



**Date:** May 25, 2021  
**To:** Commissioner Sophie Maxwell, President  
Commissioner Anson Moran, Vice President  
Commissioner Tim Paulson  
Commissioner Ed Harrington  
Commissioner Newsha Ajami  
**Through:** Michael Carlin, Acting General Manager   
**From:** Eric Sandler, CFO and AGM Business Services   
**Subject:** SFPUC FY 2020-21 Third Quarter Audit and Performance Review Report through March 31, 2021

This memorandum provides the SFPUC Quarterly Audit and Performance Review (QAPR) report, as of the third quarter for FY 2020-21, ending March 31, 2021. As requested by this Commission, we have provided links to the completed audit reports where possible.

**Report Summary:**

This memorandum describes the nine completed audits since the last report:

- 1. 2014-17 Sales and Use Tax Audit, December 2020
  - o Memo can be found at this link: [2014-17 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 2014 through 2017.

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 \$219,366 based on the percentage of errors in respective categories to City departments. The SFPUC allocation for this audit totaled \$19,973 and was reimbursed to the City’s General Fund.

- 2.- 4. FY 2019-20 Audited Financial Statements (3 Reports), January 22, 2021
  - o Reports can be found at this link: [FY 2019-20 Audited Financial Statements](#)

Report Summary: Third-party auditor KPMG LLP issued clean, or unqualified opinions, of the financial statements of all three enterprises, noting the auditor’s independent opinion they are accurate and free from material misstatements. A material weakness in internal controls was noted relating to “Inappropriate Tone at the Top”, due to the recent federal investigative activities. SFPUC Management acknowledged the deficiency and has begun assessment and mitigation activities to further improve the internal control environment of the organization. These activities include further development and enforcement of policies and procedures; enhancement of the SFPUC Audit Plan; and other governance and monitoring activities related to the functional areas related to the federal complaint and those of the City Attorney

**London N. Breed**  
Mayor  
**Sophie Maxwell**  
President  
**Anson Moran**  
Vice President  
**Tim Paulson**  
Commissioner  
**Ed Harrington**  
Commissioner  
**Newsha Ajami**  
Commissioner  
**Michael Carlin**  
Acting  
General Manager



and Controller's Office series of Public Integrity investigations and audits. This item was presented by KPMG LLP to this Commission on March 9, 2021.

5. FY 2020-21 Web Application Security Assessment, February 10, 2021

Report Summary: The City Services Auditor (CSA) issued its confidential report of the Cross Connect Assembly Management System (CCAMS).

Audit Findings Summary: The items are being addressed as part of the application refresh project to modernize the CCAMS application. Due to the sensitive nature of cyber security, this report is confidential.

6. 2017-18 Pacific Gas and Electric (PG&E) Franchise Fee Audit, February 23, 2021

- o Report can be found at this link: [2017-18 PG&E Franchise Fee Report](#)

Report Summary: The Controller's City Services Auditor (CSA) engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the payment of franchise fees and surcharge fees by PG&E to the City and County of San Francisco (City) for 2017 and 2018. PG&E pays the City franchise fees to use city streets to transmit, distribute, and supply electricity and natural gas.

Audit Findings Summary: The audit found that PG&E generally complied with its obligations under the gas and electric franchise ordinance and relevant provisions of the San Francisco Administrative Code; however, PG&E underpaid the 2018 franchise fees by \$3,283. The report recommends the City Controller enhance its oversight practices to ensure agreement administrative procedures are consistent and accurate.

7. FY 2019-20 Annual Financial Report (AFR), February 26, 2021

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

Report Summary: The AFR describes the financial activities, condition, and services, of Water, Wastewater, and Hetch Hetchy Water & Power & CleanPowerSF. In addition to the General Manager's transmittal letter and Management's Discussion and Analysis, the AFR includes financial and statistical information, of interest to the public and financial/investor community. The AFR includes 10 years of financial and operating indicators, with social and economic data. Third-party auditor KPMG LLP issued clean, or unqualified opinions, of the financial statements of all three enterprises, noting the auditor's independent opinion they are accurate and free from material misstatements. A material weakness in internal controls was noted relating to "Inappropriate Tone at the Top", due to the recent federal investigative activities. SFPUC Management acknowledged the deficiency and has begun assessment and mitigation activities to further improving the internal control environment of the organization. These activities include further development and enforcement of policies and procedures; enhancement of the SFPUC Audit Plan; and other governance and monitoring activities related to the functional areas related to the federal complaint and those of the City Attorney and Controller's Office series of Public Integrity investigations and audits.

8. FY 2019-20 Popular Annual Financial Report (PAFR), February 26, 2021

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

Report Summary: The PAFR is a high-level summary of information from the Annual Financial Report specifically designed to be readily accessible and easily understandable to the general public and other interested parties. This year's PAFR focuses on SFPUC's Resiliency, detailing how the agency is doing its part to help ratepayers in need during the global pandemic while continuing to deliver utility services safely and reliably to customers. The report highlights the continued work towards strengthening the water system, planning for the future of power utility services and connecting with our communities through emergency bill relief during the pandemic and the opening of the new Southeast Community Center.

9. 2017-20 Reliability Standards Compliance Audit, March 11, 2021
  - o Report can be found at this link: [2017-20 Reliability Standards Compliance Audit](#)

Report Summary: Western Electricity Coordinating Council (WECC) conducted a compliance audit assessing Hetch Hetchy Water & Power's (HHWP) compliance with the applicable Reliability Standards for the period of May 2017 through May 2020.

Audit Findings Summary: SFPUC adhered to all applicable requirements of the North American Electric Reliability Corporation (NERC) Rules of Procedures and Compliance Monitoring and Enforcement Program.

