



San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

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Date: August 28, 2018

To: Ike Kwon, President
Vince Courtney, Vice President
Ann Moller Caen, Commissioner
Francesca Vietor, Commissioner
Anson B. Moran, Commissioner

From: Nancy L. Hom, Deputy Chief Financial Officer 

Through: Charles Perl, Acting Assistant General Manager, Business Services and
Chief Financial Officer

RE: **SFPUC Quarterly Audit and Performance Review Report,
4th Quarter, Fiscal Year 2017-18**

For your reference, please find the attached *SFPUC Quarterly Audit and Performance Review Report*, as of the fourth quarter for Fiscal Year 2017-18.

The Executive Summary highlights significant activities from the past quarter. All audits and projects can be reviewed in the Dashboard summary. *Appendix I – Audit Detail of Current Fiscal Year* provides the status, scope and updates of all audits. The report has been enhanced with the expansion of detailed information in *Appendix II – Aging Audit Recommendations Report*, a summary of audits published prior to the current fiscal year and lists open and closed recommendations.

As of the fourth quarter of fiscal year 2017-18, there were 44 audits and projects in total: 16 completed; 17 in progress; and 11 upcoming in the next six months.

Completed audits and projects in the last quarter include:

- Follow Up Review of the 2012 Power Inventory Report

If you have any questions, ideas for enhancement to the quarterly report format or would like additional information, please contact me at (415) 487-5229 at your convenience.

London Breed
Mayor

Ike Kwon
President

Vince Courtney
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Anson Moran
Commissioner

Harlan L. Kelly, Jr.
General Manager

cc: Harlan L. Kelly, Jr., General Manager
Michael Carlin, Deputy General Manager and Chief Operating Officer

att: SFPUC Quarterly Audit and Performance Review Report, 4th Quarter, FY
2017-18

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



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QUARTERLY AUDIT AND PERFORMANCE REVIEW REPORT



**San Francisco
Water Power Sewer**
Services of the San Francisco Public Utilities Commission

Assurance and Internal Controls
Business Services
FY 2017-18, Quarter 4
Ending June 30, 2018

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Audit and Performance Highlights:

Hetch Hetchy Water and Power (HHWP)

1. *Follow Up Review of the 2012 Power Inventory Report, 6/21/2018*

Assurance and Internal Controls Bureau, Audit and Compliance, conducted a review of the 2012 City Services Auditor report. Fieldwork was conducted at the five in-city inventory locations within the Power Enterprise. Six recommendations were issued, 3 to Power Enterprise and 3 to Business Services, Finance. Some of the issues were previously identified in the 2012 Report in addition to errors and omissions in Maximo, physical security, health and safety,

Open Audits and Recommendations, Prior Fiscal Years

As of Q3, FY 2017-18, 87% (194 of 223) of prior year's audit recommendations were closed due to management's internal follow up. The open recommendations are related to 2 remaining open audits. Refer to Appendix II for details.

Summary of Quarterly Activity:

As of the report date, the SFPUC has a total of 44 audits in various stages of completion for FY 2017-18: 17 are completed, 16 are in progress and 11 are upcoming.

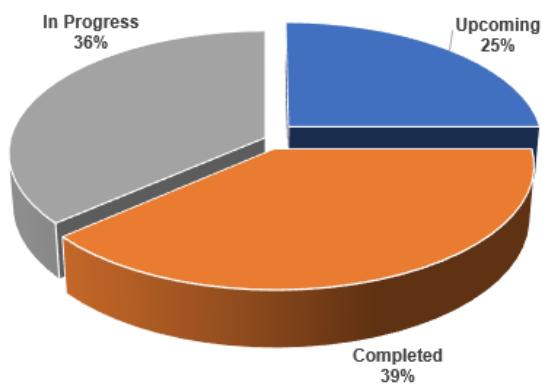


Figure 1: Portfolio by Audit Status, Q4

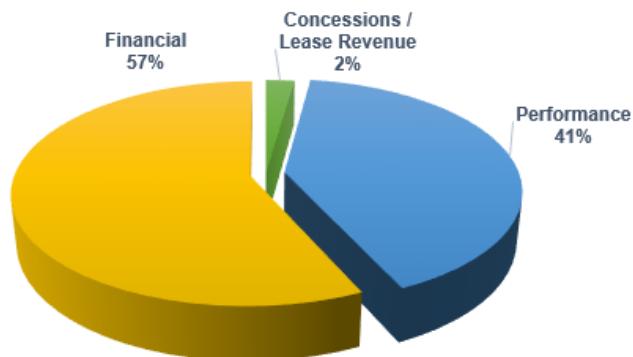


Figure 2: Portfolio by Audit Type, Q4

Projects Completing Next Quarter:

