



Date: November 23, 2021
To: Commissioner Anson Moran, President
Commissioner Newsha Ajami, Vice President
Commissioner Sophie Maxwell
Commissioner Tim Paulson
Commissioner Ed Harrington
Through: Dennis J. Herrera, General Manager *DJH*
From: Eric Sandler, CFO and AGM Business Services *[Signature]*
Subject: FY 2021-22 First Quarter Audit and Performance Review Report
through September 30, 2021

This memorandum provides the San Francisco Public Utilities Commission (SFPUC) Quarterly Audit and Performance Review (QAPR) report, as of FY 2021-22 first quarter, ending September 30, 2021. In addition, this memo provides an update regarding the ongoing Public Integrity Assessment.

Report Summary:

There were three completed audits since the last quarterly report:

1. 2020 Post Audit, August 5, 2021

- o Report can be found at this link: [2020 Post Audit](#)

Report Summary: The Controller’s Office performs the post audit to examine the effectiveness of the design and implementation of each department’s accounting and internal control practices and compliance with City laws, regulations, and policies.

Audit Findings Summary: The post audit highlighted SFPUC’s strengths in compliance with the year-end close schedule, clearing receipts, and documentation related to budget entries, journal entries, and cash receipts. In response to the audit, SFPUC staff will continue to evaluate opportunities to promote and improve compliance with specific focus on observations noted in the areas for improvement, including taking advantage of prompt payment discounts, processing vouchers with sales tax properly, ensuring reimbursements are submitted promptly, and obtain pre-approval prior to procurement card purchases.

2. FY 2019-20 Audited Wholesale Revenue Requirement, August 24, 2021

- o Report can be found at this link: [FY 2019-20 WRR Report](#)

Report Summary: Third-party auditors KPMG LLP and Yano Accountancy Corporation performed the annual audit, as required by the Water Supply Agreement with Wholesale Water Customers, to review the allocation of operating and capital costs among retail and wholesale water customers.

Audit Findings Summary: This report contains two observations related to misclassified expenditures; the SFPUC concurred and has agreed to improve internal controls to avoid similar issues in the future. The findings were:

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Ed Harrington
Commissioner

Dennis J. Herrera
General Manager



1. 311 call center costs were classified as Regional instead of Retail. The impact of the adjustment was approximately \$119,000 increase to the balancing account owed to Wholesale Customers.
2. An employee's labor cost was incorrectly classified as Regional instead of Retail. The impact of the adjustment was approximately \$117,000 increase to the balancing account owed to the Wholesale Customers.

The recommendation is for the SFPUC to improve its review and evaluation practices to ensure that account balances and expenditure summaries are properly classified. Management concurs with these findings and SFPUC will expand the review of new accounts to ensure proper classification. In addition, staff will identify new employees during review of payroll data to ensure their expenditures are classified properly.

3. 2018-20 Sales and Use Tax Audit, September 2021
 - o Memo can be found at this link: [2018-20 Sales and Use Tax Audit](#)Report Summary: The California Department of Tax and Fee Administration (CDTFA) conducted a standard audit on the City's application of Sales & Use Tax for the period from 2018 through 2020.

Audit Findings Summary: CDTFA computed the tax and interest liability amount for the City based on the total taxable measures. Controller's Office then allocated the liability amount of \$169,802 based on the Prior Audit Percentage of Error (PAPE) rate from the 2014-17 Sales and Use Tax Audit. The SFPUC allocation for this audit liability totaled \$24,400 and was reimbursed to the City's General Fund.

Audit Recommendation Status

The Controller's City Service Auditor closed the audit recommendation for the 2017-18 Energy Center San Francisco Franchise Fee Audit on July 30, 2021. All audit recommendations are currently closed.

Public Integrity Assessment Updates

Over the past several months, the Controller's City Services Auditor (CSA) and external auditors have been conducting a series of audits and assessments related to public integrity. The status of these efforts is outlined below.