#### **Audit Recommendation Status**

All audit recommendations are currently closed.

#### **Public Integrity Assessment Updates**

The SFPUC Commission and Management are focused on impeccable stewardship, transparency, and accountability to foster the restoration of public trust. A key element of this effort is the development and execution of a multi-year plan of assessments and audits of certain functions, projects, and contracts. The Controller's City Services Auditor (CSA) division is developing the plan and SFPUC is providing supportive assistance. A briefing group has been formed consisting of members of the Controller's Office, the Commission, and SFPUC management to receive updates regarding the audit effort. The audit plan is intended to be dynamic so as to respond to any new information or needs. After receiving the notice on March 24, 2021, the SFPUC's Community Benefit / Social Impact Partnership Program audit has begun on April 8, 2021 and is being conducted by Sjoberg Evanshenk Consulting. CSA will also conduct a Public Integrity Assessment of the SFPUC regarding the control environment and ethical standards over the contract bid-award processes in the fourth quarter of this fiscal year.

If you have questions, please contact me at [esandler@sfgwater.org](mailto:esandler@sfgwater.org).

Attachment: FY 2020-21 Audit Plan, By Status as of March 31, 2021  
Appendix I: City Services Auditor Recommendations, Aging Report



## Quarterly Audit & Performance Review Report FY 2020-21 Audit Plan, By Status As of March 31, 2021

By status, as of Mar 31, 2021	
Completed:	17
In Progress:	7
Canceled:	1
Upcoming:	12
Total:	37

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body
1	Completed	Financial	Water	Annual Physical Inventory Count, FY 2019-20	SFPUC, Finance
2	Completed	Financial	Wastewater		
3	Completed	Financial	Hetch Hetchy Water & Power		
4	Completed	Financial	Power	Center for Resource Solutions Green-e Verification Audit, 2019	Center for Resource Solutions
5	Completed	Financial	Infrastructure	Proposition 1E Grant Audit: Stormwater Flood Management	CA Department of Finance
6	Completed	Performance	Infrastructure/External Affairs/HRS	Workforce Development Programs Audit	Board of Supervisors
7	Canceled	Performance	Power	Pacific Gas and Electric Interconnection Cost Audit	CSA, Controller
8	[Updated] Completed	Financial	Water	Audited Financial Statements, FY 2019-20	Controller
9	[Updated] Completed	Financial	Wastewater		
10	[Updated] Completed	Financial	Hetch Hetchy Water & Power & CleanPowerSF		
11	[Updated] Completed	Financial	Business Services, Finance	Sales and Use Tax Audit, 2014-17	CA Department of Tax & Fee Administration
12	Completed	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2018-19	BAWSCA
13	In Progress	Performance	Wastewater	Sewer Repair and Maintenance Performance Audit	CCSF Board of Supervisors
14	[Updated] Completed	Performance	Hetch Hetchy Water & Power	Reliability Standards Compliance Audit, 2017-20	WECC / NERC
15	[Updated] Completed	Performance	Power	Pacific Gas and Electric Franchise Fee Audit, 2017-18	CSA, Controller
16	In Progress	Performance	Power	Energy Center San Francisco Franchise Fee Audit	CSA, Controller
17	Completed	Performance	Power	CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit, 2018-20	CAISO
18	[Updated] Completed	Performance	Business Services, ITS	Web Application Security Assessment, FY 2020-21	CSA, Controller
19	Upcoming	Financial	Power	Center for Resource Solutions Green-e Verification Audit, 2020	Center for Resource Solutions
20	[Updated] Completed	Financial	Business Services, Finance	Annual Financial Report, FY 2019-20	SFPUC
21	[Updated] Completed	Financial	Business Services, Finance	Popular Annual Financial Report, FY 2019-20	SFPUC
22	[Updated] In Progress	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2019-20	BAWSCA
23	Upcoming	Financial	All SFPUC	Political Activity Fund Compliance Assessment, FY 2017-18	CSA, Controller

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body
24	[Updated] In Progress	Revenue Bond Oversight Committee	RBOC	SFPUC Bond Expenditure Audit	RBOC
25	[Updated] Upcoming	Performance	External Affairs	Community Benefit / Social Impact Partnership Program Audit	CSA, Controller
26	[Updated] Upcoming	Performance	All SFPUC	SFPUC Public Integrity Assessment	CSA, Controller
27	[Updated] Upcoming	Performance	All SFPUC	Citywide Audit and Assessment of Emergency Contracting and No Bid Sole Source Contracts	CSA, Controller
28	[Updated] Upcoming	Financial	Water	Annual Physical Inventory Count, FY 2020-21	SFPUC, Finance
29	[Updated] Upcoming	Financial	Wastewater		
30	[Updated] Upcoming	Financial	Hetch Hetchy Water & Power		
31	[Updated] Upcoming	Financial	Water	(Interim) Audited Financial Statements, FY 2020-21	SFPUC, Finance
32	[Updated] Upcoming	Financial	Wastewater		
33	[Updated] Upcoming	Financial	Hetch Hetchy Water & Power		
34	[Updated] In Progress	Financial	Business Services, Finance	Post Audit 2019	Controller
35	[Updated] Upcoming	Financial	Business Services, Finance	Post Audit 2020	Controller
36	[Updated] In Progress	Financial	Business Services, Finance	Single Audit (OMB Circular A-133), FY 2019-20	OMB
37	[Updated] In Progress	Financial	Business Services, Finance	Sales and Use Tax Audit, 2018-20	CA Department of Tax & Fee Administration

**Audit Program Summary**

	Total	Open	Closed	% Complete
<b>Audits</b>	0	0	0	
<b>Recommendations</b>	248	0	248	100%

**Open Audits**

All audit recommendations are currently closed.