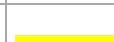
- Annual Physical Inventory Count, FY 2017-18
- Citywide Fleet Management Audit
- Citywide Procurement Card Transaction Audit, FY 2016-17

Projects Starting Next Quarter:

- Royalties Lease, Administration Audit
- Crystal Springs Contract Close Out Audit
- OMB A-133 Single Audit – Federal Grants, FY 2017-18

**Quarterly Audit & Performance Review Report
Dashboard
FY 2017-18, Quarter 4, Ending June 30**

By status, as of June 30, 2018
 Completed: 17
 In Progress: 16
 Upcoming: 11
 Total: 44

| # | Quarter Status | Audit Type | Enterprise / Bureau | Audit Name | Oversight Body | Outcome | Pg. |
|----|-----------------------|-------------|---|---|--------------------|---|-----|
| 1 | Completed | Financial | Water | Annual Physical Inventory Count, FY 2016-17 | SFPUC, Finance |  | 1 |
| 2 | Completed | Financial | Wastewater | | | | |
| 3 | Completed | Financial | Hetch Hatchy Water & Power | | | | |
| 4 | Completed | Financial | Water | Audited Financial Statements, FY 2016-17 | Controller |  | 1 |
| 5 | Completed | Financial | Wastewater | | | | |
| 6 | Completed | Financial | Hetch Hatchy Water & Power & CleanPowerSF | | | | |
| 7 | Completed | Financial | Power | Reporting Year 2016 Green-e Verification Audit | SFPUC AIC |  | 1 |
| 8 | Completed | Financial | Infrastructure | Association of Bay Area Governments, Proposition 84 Grant Audit | CA Dept of Finance |  | 1 |
| 9 | Completed | Financial | Business Services, Finance | SFPUC Comprehensive Annual Financial Report, FY 2016-17 | SFPUC |  | 1 |
| 10 | Completed | Financial | Business Services, Finance | Popular Annual Financial Report, FY 2016-17 | SFPUC |  | 2 |
| 11 | Completed | Financial | Business Services, Finance | OMB A-133 Single Audit – Federal Grants | Controller |  | 2 |
| 12 | Completed | Financial | Business Services, Finance | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2016-17 | BAWSCA |  | 2 |
| 13 | [Updated] Completed | Performance | Power | Follow-Up Review of the 2012 Power Inventory Report | SFPUC AIC |  | 2 |
| 14 | Completed | Performance | Hetch Hatchy Water & Power | 2017 WECC Compliance Monitoring Audit | WECC |  | 2 |
| 15 | Completed | Performance | Hetch Hatchy Water & Power | NERC CIP Compliance Monitoring Self-Certification | WECC / NERC |  | 2 |
| 16 | Completed | Performance | Infrastructure | Sewer System Improvement Program (SSIP), Planning and Pre-Construction Activities Audit | CSA, Controller |  | 3 |
| 17 | Completed | Performance | External Affairs, Community Benefits | Community Benefits, Phase IB: Southeast Community Investments Evaluation Framework | CSA, Controller |  | 3 |
| 18 | [Updated] In Progress | Financial | Water | Annual Physical Inventory Count, FY 2017-18 | SFPUC, Finance |  | 3 |
| 19 | [Updated] In Progress | Financial | Wastewater | | | | |
| 20 | [Updated] In Progress | Financial | Hetch Hatchy Water & Power | | | | |

