



## Press Release

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For Immediate Release:

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# Controller's Office releases report to improve San Francisco refuse rate-setting based on public integrity investigation findings

*In conjunction with the City Attorney's investigation stemming from alleged criminal wrongdoing by former Public Works Director Mohammed Nuru, the Controller's Office has released its fifth policy and process assessment report.*

SAN FRANCISCO (April 14, 2021) — Controller Ben Rosenfield announced today the release of a [preliminary assessment report](#) to improve the rate-setting process for refuse collection in San Francisco. This report follows the City Attorney's March 4<sup>th</sup> announcement of a more than \$100 million settlement with Recology, the waste management company that provides services to residential and commercial customers in San Francisco, after investigations revealed that the company had overcharged customers for over three years.

Our assessment focused in part on the role of former Public Works Director Mohammed Nuru in Recology's rate-setting and adjustment process. The [FBI affidavit](#) filed in November 2020 alleges that over several years, the former group government and community relations manager for Recology, Paul Giusti, bribed Mr. Nuru and concealed the bribes as charitable donations to nonprofit organizations in exchange for Nuru influencing and approving Recology's requests. Recology then continually provided benefits to Nuru, his family, and San Francisco Public Works (Public Works), totaling in excess of \$1 million (either directly or through nonprofit organizations), to influence and reward Nuru's cooperation with its requests for residential refuse collection rate increases, funding, and other issues related to city contracts and approvals. Over six years, these benefits allegedly included annual contributions to the Public Works holiday party and other employee events disguised as charitable donations, a job and an internship for Nuru's son, and payment for the funeral expenses of a Public Works employee.

Although it was Nuru's responsibility to make recommendations on rate adjustments and to ensure the rate-setting process for refuse collection was fair to customers, other stakeholders—including the Refuse Collection and Disposal Rate Board, the Department of the Environment, other Public Works staff, the ratepayer advocate, and the public—were also involved in the rate adjustment process. As such, our assessment examined how all City participants involved in setting rates could have had better oversight and codification of roles in the

decision-making steps. Now, as the City prepares to implement a new voter-approved two-commission structure for Public Works and the new Department of Sanitation and Streets, it will be imperative to establish better controls to protect customers from errors, omissions, and preventable rate price variances.

“Recent problems that have come to light during our investigation with the City Attorney aren’t so much about a series of individual mistakes and missteps as they are about more fundamental problems with the process itself,” said Controller Ben Rosenfield. “A more transparent process, strengthened oversight, and established roles that avoid conflicts of interest would better serve San Francisco residents in the future.”

“San Francisco is a much different place than it was in 1932. Our approach to refuse collection and approving rate increases needs to reflect that,” City Attorney Dennis Herrera said. “I want to thank Controller Ben Rosenfield and his team for their comprehensive review of how to improve the system, and I look forward to the Mayor, the Board of Supervisors, and the voters implementing these reforms. What happened under Mohammed Nuru must never be able to happen again.”

The report issued today suggests how the City can improve the refuse rate-setting process, including by adding safeguards and considering other ways of setting rates, to make the process more transparent and to ensure it works as designed.

The City Attorney’s Office 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 U.S. 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
- **Baltimore Hernandez**, chief executive of Azul Works, Inc., an engineering firm with large city contracts
- **Wing Lok “Walter” Wong**, permit expediter affiliated with several entities that do business with the City
- **Alan Varela** and **William Gilmartin III**, officers of ProVen Management, Inc.
- **Paul Giusti**, former group government and community relations manager for Recology
- **Harlan Kelly, Jr.**, former general manager of the San Francisco Public Utilities Commission

On July 13, 2020, the City Attorney initiated debarment proceedings against Azul Works, Inc., and Baltimore Hernandez and issued suspension orders against multiple individuals and their companies. The list of these vendors and suppliers is publicly available on the [Controller’s website](#) and is updated as needed.

Mr. Bovis and Mr. Wong have pled guilty to schemes to defraud the City using bribery and kickbacks. Wong admitted to conspiring with Nuru and other unnamed city officials since 2004. Both are now cooperating with the ongoing federal investigation. Also, Mr. Hernandez has pled guilty and will cooperate with authorities, and Ms. Zuniga has pled guilty to conspiring to commit money laundering. Ms. Kong has pled guilty to providing bribes to Nuru and was sentenced to a year in prison in February 2021.

## What happens next?

Our Public Integrity Review of inadequate policies and procedures that were exposed by the federal criminal charges against Mr. Nuru and other city employees and contractors will continue, with future assessments on citywide ethics reporting, the Department of Building Inspection's inspection and permitting processes, and contracting at the San Francisco Public Utilities Commission. In the coming months we will continue to release each assessment report as it is finished and may add topics as the investigation progresses.

## Tips

Investigators from the Controller's Office consider every allegation of wrongdoing raised by city employees and members of the public. To report suspected public integrity abuses related specifically to the Nuru investigation, please contact the Public Integrity Tip Line. You can provide information via e-mail at [publicintegrity@sfgov.org](mailto:publicintegrity@sfgov.org) or by phone at (415) 554-7657. All tips may be submitted anonymously and will remain confidential. Reports to this tip line, as well as tips to the Controller's whistleblower hotline, are critical to the City's ability to fight abuses and lapses of public integrity by city employees and contractors. As provided for by the San Francisco Charter, the Controller's Office ensures that complaints are investigated by departments with the appropriate jurisdiction and independence from the alleged wrongdoing.

Information on city payments, searchable by department and vendor, are available on the Controller's public transparency website at [openbook.sfgov.org](http://openbook.sfgov.org). Anyone may file any allegation of improper or illegal public activity with the City's Whistleblower Program at [sfcontroller.org/whistleblower-program](http://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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