




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.

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

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



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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.

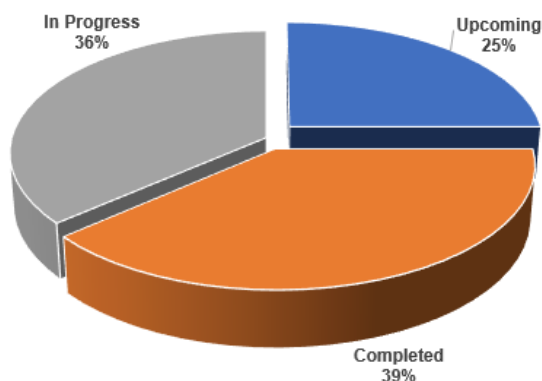


Figure 1: Portfolio by Audit Status, Q4

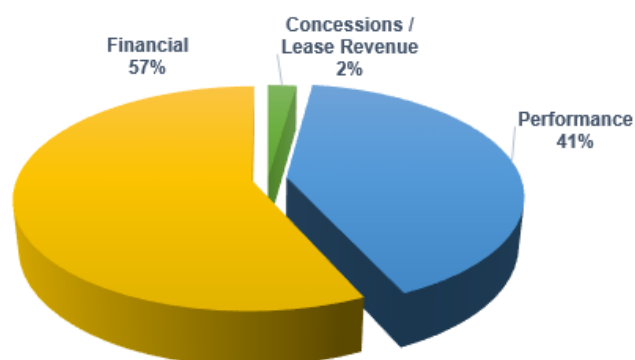


Figure 2: Portfolio by Audit Type, Q4

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 Hetchy Water & Power				
4	Completed	Financial	Water	Audited Financial Statements, FY 2016-17	Controller		1
5	Completed	Financial	Wastewater				
6	Completed	Financial	Hetch Hetchy 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 Hetchy Water & Power	2017 WECC Compliance Monitoring Audit	WECC		2
15	Completed	Performance	Hetch Hetchy 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 Hetchy Water & Power				

 Positive
 Some Concern
 Significant Concern

#	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	Interim Unaudited Financial Statements, FY 2017-18	Controller		3
23	Updated In Progress	Financial	Wastewater				
24	Updated In Progress	Financial	Hetch Hetchy 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:	Annual Physical Inventory Count, FY 2016-17
	Quarter Status:	Completed
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy 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 in other years. A full count of inventory was performed for Hetch Hetchy Water and Power Enterprise.
	Highlights:	<p>Reports issued: August 7, 2017</p> <p><u>Recommendations:</u></p> <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). <p>Each Enterprise has made progress towards implementing all recommendations made in reports.</p>
4.**	Audit Name:	Audited Financial Statements, FY 2016-17
	Quarter Status:	Completed
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy Water & Power
	Oversight Body:	Controller
	Purpose:	Third-party consultant: KPMG LLP. Assure financial statements are accurate and do not contain material misstatements.
	Highlights:	<p>Reports issued: November 8, 2017</p> <p>No material misstatements or internal control deficiencies were noted for all three audited financial statements for the ninth consecutive year.</p>
7.	Audit Name:	Reporting Year 2016 Green-e Verification Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	Power
	Oversight Body:	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.
	Highlights:	<p>Report Issued: November 14, 2017</p> <p>CleanPowerSF was compliant with Green-e program requirements for 2016 year.</p>
8.	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:	<p>Report Issued: October 26, 2017</p> <p>No deficiencies were noted in the state's audit report.</p>
9.	Audit Name:	SFPUC Comprehensive Annual Financial Report, FY 2016-17
	Quarter Status:	Completed
	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.
	Highlights:	<p>Report Issued: December 5, 2017</p> <p>No material misstatements or internal control deficiencies were noted for the CAFR.</p>

* Includes audits 2 and 3

** Includes audits 5 and 6

Audit Type:

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

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:

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

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:	Report Issued: Q3, FY 2017-18
		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.
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:	Completion Date: July 1, 2017
		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.
18.*	Audit Name:	Annual Physical Inventory Count, FY 2017-18
	Quarter Status:	[Updated] In Progress
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy 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, Hetch Hetchy 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:

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:

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

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

Audit and Compliance

Christina M. Andersson, Manager

Lenore Manzanares, Senior Analyst

Risk Management

Tricia Yang, Financial System Project Manager

Benson Hua, Risk Manager

Matthew R. Low, Risk and Business Data Analyst

Report Prepared by Audit and Compliance Division

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