| # | Quarter Status | Audit Type | Enterprise / Bureau | Audit Name | Oversight Body | Outcome | Pg. |
|----|-----------------------|-----------------------------|---|--|-----------------|---------|-----|
| 21 | In Progress | Financial | Power | 2017 Green-e Verification Audit | SFPUC AIC | | 3 |
| 22 | [Updated] In Progress | Financial | Water | | | | |
| 23 | [Updated] In Progress | Financial | Wastewater | Interim Unaudited Financial Statements, FY 2017-18 | Controller | | 3 |
| 24 | [Updated] In Progress | Financial | Hetch Hatchy Water & Power & CleanPowerSF | | | | |
| 25 | In Progress | Financial | All SFPUC | Political Activity Fund Compliance Assessment, FY 2015-16 | CSA, Controller | | 3 |
| 26 | In Progress | Concessions / Lease Revenue | Real Estate Services | Royalties Lease, Administration Audit | CSA, Controller | | 3 |
| 27 | In Progress | Performance | Power | Pacific Gas and Electric Interconnection Cost Audit | CSA, Controller | | 4 |
| 28 | In Progress | Performance | Power | NRG Energy Center Franchise Fee Audit | CSA, Controller | | 4 |
| 29 | In Progress | Performance | Power | Pacific Gas and Electric Franchise Fee Audit | CSA, Controller | | 4 |
| 30 | In Progress | Performance | Business Services, Fleet Management | Citywide Fleet Management Performance Audit | CSA, Controller | | 4 |
| 31 | In Progress | Performance | External Affairs, Community Benefits | Community Benefits, Phase III: Agency-wide Community Benefits Evaluation Framework | CSA, Controller | | 4 |
| 32 | In Progress | Performance | All SFPUC | Health and Safety Program Performance Assessment, Phase III | CSA, Controller | | 4 |
| 33 | In Progress | Performance | All SFPUC | Citywide Procurement Card Transaction Audit, FY 2016-17 | CSA, Controller | | 4 |
| 34 | [Updated] Upcoming | Financial | Business Services, Finance | OMB A-133 Single Audit – Federal Grants, FY 2017-18 | Controller | | 5 |
| 35 | [Updated] Upcoming | Financial | Business Services, Finance | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2017-18 | BAWSCA | | 5 |
| 36 | [Updated] Upcoming | Financial | Business Services, Finance | SFPUC Comprehensive Annual Financial Report, FY 2017-18 | SFPUC | | 5 |
| 37 | [Updated] Upcoming | Financial | Business Services, Finance | Popular Annual Financial Report, FY 2017-18 | SFPUC | | 5 |
| 38 | Upcoming | Financial | All SFPUC | Political Activity Fund Compliance Assessment, FY 2016-17 | CSA, Controller | | 5 |
| 39 | Upcoming | Performance | Power | 2016-17 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit | CAISO | | 5 |
| 40 | [Updated] Upcoming | Performance | Infrastructure | Crystal Springs Construction Contract Close-out Audit | CSA, Controller | | 6 |
| 41 | Upcoming | Performance | All SFPUC | Citywide Technology Procurement Audit, FY 2017-18 | CSA, Controller | | 6 |

| # | Quarter Status | Audit Type | Enterprise / Bureau | Audit Name | Oversight Body | Outcome | Pg. |
|----|--------------------|-------------|-------------------------|--|-----------------|---------|-----|
| 42 | [Updated] Upcoming | Performance | Real Estate Services | Real Estate Divisional Performance Audit | CSA, Controller | | 6 |
| 43 | [Updated] Upcoming | Performance | Business Services, ITS | PUC IT Network Penetration Test | CSA, Controller | | 6 |
| 44 | [Updated] Upcoming | Performance | Human Resource Services | Lean Hiring Process Improvement (HRS) | CSA, Controller | | 6 |

