



Press Release

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As part of Public Integrity Review, the Controller's Office releases report on gifts that benefit departments and relationship between San Francisco Parks Alliance and San Francisco Public Works

In conjunction with the City Attorney's investigation stemming from alleged wrongdoing by former Public Works Director Mohammed Nuru, the Controller's Office has released its second policy and process assessment to prevent fraud and violations of local law.

SAN FRANCISCO (September 24, 2020) — City Controller Ben Rosenfield announced today the release of a preliminary assessment report on gifts and support benefitting city departments from city contractors and building applicants and permit holders funneled through non-city organizations, including *Friends of* organizations. The assessment, which is the second in a series of planned reviews, lays out recommendations to improve transparency, reduce the risk of fraud, and safeguard public funds.

The City Attorney continues to lead San Francisco's investigation into alleged wrongdoing by current and former city employees and contractors. Much of the conduct is outlined in criminal charges brought by the United States Attorney's Office against Mohammed Nuru, former director of Public Works; Nick Bovis, owner of Lefty's Grill and Buffet at Fisherman's Wharf; Sandra Zuniga, former director of the Mayor's Office of Neighborhood Services; Florence Kong, former commissioner on the Immigrant Rights Commission; Balmore Hernandez, chief executive of engineering firm AzulWorks, Inc., a company with large city contracts; and Wing Lok "Walter" Wong, permit expeditor with numerous entities that do business with the City. The City Attorney's Office has focused its investigation on

misconduct by city employees and city contractors. That includes any remedies for specific decisions or contracts tainted by conflicts of interest or other legal or policy violations. Beyond those facing criminal charges, the investigation led then-Department of Building Inspection Director Tom Hui to resign in March. Evidence showed Hui had accepted improper gifts, violated city law by giving preferential treatment to a developer and a permit expeditor, and abused his official position to help his son and his son's girlfriend obtain city jobs. In July, Herrera filed charges to stop AzulWorks and Hernandez, from bidding on or being awarded contracts with the City for the next five years, the maximum allowed under the law.

While the City Attorney's investigation proceeds, the Controller's Office is conducting a phased review of the broader control environment designed to prevent violations of local law and will release assessments on a variety of city policies and practices stemming from the City Attorney's investigation.

This second assessment covers non-city organizations benefitting city departments, including *Friends of organizations*. While these relationships can serve an important public purpose, the report focuses on potential abuses that can undermine this benefit. The San Francisco Parks Alliance (the Parks Alliance) is a nonprofit that raises money to support, improve, and encourage engagement with parks and public spaces in the City, including supporting Public Works. We focus on the Parks Alliance and its relationship with Public Works because of the criminal investigation of Mr. Nuru, who, as the former Public Works director, allegedly solicited donations from private companies or individuals to the Parks Alliance and allegedly influenced decisions about whom the Parks Alliance would pay.

"While philanthropic organizations provide tangible benefits to all of our residents, abuses in these relationships undermine the important role they play. When gifts are solicited from those that do business with the City, it creates a risk to fair and transparent public processes," said Controller Ben Rosenfield. "We have put forward actionable recommendations to correct loopholes that seemingly normalize unethical practices that undermine faith in public actions."

"This report makes it clear that pay-to-play has been happening in our city. We are putting a stop to it," Herrera said. "The people of San Francisco need to know that their public officials are working for them. Philanthropic organizations do admirable work that benefits all San Franciscans. We support that. But the system has to be fair and transparent. City officials cannot work behind the scenes with City contractors to benefit their departments and use other entities to cloak those efforts. There is no room for pay-to-play in San Francisco, and this report from the Controller outlines some straightforward and effective steps we can take to clean up the system."

Our key findings

- Mr. Nuru and other city employees solicited donations from entities that did business with or were regulated by city departments. This created opportunities for and increased the risk of pay-to-play relationships.

- Mr. Nuru would direct Public Works staff to use these funds to procure goods and services from specific vendors for events and staff appreciation purchases, and those vendors would then be paid by the Parks Alliance, outside of the City's purchasing procedures.
- Gaps and loopholes in city rules permit this behavior to occur. While fundraising by elected officials requires public reporting, no such requirement exists for other city officials and staff. No rules prohibit solicitation of funds by city staff from those they do business with. And onerous city procedures create incentives to process appropriate support of employee professional development and recognition outside of the City's standard processes.

Recommendations to rectify inadequate policies and processes

- City laws should be revised to prohibit solicitation of funds by non-elected department heads and employees from those they do business with or regulate, unless explicitly authorized by the Board of Supervisors. Any permitted fundraising should be reported, creating transparency and public oversight.
- Clear and consistent contracts should be put in place for all city relationships with *Friends of* organizations, and both the sources and uses of these funds made publicly available.
- Inconsistent definitions across various laws and rules governing gifts and donations should be aligned and tightened to create clarity and minimize risks of "pay-to-play" relationships.
- Department heads should be required to annually certify that all gifts of goods, services, and funds have been approved by the Board of Supervisors and reported on time, as required.
- City rules and procedures should be streamlined to make it easier for departments to use city funds for employee recognition and appreciation events and provide explicit (line-item) appropriations for this purpose.
- The Controller should, on a sample basis, annually audit organizations that both give gifts to the City and have a financial interest with the City, including contracts, grants, permits, or other entitlements.

What happens next?

Our Public Integrity Review of inadequate policies and procedures exposed in the Nuru investigation will continue, with future assessments on: ethical practices in contract award decisions at the Airport and other commissions; the design and application of the City's contractor debarment process; the Department of Building Inspection's permitting process; and other issues. Those assessments will be released in phases as our work moves ahead in the coming months, and additional topics may be added as the investigation progresses.

Tips

Investigators from both the Controller's Office and City Attorney's Office work hand-in-hand with the public and City employees to fight abuses to public integrity citywide. To report suspected public integrity abuses regarding this investigation, please contact the Public Integrity Tip Line. You can provide information via e-mail at publicintegrity@sfgov.org or by phone at (415) 554-7657. All tips may be submitted anonymously and will remain confidential. Information regarding City payments, searchable by department and vendor, are available on the Controller's public transparency website at openbook.sfgov.org. As always, any member of the public may file any allegation of improper or illegal public activity with the City's Whistleblower Program at sfcontroller.org/whistleblower-program. That program, administered by the Controller's Office, often partners with the City Attorney's Office on investigations.

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