be used to calculate the amount to be reimbursed. DCYF will complete by September 30, 2010.
2. Ensure that Bernal Heights Neighborhood Center maintains detailed records of its use of City funds, including records of its allocation of staff work hours to funding sources.	Department of Children, Youth and their Families	The department concurs with this finding. DCYF grant agreements require all community based organizations maintain documentation of all expenses. During the meeting listed in Recommendation #1, DCYF will review the current grant agreement requirements, as well as, examples of required documentation. DCYF will complete by September 30, 2010.
3. Remind Bernal Heights Neighborhood Center of its responsibility to maintain appropriate records that show no City funds are used for political purposes.	Department of Children, Youth and their Families	The department concurs with this finding. Please see response to Finding #2, which states DCYF will review grant agreement requirements which includes Section 16.11 Prohibition on Political Activity with City funds. DCYF will complete by September 30, 2010.
4. Review in detail the required narrative document submitted in support of reimbursement requests and require additional assurance from organizations prior to making payments if there is any question as to whether City funds were used appropriately, in order to ensure that City funds are not used for political purposes and that payments are strictly for activities and services described in agreements.	Department of Children, Youth and their Families	The department concurs with the recommendation. DCYF currently reviews required narratives submitted with payment request.

Recommendation	Responsible Agency	Response
5. Ensure that all its agreements incorporate the City's boilerplate agreement language, including the prohibition on the use of City funds for political activity.	Office of the City Administrator	Department concurs with this recommendation.
6. Work with the Office of the City Attorney to develop a checklist to use in reviewing its contracts to ensure that the City's required agreement provisions are included.	Mayor's Office Of Housing	Partially Concur. As an alternative solution, MOH has taken steps to confirm that all our boilerplate agreement language includes the prohibition against the use of City funds for political activity, and that MOH has appropriate internal controls in place to ensure that these provisions are included in all signed agreements.
7. Ensure that it monitors activities conducted under the terms of its agreements to ensure that any needed contract amendments are executed before agreements expire.	Office of Economic Workforce and Development	Agree – Oversight was largely due to staff turnover. To minimize the possibility of repeating this oversight, the fiscal staff of OEWD will proactively notify staff responsible for the administration of contracts prior to the expiration date to determine (1) the status of the contract and (2) if any amendments are anticipated.
8. Ensure that it secures the required approvals for its agreements and modifications to its agreements.	Office of Economic Workforce and Development	Agree – Oversight was largely due to staff turnover. To minimize the possibility of repeating this oversight, the fiscal staff of OEWD will actively monitor, review and ensure all the required approvals and signatures for subsequent modifications are complete.



## APPENDIX B: ORGANIZATION RESPONSES BARBARY COAST CONSULTING<sup>2</sup>

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BARBARY COAST CONSULTING

STRATEGIC COMMUNICATIONS | GOVERNMENT RELATIONS | COMMUNITY OUTREACH

September 16, 2010

Tonia Lediju,  
Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102

Dear Ms. Lediju:

We are pleased to respond to the Draft Prop Q Audit Report that was presented to us via e-mail on September 10<sup>th</sup>.

Upon receipt of the audit, we checked our records and agree that Barbary Coast Consulting erroneously billed the City and County of San Francisco for \$62.50 more than we should have. We regret – and accept responsibility for – our billing error.

Within hours of receiving the audit, we processed and mailed a check for \$62.50 to Jennifer Matz, incoming Director of MOEWD. She has confirmed that the check was received. Should you wish to apply interest or a penalty to that billing error, please advise us and we'll speedily work out the details.

Should you need anything further from Barbary Coast Consulting in regards to the Prop Q Audit Report, please do not hesitate to contact me or my colleague Alex Clemens.

Thank you

Sincerely,



Jaime Rossi  
President

660 MARKET STREET, FIFTH FLOOR | SAN FRANCISCO, CA 94104 | (415) FOG-0000 | WWW.BARCOAST.COM



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<sup>2</sup> Subsequent to the Barbary Coast Consulting's response, the finding referenced above has been removed from the report and can be found in memorandum dated December 14, 2010, Findings on the Review of Compliance with Chapter 12G of the Administrative Code.

## BERNAL HEIGHTS NEIGHBORHOOD CENTER

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### Bernal Heights Neighborhood Center

December 6, 2010

Ms. Tonia Lediju  
Director of Audits  
Office of the Controller, City Services Auditor  
City Hall Room 480  
City & County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: Response to City Services Auditor's Report on Chapter 12G of the Administrative Code

Dear Ms. Lediju:

We are in receipt of the draft City Services Auditor's Report under Chapter 12G of the San Francisco Administrative Code, dated December 1, 2010.