Quarterly Audit and Performance Review Report

Appendix I: Audit Detail of Current Fiscal Year

FY 2017-18, Quarter 4, ending June 30

| | | |
|------|--|--|
| 1.* | Audit Name: Quarter Status: Enterprise/Bureau: Oversight Body: Purpose: Highlights: | Annual Physical Inventory Count, FY 2016-17 Completed Water, Wastewater, Hetch Hetchy Water & Power SFPUC, Finance Third-party consultant: MGO, LLP. Annual count of inventory to ascertain completeness and accuracy. Mandatory full physical count inventory at least every three years, with random sampling in other years. A full count of inventory was performed for Hetch Hetchy Water and Power Enterprise. Reports issued: August 7, 2017 <u>Recommendations:</u> <ul style="list-style-type: none">• Update Maximo immediately after items are issued (SEP).• Update Maximo for bin location changes and track items temporarily moved (CDD, AWSS).• Conduct continuous, on-going, inventory counts (CDD, AWSS, HHWP).• Coordinate updating/reporting of fuel levels in the inventory valuation report (CDD, AWSS, WST, HHWP). Each Enterprise has made progress towards implementing all recommendations made in reports. |
| 4.** | Audit Name: Quarter Status: Enterprise/Bureau: Oversight Body: Purpose: Highlights: | Audited Financial Statements, FY 2016-17 Completed Water, Wastewater, Hetch Hetchy Water & Power Controller Third-party consultant: KPMG LLP. Assure financial statements are accurate and do not contain material misstatements. Reports issued: November 8, 2017 No material misstatements or internal control deficiencies were noted for all three audited financial statements for the ninth consecutive year. |
| 7. | Audit Name: Quarter Status: Enterprise/Bureau: Oversight Body: Purpose: Highlights: | Reporting Year 2016 Green-e Verification Audit Completed Power SFPUC Assurance & Internal Controls (AIC) Bureau Ensure that the renewable electricity or renewable energy certificates (RECs) purchased and sold by the certified provider were not sold to more than one customer and that only one party claimed use of renewable energy. Report Issued: November 14, 2017 CleanPowerSF was compliant with Green-e program requirements for 2016 year. |
| 8. | Audit Name: Quarter Status: Enterprise/Bureau: Oversight Body: Purpose: Highlights: | Association of Bay Area Governments, Proposition 84 Bond Program Audit Completed Infrastructure Department of Finance, State of CA Review Groundwater Storage and Recovery (GSR) Project grant expenditures meet the requirements of the grant and have appropriate oversight. Additionally, confirm project deliverables are being met. Report Issued: October 26, 2017 No deficiencies were noted in the state's audit report. |
| 9. | Audit Name: Quarter Status: Enterprise/Bureau: Oversight Body: Purpose: Highlights: | SFPUC Comprehensive Annual Financial Report, FY 2016-17 Completed Business Services, Finance SFPUC Third-party consultant: KPMG LLP. Assure the comprehensive financial statements are accurate and do not contain material misstatements. Report Issued: December 5, 2017 No material misstatements or internal control deficiencies were noted for the CAFR. |

* Includes audits 2 and 3

** Includes audits 5 and 6

Audit Type:

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|-----|--------------------|---|
| 10. | Audit Name: | Popular Annual Financial Report, FY 2016-17 |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | SFPUC |
| | Purpose: | The PAFR highlights financial results and conveys how the SFPUC continues to deliver services that value diverse communities and a culture that practices sustainability. This includes investing in vital upgrades to the SFPUC's water and wastewater systems, expanding its clean energy portfolio, and working to address the City's climate action goals. |
| | Highlights: | Report Issued: December 18, 2017 |
| 11. | Audit Name: | OMB A-133 Single Audit – Federal Grants, FY 2016-17 |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | SFPUC |
| | Purpose: | Third-party consultant: MGO, LLP. Assure and assess whether the department is within compliance to requirements associated with federal grant awards/programs; includes review of internal controls related to maintaining compliance. The SFPUC was not audited since federal expenditures were low in FY 2016-17. |
| | Highlights: | Report Issued: Q3, FY 2017-18 The SFPUC was not the primary auditee because it had minor federal expenditures in FY 2016-17. |
| 12. | Audit Name: | Association of Bay Area Governments, Proposition 84 Bond Program Audit |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Infrastructure |
| | Oversight Body: | Department of Finance, State of CA |
| | Purpose: | Review Groundwater Storage and Recovery (GSR) Project grant expenditures meet the requirements of the grant and have appropriate oversight. Additionally, confirm project deliverables are being met. |
| | Highlights: | Report Issued: October 26, 2017 No deficiencies were noted in the state's audit report. |
| 13. | Audit Name: | Follow-Up Review of the 2012 Power Inventory Report |
| | Quarter Status: | [Updated] Completed |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | SFPUC Audit & Compliance |
| | Purpose: | Conduct an internal follow-up review of the warehouse and inventory controls of the Power Enterprise, as outlined in the City Services Auditor's (CSA) October 2012 report entitled, "The San Francisco Public Utilities Commission's Power Enterprise Lacks Adequate Controls to Safeguard Its Inventory." The review is to determine whether recommendations made by CSA have been implemented. |
| | Highlights: | Report Issued: June 21, 2018 Three recommendations were issued to Power and three recommendations were issued to Business Services, Finance. The report found some issues, previously identified in the 2012 City Services Auditor report remain, in addition to identifying other concerns related to errors and omissions in Maximo, physical security, health and safety, segregation of duties, and operational procedures to dispose of obsolete inventory. |
| 14. | Audit Name: | 2017 WECC Compliance Monitoring Audit |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Hetch Hetchy Water & Power |
| | Oversight Body: | Western Electricity Coordinating Council (WECC) |
| | Purpose: | Assess Hetch Hetchy Water & Power's compliance with WECC policies and procedures. |
| | Highlights: | Report issued: September 28, 2017 Six recommendations were issued to HHWP. HHWP was evaluated by the Compliance Audit team for compliance with 17 operations and planning and 18 Critical Infrastructure Protection (CIP) requirements for the 2017 Electric Reliability Organization (ERO) Enterprise Compliance Monitoring and Enforcement Program. |
| 15. | Audit Name: | NERC CIP Compliance Monitoring Self-Certification |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Hetch Hetchy Water & Power |
| | Oversight Body: | Western Electricity Coordinating Council (WECC) / North American Electric Reliability Corporation (NERC) |
| | Purpose: | Self-certification filing. HHWP must assess and report whether it is compliant with NERC Reliability Standards. |
| | Highlights: | Report issued: March 1, 2018 2 violations and 1 issue identified and self-reported in the Operations & Planning (O&P) area. |

