



Press Release

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Controller's Office report finds SFPUC's Social Impact Partnership Program poorly designed, with significant flaws in the monitoring and enforcement of contractor commitments

In conjunction with the City Attorney's Office, the Controller's Office is providing recommendations for reform at the SFPUC to prevent abuses of contracts awarded in part due to the Social Impact Partnership (SIP) program, increase transparency in SIP solicitation processes, and enforce community benefit contract requirements.

SAN FRANCISCO (December 9, 2021) — Controller Ben Rosenfield has released a [public integrity audit of the governance and oversight of the San Francisco Public Utilities Commission \(SFPUC\) Social Impact Partnership \(SIP\) Program](#), also referred to as the SFPUC Community Benefits Program. The audit examines how a lack of clear processes and policies allowed private contractors to renege on “good neighbor” commitments to communities most impacted by SFPUC operations. These commitments were initially promised in exchange for advantages in specific SFPUC contract solicitation processes. The audit found that contractors in some cases were able to reduce their commitment levels or to disregard their promised contributions to communities altogether. The lack of clear policies and controls also created an environment where conflicts of interest, inappropriate steering of funds, and other abuses could occur.

This is the eighth report in the series of Public Integrity Reviews issued by the Controller's Office in partnership with the City Attorney's Office. This series of Public Integrity Reviews was prompted by the arrest of former Public Works Director Mohammed Nuru on charges of defrauding the City and County of San Francisco by soliciting and accepting bribes in exchange for favorable treatment in City contracting. Former SFPUC General Manager Harlan Kelly was criminally charged in November 2020 with providing advantages in city contracting processes in exchange for bribes.

This audit examines the SIP Program, which SFPUC created ten years ago to provide benefits to impacted communities and to foster partnerships with those communities. In 2011, when the program was launched, the SFPUC invited contractors competing for certain types of SFPUC contracts to voluntarily participate and “be a good neighbor to the communities affected by SFPUC’s service operations.” The program encouraged contractors to donate time, money, or in-kind services to nonprofits or other organizations that provide job awareness, education, small business support, housing and economic development, and environment and health services to communities in areas impacted by SFPUC projects. In exchange for contractors’ pledges to assist communities impacted by SFPUC’s work during the term of the contract, participating contractors received extra points in contract evaluation processes based on their pledges.

The audit found that SFPUC did not design or implement the SIP Program in a manner that always ensures the greatest value to the City and its residents. Despite awarding contracts in part to private contractors based on their SIP pledges to give back to communities, SFPUC has never developed a method to enforce contractual commitments and obligations. Absent enforcement of these commitments, the voluntary nature of the “invitation to commit to community support” makes the system inherently unfair, because some contractors default on their commitments while others strive to meet them. In the ten years that the program has existed, contractors have committed nearly \$22 million, 82,000 volunteer hours, and nearly \$1 million in in-kind services to communities.

Two-thirds of these contractor commitments made since program inception are currently unfulfilled, although many are scheduled to be provided over the next decade. Since 2011, of 22 expired contracts, 7 had commitments that were unfulfilled. The foregone community benefits for these 7 contracts are valued at more than \$685,000. As of December 30, 2020, 62 of the 84 contracts with SIP commitments were active. Total benefits of \$25 million are still owed on these contracts. Improvements to the program will help ensure these commitments are met.

Controller Rosenfield provided the following statement: “The Social Impact Partnership Program was born out of good intentions — the desire to help support communities most impacted by the City’s major construction projects and operations. But as we’ve clearly seen, good intentions alone aren’t enough. The program is not viable without significant reforms to ensure contractors follow through on what they say they’re going to do. Additionally, stronger controls are needed to ensure that decisions regarding the focus of these resources are made in the light of day and free from the risk of inappropriate steering. We’ll be following up with the SFPUC every six months to ensure the implementation of our seven recommendations.”

“The lack of clear policies and oversight in the Social Impact Partnership Program has left the program susceptible to favoritism and abuse,” said City Attorney David Chiu. “If this program is to continue and live up to its goals, it must be reformed and authorized by the appropriate policy bodies, including the Board of Supervisors. Our office was happy to work with Controller’s Office on these recommendations to ensure city government is held to the highest ethical standards and communities actually receive the benefits that are pledged.”

SFPUC General Manager Dennis Herrera said the following: “We appreciate the diligence and thoroughness of this audit. San Franciscans and our ratepayers across the region deserved no less. We agree with all of the recommendations, and we will be fully implementing them.

"The premise of the Social Impact Partnership Program is sound: companies that commit to supporting communities as part of their proposal for a public contract should be recognized for that commitment. The problem, as laid out clearly in the audit, was in the implementation. Companies have to deliver on their commitments, and there has to be accountability. The way the program was administered previously was not to the standard that San Franciscans and our ratepayers deserve.

"It's a new day at the SFPUC. Moving forward, we are committed to updating this program to provide transparency, accountability, and results. No one at the SFPUC will tell contractors which organizations to make commitments to or how much to give them. This program will be a model of integrity with effective oversight."

The Controller's Office will continue to assess selected city policies and procedures to evaluate their adequacy in preventing abuse and fraud. Future reports will address SF Environment's relationship with Recology, both as a beneficiary and a regulator; a review of SFPUC's contracting processes as they relate to the criminal charges against Harlan Kelly; and an overview of citywide ethics rules and procedures. Other reviews may be conducted given future issues identified in the ongoing City Attorney and Controller investigation.

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 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. Anyone 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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