The report recommends that the Bernal Heights Neighborhood Center (BHNC) reimburse the City \$17.34 (seventeen dollars and thirty four cents) in unsupported expenditures. We note that the Report states on page 5 that "the total amount is not significant."

A check for \$17.34 (seventeen dollars and thirty four cents) was provided to the Office of the Controller on November 23<sup>rd</sup>, 2010. In addition, BHNC has changed its staff timekeeping procedures to address the record-keeping deficiency that led to the Auditor's finding.

Thank you for opportunity to review and comment on the draft Report.

Sincerely,

Joseph Smooke  
Executive Director

BERNAL | 515 Cortland Avenue, San Francisco, California 94110 | tel: 415.206.2140 | fax: 415.648.0793  
EXCELSIOR | 4468 Mission Street, San Francisco, California 94112 | tel: 415.334.9919 | fax: 415.334.9918  
76001918756.1

BUILDING A JUST AND EQUITABLE COMMUNITY FOR ALL

BHNC.ORG

## CHINATOWN COMMUNITY DEVELOPMENT CENTER<sup>3</sup>

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Chinatown Community  
Development Center  
華協中心

1525 Grant Avenue  
San Francisco, CA 94133  
TEL 415.984.1450  
FAX 415.362.7992  
TTY 415.984.9910  
www.chinatowncdc.org

September 21, 2010

Tonia Lediju, Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Re: Response to the Controller's Audit Report  
Dated September 9, 2010

Dear Ms. Lediju,

The following is in response to your audit report dated September 9, 2010:

I agree with the general finding that CCDC is one of the nine organizations that complied with the prohibition on the use of City funds for political activity.

As for finding 1.5 which states that "some City departments paid invoices without adequately reviewing and verifying supporting documentation," I further agree that there was one instance in which CCDC had carried forward an incorrect FTE number from our billing worksheet onto the HSA billing form. This error in no way changed the invoice amount. The Budget Manager is aware of this error and has taken steps to correct his billing format.

Sincerely,

Karen T. Gansen, CFO

Cc: Joseph Fu, CCDC Budget Manager  
Edwin DeJesus, SF Office of the Controller  
Gordon Chin, CCDC Executive Director  
Wai Ching Kwan, CCDC Youth Manager



Properties professionally managed by Chinatown Community Development Center do not discriminate based on race, color, creed, religion, sex, national origin, age, familial status, handicap, ancestry, medical condition, physical handicap, veteran status, sexual orientation, AIDS, AIDS related condition (ARC), mental disability, marital status, source of income, or any other arbitrary status.



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<sup>3</sup> Subsequent to the CCDC's response, finding 1.5 referenced above has been removed from the report and can be found in memorandum dated December 14, 2010, Findings on the Review of Compliance with Chapter 12G of the Administrative Code.

## COLLEGE TRACK

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September 30, 2010

Tonia Lediju, Director of Audits  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102

Dear Ms. Lediju,

College Track has reviewed the results of your audit of College Track's grant with the departments of the City and County of San Francisco. We are pleased to find that College Track was in full compliance of the grant guidelines.

Sincerely,

Omar Butler  
Site Director

# COMMUNITY HOUSING PARTNERSHIP

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September 22, 2010

Tonia Lediju,  
Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102


RE: Prop Q Audit-Community Housing

Dear Ms Lediju;

We are in receipt of the Draft Report from Edwin De Jesus dated September 10 2010. We are pleased to acknowledge that Community Housing Partnership had no findings.

We appreciate the report's crisp recommendations for our continued successful administration of government-sourced (restricted) funds.

Sincere regards

  
Cynthia Gottlieb  
Director of Finance

280 Turk Street • San Francisco • Ca 94102  
Phone: 415-929-2490 • Fax: 415-749-2791

## CONARD HOUSE

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### CONARD HOUSE ADMINISTRATIVE OFFICES

1385 Mission Street, Ste. 200 • San Francisco, CA 94103  
(415) 864-7833 • Fax Number (415) 864-2231  
www.conard.org • admin@conard.org  
TTY (415) 626-6705

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October 5, 2010

Tonia Lediju, Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102

Response re Prop Q Compliance Audit Draft for FY08 and FY09 Prop Q

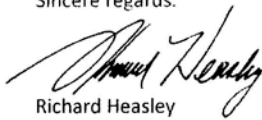
Dear Ms. Lediji:

We have received and reviewed the Controller's Audit Division's draft report presenting the results of your audit of Conard House's contracts grants in FY08 and FY09 with the various departments of the City and County of San Francisco, to determine compliance with the San Francisco Administrative Code (Prop Q) prohibition on the use of City funds for political activity.