Audit Type:

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| 16. | Audit Name: | Sewer System Improvement Program (SSIP), Planning and Pre-Construction Audit |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | Infrastructure |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Determine whether SSIP planning and pre-construction activities have adequate practices in place to control cost, ensure work activities proceed according to plan, the early procurements follow guidelines, and that adequate governance and compliance processes are in place to ensure expenditures follow policies and procedures. |
| | Highlights: | <p>Report Issued: Q3, FY 2017-18</p> <p>The report concluded the SFPUC Infrastructure has effective preconstruction processes and practices. Recommendations focused on further improving existing policies and procedures and documentation retention practices.</p> |
| 17. | Audit Name: | Community Benefits, Phase IB: Southeast Community Investments Evaluation Framework |
| | Quarter Status: | Completed |
| | Enterprise/Bureau: | External Affairs, Community Benefits |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Develop and pilot a framework to evaluate/measure economic and other impacts on Southeast neighborhoods and agency-wide; identify and track community indicators to provide data necessary to improve the program. Evaluation plan will focus stakeholder engagement. Phase IA resulted in a plan for community investments in environmental justice, place-based revitalization, workforce development and education. |
| | Highlights: | <p>Completion Date: July 1, 2017</p> <p>The evaluation method created relies on several surveys that include input from SFPUC Citizens' Advisory Committee, key staff and executive leadership. This effort will assist the SFPUC in building and leveraging long-term community and stakeholder partnerships, inclusive of multiple interests.</p> |
| 18.* | Audit Name: | Annual Physical Inventory Count, FY 2017-18 |
| | Quarter Status: | [Updated] In Progress |
| | Enterprise/Bureau: | Water, Wastewater, Hatch Hatchy Water & Power |
| | Oversight Body: | SFPUC, Finance |
| | Purpose: | Third-party consultant: MGO, LLP. Annual count of inventory to ascertain completeness and accuracy. Mandatory full physical count inventory at least every three years, with random sampling other years. Full inventory count performed for Wastewater and Power Enterprises. |
| | Updates: | Anticipated Completion Date: Q1, FY 2018-19 |
| 21. | Audit Name: | Reporting Year 2017, Green-e Verification Audit |
| | Quarter Status: | In Progress |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | Center for Resource Solutions (CRS) / SFPUC Assurance & Internal Controls (AIC) Bureau |
| | Purpose: | Ensure that the renewable electricity or renewable energy certificates (RECs) purchased and sold by the certified provider were not sold to more than one customer and that only one party claimed use of renewable energy. |
| | Updates: | Verification Self-Audit Submit Date: Q4, FY 2017-18 Anticipated Completion Date: Q2, FY 2018-19 – publication by CRS. |
| 22.** | Audit Name: | Interim Unaudited Financial Statements, FY 2017-18 |
| | Quarter Status: | [Updated] In Progress |
| | Enterprise/Bureau: | Water, Wastewater, Hatch Hatchy Water & Power & CleanPowerSF |
| | Oversight Body: | Controller |
| | Purpose: | Third-party consultant: KPMG LLP. Assure financial statements are accurate and do not contain material misstatements. Preliminary test work will include ledger validation, post Peoplesoft go-live on July 1, 2017. |
| | Updates: | Anticipated Completion Date: Q2, FY 2018-19 (Final) |
| 25. | Audit Name: | Political Activity Fund Compliance Assessment, FY 2015-16 |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | All SFPUC |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Verify compliance with the Administrative Code, Section 12G, prohibiting use of City funds for vendor political activity citywide. |
| | Updates: | Anticipated Completion Date: Q1, FY 2018-19 |

* Includes audits 19 and 20

** Includes audits 23 and 24

Audit Type:

Financial

Concession/Lease Revenue

Performance

Revenue Bond Oversight Committee (RBOC)

| | | |
|-----|--------------------|--|
| 26. | Audit Name: | Royalties Lease, Administration Audit |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | Real Estate Services |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Ensure the Real Estate department is adequately managing its royalties leases. City Admin Code requires all real property leases of \$500K and more to be audited at regular intervals by the Controller. |
| | Updates: | Self-Audit Anticipated Completion Date: Q3, FY 2017-18 Anticipated Completion Date: Q3, FY 2018-19 |
| 27. | Audit Name: | PG&E Interconnection Cost Audit |
| | Quarter Status: | In Progress |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Third-party consultant: Sjoberg Evashenk Consulting, Inc. Determine if SFPUC correctly paid fees according to the terms of the interconnection agreement with PG&E. |
| | Updates: | Anticipated Completion Date: Q1, FY 2019-20 |
| 28. | Audit Name: | NRG Energy Center Franchise Fee Audit |
| | Quarter Status: | In Progress |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Determine if NRG Energy Center San Francisco LLC (NRG) correctly paid franchise fees according to the terms of the franchise agreement with the City. |
| | Updates: | Anticipated Completion Date: Q3, FY 2018-19 |
| 29. | Audit Name: | Pacific Gas and Electric Franchise Fee Audit |
| | Quarter Status: | In Progress |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Assess Pacific Gas and Electric franchise fee payments are properly calculated and remitted according to the terms of the electricity and gas franchise agreement with the City. |
| | Updates: | Anticipated Completion Date: Q3, FY 2018-19 |
| 30. | Audit Name: | Citywide Fleet Management Performance Audit |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | Business Services, Fleet Management |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Citywide assessment of the adequacy and effectiveness of fleet management oversight and operations. |
| | Updates: | Anticipated Completion Date: Q1, FY 2018-19 |
| 31. | Audit Name: | Community Benefits, Phase III: Agency-wide Community Benefits Evaluation Framework |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | External Affairs, Community Benefits |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Provide strategic planning and evaluation services from the Controller's City Performance Unit to implement an Agency-wide Community Benefits Program Evaluation Framework measured by the following deliverables: (1) Collecting Agency-wide Community Indicators related to the objectives of the 2011 Community Benefits Policy; (2) Implementing Agency-wide Community Benefits Evaluation Framework with internal and external partners; (3) Utilizing Salesforce for tracking and reporting. |
| | Updates: | Anticipated Completion Date: Q1, FY 2018-19 |
| 32. | Audit Name: | Health and Safety Program Performance Assessment, Phase III |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | All SFPUC |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Continued efforts to implement recommendations reported on in the 2015 Health and Safety Program Assessment. Areas of focus include training on the purpose and elements of a safety management system, coaching on performance goals and expectations, developing self-audits, and assessing the SFPUC safety committee role and structure. |
| | Updates: | Anticipated Completion Date: Q3, FY 2018-19 |

Audit Type:

Financial Concession/Lease Revenue Performance Revenue Bond Oversight Committee (RBOC)

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|-----|--------------------|--|
| 33. | Audit Name: | Citywide Procurement Card Transaction Audit, FY 2016-17 |
| | Quarter Status: | In progress |
| | Enterprise/Bureau: | All SFPUC |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Annual evaluation of whether procurement card transactions were made in accordance with the requirements of the City's Charter, including Appendix F, and City codes. |
| | Updates: | Anticipated Completion Date: Q1, FY 2018-19 |
| 34. | Audit Name: | OMB A-133 Single Audit – Federal Grants, FY 2017-18 |
| | Quarter Status: | Upcoming |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | SFPUC |
| | Purpose: | Third-party consultant: MGO, LLP. Assure and assess whether the department is within compliance to requirements associated with federal grant awards/programs; includes review of internal controls related to maintaining compliance. |
| | Updates: | Anticipated Start Date: Q3, FY 2018-19 |
| 35. | Audit Name: | Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2017-18 |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | Bay Area Water Supply and Conservation Agency (BAWSCA) |
| | Purpose: | Third-party consultant: KPMG LLP and Yano Accountancy. Assure the Statement of Changes in the Balancing Account is prepared in compliance with the Water Supply Agreement. |
| | Updates: | Anticipated Start Date: Q2, FY 2018-19 |
| 36. | Audit Name: | SFPUC Comprehensive Annual Financial Report, FY 2017-18 |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | SFPUC |
| | Purpose: | Third-party consultant: KPMG LLP. Assure the comprehensive financial statements are accurate and do not contain material misstatements. |
| | Updates: | Anticipated Start Date: Q2, FY 2018-19 |
| 37. | Audit Name: | Popular Annual Financial Report, FY 2017-18 |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Business Services, Finance |
| | Oversight Body: | SFPUC |
| | Purpose: | The PAFR highlights financial results and conveys how the SFPUC continues to deliver services that value diverse communities and a culture that practices sustainability. This includes investing in vital upgrades to the SFPUC's water and wastewater systems, expanding its clean energy portfolio, and working to address the City's climate action goals. |
| | Updates: | Anticipated Start Date: Q2, FY 2018-19 |
| 38. | Audit Name: | Political Activity Fund Compliance Assessment, FY 2016-17 |
| | Quarter Status: | Upcoming |
| | Enterprise/Bureau: | All SFPUC |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Verify compliance with the Administrative Code, Section 12G, prohibiting use of City funds for vendor political activity citywide. |
| | Updates: | Anticipated Start Date: Q1, FY 2018-19 |
| 39. | Audit Name: | 2016-17 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit |
| | Quarter Status: | Upcoming |
| | Enterprise/Bureau: | Power |
| | Oversight Body: | CA Independent System Operator (CAISO) |
| | Purpose: | Evaluate SFPUC's compliance with settlement meter data processing in accordance with the bi-annual CAISO Scheduling Coordinator Self-Audit requirements. |
| | Updates: | Anticipated Start Date: Q1, FY 2018-19 |