- Community Benefit / Social Impact Partnership Program Audit – commenced in the fourth quarter of FY 2020-21. The target date for completion of the audit is the second quarter of FY 2021-22.
- SFPUC Public Integrity Assessment – commenced in the first quarter of FY 2021-22. CSA began its assessment of SFPUC's procurement and contracting processes. The target date for completion of the assessment is the third quarter of FY 2021-22.
- Sewer System Improvement Program (SSIP) Program Management Contract Audit – commenced in the second quarter of FY 2021-22. The target date for completion of the audit is the fourth quarter of FY 2021-22.

If you have questions, please contact me at esandler@sfgwater.org.

Attachment: FY 2021-22 Audit Plan, By Status as of September 30, 2021
Appendix I: City Services Auditor Recommendations, Aging Report



Quarterly Audit & Performance Review Report FY 2021-22 Audit Plan, By Status As of September 30, 2021

By status, as of Sep 30, 2021	
Completed:	3
In Progress:	10
Canceled:	0
Upcoming:	11
Total:	24

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body
1	[Updated] Completed	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2019-20	BAWSCA
2	[Updated] Completed	Financial	Business Services, Finance	Post Audit 2020	Controller
3	[Updated] Completed	Financial	Business Services, Finance	Sales and Use Tax Audit, 2018-20	CA Department of Tax & Fee Administration
4	[Updated] In Progress	Financial	Power	Center for Resource Solutions Green-e Verification Audit, 2020	Center for Resource Solutions
5	[Updated] In Progress	Performance	All SFPUC	SFPUC Public Integrity Assessment	CSA, Controller
6	In Progress	Financial	Water	Annual Physical Inventory Count, FY 2020-21	SFPUC, Finance
7	In Progress	Financial	Wastewater		
8	In Progress	Financial	Hetch Hetchy Water & Power		
9	In Progress	Financial	Water	Audited Financial Statements, FY 2020-21	Controller
10	In Progress	Financial	Wastewater		
11	In Progress	Financial	Hetch Hetchy Water & Power & CleanPowerSF		
12	In Progress	Revenue Bond Oversight Committee	RBOC	SFPUC Bond Expenditure Audit	RBOC
13	In Progress	Performance	External Affairs	Community Benefit / Social Impact Partnership Program Audit	CSA, Controller
14	Upcoming	Financial	All SFPUC	Political Activity Fund Compliance Assessment, FY 2017-18	CSA, Controller
15	Upcoming	Performance	All SFPUC	Citywide Audit and Assessment of Emergency Contracting and No Bid Sole Source Contracts	CSA, Controller
16	Upcoming	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2020-21	BAWSCA
17	Upcoming	Financial	Business Services, Finance	Annual Financial Report, FY 2020-21	SFPUC
18	Upcoming	Financial	Business Services, Finance	Popular Annual Financial Report, FY 2020-21	SFPUC
19	Upcoming	Performance	Infrastructure	SSIP Program Management Contract Audit	CSA, Controller
20	Upcoming	Performance	Infrastructure	SFPUC Project Controls Audit	CSA, Controller
21	Upcoming	Concessions, Lease Revenue	Real Estate Services	Revenue Lease Audit	CSA, Controller
22	Upcoming	Performance	Business Services, ITS	IT Penetration Test & Vulnerability Assessment	CSA, Controller
23	Upcoming	Performance	Business Services, ITS	CleanPowerSF Privacy Audit	CPUC
24	Upcoming	Financial	Power	Center for Resource Solutions Green-e Verification Audit, 2021	Center for Resource Solutions



**Quarterly Audit and Performance Review Report
Appendix I: City Services Auditor Recommendations,
Aging Report**

Audit Program Summary

	Total	Open	Closed	% Complete
Audits	1	0	1	100%
Recommendations	249	0	249	100%

Recently Closed Audits

	Audit Title	Report Issued	Closed Date	Open Rec	Total Rec	Months Open	% Complete
Power Enterprise							
1	Energy Center San Francisco LLC Paid the Correct Franchise Fees for 2017 and 2018 but Paid Its 2017 Fee Months Late and Did Not Always Meet Reporting Requirements	4/13/2021	7/30/2021	0	1	4	1