Our review found no errors or omissions to should be corrected. Nor do we have any comments or recommendations regarding the general findings or those sections pertaining to Conard House, Inc.

We were pleased to participate in this compliance audit.

Sincere regards.



Richard Heasley  
Executive Director

Edwin De Jesus, Associate Auditor  
Mary Hennessy, Chair, Conard House Audit Committee  
Robin Neither, Conard House Controller

*Helping people self-manage mental illness since 1960.*

## OUR FAMILY COALITION

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Headquarters: 870 Market Street, Suite 872, San Francisco, CA 94102  
East Bay Office: 344 40<sup>th</sup> Street, Oakland, CA 94609  
www.ourfamily.org • Phone: 415-981-1960 • Fax: 415-981-1962

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*Advocacy and Communications Associate*

October 7, 2010

Tonia Lediju  
Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: Prop Q Audit-Our Family Coalition

Dear Tonia,

Thank you for the opportunity to review the draft Prop Q Audit report dated 09-09-10. We agree to the general findings and do not have any edits for any errors or omission about our organization.

If you have any questions or require further information, please do not hesitate to contact me at [judy@ourfamily.org](mailto:judy@ourfamily.org) or 415-981-1960.

Sincerely,

A handwritten signature in dark ink, appearing to read "Judith Appel", is written over a light blue horizontal line.

Judy Appel  
Executive Director

## SAN FRANCISCO ARCHITECTURAL HERITAGE<sup>4</sup>

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SAN FRANCISCO  
ARCHITECTURAL  
HERITAGE

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*Executive Director*

September 27, 2010

Submitted by email

Tonia Lediju, Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA. 94102

Dear Ms. Lediju:

On behalf of San Francisco Architectural Heritage (Heritage), I am writing in response to the draft report from the Office of the Controller, City Services Auditor Division presenting the results of an audit of Heritage's contracts and/or grants with the City and County of San Francisco. I understand that the goal of this audit is to determine compliance with the San Francisco Administrative Code's prohibition on the use of City funds for political activity.

Finding 1.5 states that, "*In two instances, Grants for the Arts approved reimbursement of the entire grant amount based on inadequate documentation.*" Heritage is very fortunate to have been awarded grant funds from the Grants for the Arts (GFTA) program for at least 10 years. Over this time, we have worked with GFTA Hotel Tax Fund administrative staff to establish sufficient grant reimbursement reporting procedures and have sought to consistently apply these procedures year after year to keep administrative costs to a minimum. If additional documentation is required, we look forward to working with staff in the appropriate department to fully comply.

Heritage relies on and appreciates the support of the City and County of San Francisco to enable our organization to continue to pursue our mission to preserve and enhance San Francisco's unique architectural and cultural identity. Please feel free to contact me at (415) 441-3000 x15 or [mbuhler@sfheritage.org](mailto:mbuhler@sfheritage.org) should you have any questions.

Sincerely,



Mike Buhler  
Executive Director

cc: Dana Talise, Fiscal Manager, San Francisco Architectural Heritage

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<sup>4</sup> Subsequent to the San Francisco Architectural Heritage response, finding 1.5 referenced above has been removed from the report and can be found in memorandum dated December 14, 2010, Findings on the Review of Compliance with Chapter 12G of the Administrative Code.



# SAN FRANCISCO EDUCATION FUND

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san francisco **education fund**



September 19, 2010

Tonia Lediju  
Director of Audits  
City and County of San Francisco  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Ms. Lediju,

As the Executive Director of the San Francisco Education Fund, I have read the Prop Q Audit Report and concur with the finding regarding our organization. We concur that our organization has complied with the prohibition. The document contains no errors or omissions as it relates to our organization.

I can be reached at [lspinali@sfedfund.org](mailto:lspinali@sfedfund.org) or at 415.749.3700 ext. 3007 if you need to contact me further.

Sincerely,

Lisa Spinali

A handwritten signature in black ink, appearing to read 'Lisa Spinali'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

cc: Maria Su



# TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION

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September 10, 2010

Tonia Lediju, Audit Director  
City Hall, Room 477  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: Comments on Prop Q Audit draft

Dear Ms. Lediju,

Thank you for forwarding the Prop Q audit draft. We have no comments on the draft; TNDC is not specifically mentioned in any of the audit findings.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald S. Falk".

Donald S. Falk  
Executive Director

TENDERLOIN  
NEIGHBORHOOD  
DEVELOPMENT  
CORPORATION

201 EDDY STREET  
SAN FRANCISCO  
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