Audit Type:

| | | |
|-----|--------------------|---|
| 40. | Audit Name: | Crystal Springs Construction Contract Close-out Audit |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Infrastructure |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Determine whether Infrastructure has adequately overseen compliance with Crystal Springs construction contracts' close-out procedures. |
| | Updates: | Anticipated Start Date: Q1, FY 2018-19 |
| 41. | Audit Name: | Citywide Technology Procurement Audit |
| | Quarter Status: | Upcoming |
| | Enterprise/Bureau: | All SFPUC |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Evaluate SFPUC's compliance with Administrative Code, Section 21.03, technology procurement policies. Preliminary objectives are to determine whether effective controls are in place to a) assess the business need/justification of purchases, b) ensure purchases comply with contract terms/city policies, and c) safeguard assets. |
| | Updates: | Anticipated Start Date: Q3, FY 2018-19 |
| 42. | Audit Name: | Real Estate Divisional Performance Audit |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Real Estate Services |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Ensure the Real Estate department is providing adequate oversight of leases for property/land owned by the SFPUC. |
| | Updates: | Anticipated Start Date: Q4, FY 2018-19 |
| 43. | Audit Name: | PUC IT Network Penetration Test |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Business Services, ITS |
| | Oversight Body: | CSA, Controller |
| | Purpose: | Controlled IT network penetration testing of PUC computing environments. |
| | Updates: | Anticipated Start Date: Q3, FY 2018-19 |
| 44. | Audit Name: | Lean Hiring Process Improvement (HRS) |
| | Quarter Status: | [Updated] Upcoming |
| | Enterprise/Bureau: | Human Resource Services |
| | Oversight Body: | CSA, Controller |
| | Purpose: | A Lean Program Rapid Improvement Event partnership to improve internal hiring process; includes helping mitigate current pain points related to IT system flaws (e.g., eliminating redundancies) and a dashboard for PUC hiring managers to use to view hiring status updates. Will be a phased approach to improve the following processes: budget and position approvals, RTF approvals and eligible list adoption, selection, and post-selection and onboarding. |
| | Updates: | Anticipated Start Date: Q3, FY 2018-19 |

Audit Type:

Audit Program Summary

| | Total | Open | Closed | % Complete |
|------------------------|-------|------|--------|------------|
| Audits | 15 | 2 | 13 | 87% |
| Recommendations | 223 | 13 | 210 | 94% |

Open Audits Issued Before FY 2017-18

| | Audit Title | Report Issued Date | Open Rec | Total Rec | Months Open | % Complete |
|------------------------------|---|--------------------|-----------|-----------|-------------|------------|
| Power Enterprise | | | | | | |
| 1 | SFPUC: Audit of Department Class One Power Sales to Modesto and Turlock Irrigation Districts in California | 2/17/2015 | 5 | 11 | 41 | 55% |
| Wastewater Enterprise | | | | | | |
| 2 | SFPUC: The Wastewater Enterprise Should Better Manage and Monitor Work Flow, Premium Pay, Overtime, and Absenteeism | 6/8/2017 | 8 | 31 | 13 | 74% |
| TOTAL* | | | 13 | 42 | 27 | 69% |

* As of July 1, 2015 in AuditShare

SFPUC, Open Audits

6% (13 of 223) of total recommendations, related to 2 open audits issued before FY 2017-18 remain open.

- In Q4, SFPUC closed 1 open audit: Citywide Construction Safety Audit which included collaborating with Chapter 6 departments to implement citywide safety policies and procedures, performance measures, and training programs related to construction safety.
- Assurance and Internal Controls is working with Enterprises and Bureaus to close the remaining open 13 recommendations

Recently Closed Audits

| | Audit Title | Report Issued | Closed Date | Open Rec | Total Rec | Months Open | % Complete |
|------------------------------|--|---------------|-------------|----------|------------|-------------|-------------|
| Business Services | | | | | | | |
| 1 | CITYWIDE CONTRACT COMPLIANCE AUDIT: The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts | 5/9/2016 | 5/31/2016 | 0 | 3 | 1 | 100% |
| 2 | SFPUC: The Department Needs to Improve Its Management and Monitoring of Telephone Assets and Costs | 2/26/2015 | 11/23/2015 | 0 | 23 | 9 | 100% |
| Infrastructure | | | | | | | |
| 3 | Citywide Cash Disbursements and Contract Compliance Audit | 4/20/2017 | 10/19/2017 | 0 | 2 | 6 | 100% |
| 4 | GSA: Fiscal Year 2012-13 Chapter 14B Audit – None of the Three Audited Contractors Fully Complied With Certain Provisions of the Local Business Enterprise Ordinance | 10/1/2014 | 11/19/2015 | 0 | 6 | 14 | 100% |
| 5 | SFPUC: The Department Inadequately Monitored Change Orders for the Sunol Valley Water Treatment Plant Improvement Project | 3/8/2016 | 8/9/2016 | 0 | 7 | 5 | 100% |
| 6 | SFPUC: The Job Order Contract Program Lacks Sufficient Oversight to Ensure Program Effectiveness | 12/26/2012 | 5/9/2016 | 0 | 19 | 41 | 100% |
| 7 | CITYWIDE CONSTRUCTION: The City Would Benefit From a More Proactive Approach to Construction Safety Management | 4/11/2017 | 7/19/2018 | 0 | 8 | 15 | 100% |
| Real Estate Services | | | | | | | |
| 8 | SFPUC: Audit of Administration of Fixed Rent Agreements with Revenues Exceeding \$100,000 | 8/10/2010 | 5/17/2017 | 0 | 23 | 67 | 100% |
| 9 | SFPUC: Audit of Crystal Springs Golf Partners, L.P. | 12/1/2010 | 12/14/2015 | 0 | 22 | 61 | 100% |
| Power Enterprise | | | | | | | |
| 10 | SFPUC: Power Enterprise Lacks Adequate Controls to Safeguard Its Inventory | 10/29/2012 | 7/13/2016 | 0 | 11 | 40 | 100% |
| 11 | SFPUC: Most GoSolarSF Incentives Were Paid Correctly, but the Environment Code and Some Program Controls Should Be Improved | 1/18/2017 | 3/1/2018 | 0 | 14 | 14 | 100% |
| Wastewater Enterprise | | | | | | | |
| 12 | SFPUC: Wastewater Enterprise Could Improve its Inventory Management | 8/17/2010 | 3/17/2016 | 0 | 30 | 68 | 100% |
| Water Enterprise | | | | | | | |
| 13 | SFPUC: Water Enterprise Should Continue To Improve Its Inventory Management | 4/12/2011 | 12/19/2017 | 0 | 13 | 81 | 100% |
| | TOTAL* | | | 0 | 181 | 32 | 100% |

* As of July 1, 2015 in AuditShare

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Executive Management

Harlan L. Kelly, Jr.

General Manager

Michael Carlin

Deputy General Manager and Chief Operating Officer

Juliet Ellis

Assistant General Manager, External Affairs

Barbara Hale

Assistant General Manager, Power Enterprise

Kathy How

Assistant General Manager, Infrastructure

Greg Norby

Assistant General Manager, Wastewater Enterprise

Steve Ritchie

Assistant General Manager, Water Enterprise

Eric Sandler

Assistant General Manager, Business Services and

Chief Financial Officer

Assurance and Internal Controls Bureau

Nancy L. Hom, Deputy Chief Financial Officer

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Christina M. Andersson, Manager

Lenore Manzanares, Senior Analyst

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Benson Hua, Risk Manager

Matthew R. Low, Risk and Business Data Analyst

Report Prepared by Audit and Compliance Division

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