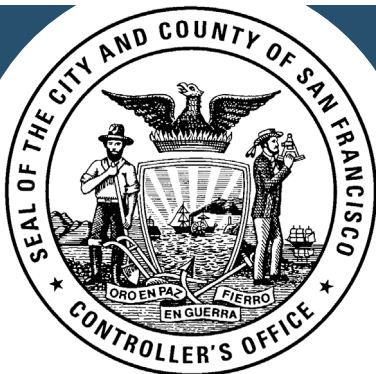


# Public Integrity Reviews 2022 Update

Implementation Status of  
Recommendations From Assessments to Date



**CITY & COUNTY OF SAN FRANCISCO**

Controller's Office

December 21, 2022

In January 2020 the former Director of Public Works was arrested on charges of public corruption. The City Attorney's Office (City Attorney) and the Controller's Office (Controller) jointly launched an independent investigation into the allegations. The City Attorney focused on holding public officials and city vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City and County of San Francisco (City) to identify process failures.

As a result of federal and local criminal investigations into the corruption, the U.S. Attorney's Office has now prosecuted 17 individuals, and the District Attorney's Office has prosecuted 2 individuals. Those criminally charged include at least eight former city employees or commissioners.

Due to the City Attorney's ongoing investigations, five city contractors have been suspended from city contracting, and two others reached settlements with the City resulting in restitution payments to refuse ratepayers and restitution and penalties paid to the City.

The Controller issued nine public integrity reports with 64 recommendations. Of the 64 recommendations, 38 (59 percent) were implemented or partially implemented. This report provides a summary of the findings in those nine reports and an update on the City's significant progress in implementing most of those recommendations.

## Summary of Recommendations

In conjunction with the investigation being led by the City Attorney stemming from alleged criminal wrongdoing by Mr. Nuru, the Controller has issued **eight preliminary Public Integrity assessments, one audit report, and one status update report to date**. Each assessment report identifies areas for further review and makes preliminary recommendations for the City to ensure increased transparency in its operations and to address internal control weaknesses and risks in a timely manner. The goal is to help the City prevent fraud and abuse. The benefit to be gained from this work is not in the recommendations made, but in the **effective implementation of those recommendations** to mitigate internal control weaknesses and risks. The Controller now provides this update on the implementation status of the recommendations it has issued to date, which are in the reports listed below.

Date Issued	Title of Public Integrity Assessment or Audit Report	Number of Recommendations	Implemented	Partially Implemented	In Progress	Will Not Be Implemented
06/29/2020	San Francisco Public Works Contracting	8	4	1	3	-
09/24/2020	Gifts to Departments Through Non-City Organizations Lack Transparency and Create "Pay to Play" Risk	10	8	-	1	1
11/05/2020	San Francisco's Debarment Process	1	1	-	-	-
01/11/2021	Ethical Standards for Contract Award Processes of the Airport Commission and Other Commissions and Boards	10	3	1	6	-
04/14/2021	Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards	5	3	-	2	-
09/16/2021	Department of Building Inspection's Permitting and Inspections Processes	8	5	-	3	-
12/09/2021	Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program	7	5	-	2	-
04/08/2022	San Francisco Department of the Environment's Relationship with Recology and Lack of Compliance With Ethics Rules	9	6	-	3	-
05/16/2022	Refuse Rate-Setting Process Update Based on Additional Reviews and Meetings With Recology	6	1	-	5	-
<b>Total</b>		<b>64</b>	<b>36</b>	<b>2</b>	<b>25</b>	<b>1</b>

# Background on the Public Integrity Investigation

Eighteen former city employees, contractors, or others have been linked to this scheme and federally charged:

Former city employees	
Mohammed Nuru	Former director, San Francisco Public Works (Public Works)
Sandra Zuniga	Former director, Mayor’s Office of Neighborhood Services (Neighborhood Services)
Harlan Kelly, Jr.,	Former general manager, San Francisco Public Utilities Commission (SFPUC)
Bernard Curran	Former senior building inspector, Department of Building Inspection (DBI)
Gerald Sanguinetti	Former bureau manager, Public Works
Former city contractor	
Nick Bovis	Owner, Lefty’s Grill and Buffet and other restaurants
Baltimore Hernandez	Chief executive of engineering firm AzulWorks, Inc., a company with large city contracts
Florence Kong	Owner, SFR Recovery, Inc., and Kwan Wo Ironworks, Inc., and former member of City’s Immigrant Rights Commission
Wing Lok “Walter” Wong	Building permit expediter and owner of W. Wong Construction Co., Inc., Green Source Trading, LLC, and Alternate Choice, LLC
Alan Varela	Officer, ProVen Management, Inc.
William Gilmartin III	Officer, ProVen Management, Inc.
All others	
Recology	Current city contractor
Paul Giusti	Former group government and community relations manager, Recology
John Porter	Former vice president and group manager, Recology
Rodrigo Santos	Former Building Inspection Commission president and owner of Santos & Urrutia Associates, Inc.
Peter Schurman	An engineering technician
Victor Makras	Former member of city boards and commissions including Port Commission, Police Commission, Public Utilities Commission, and Retirement Board, and a real estate broker
Zhang Li	Real estate developer, owner of Z&L Properties, Inc., which developed 555 Fulton Street

## Status update on pleadings and sentencing: *Former city employees*

Name	Description	Charges/Pleadings	Status
<b>Mohammed Nuru</b>	Former director, Public Works	<p><b>Charges:</b> Aiding and abetting honest services wire fraud in connection with an alleged scheme to bribe public officials</p> <p><b>Pleadings:</b> Pled guilty to money laundering and lying to the FBI (January 2022).</p>	Sentenced to seven years in prison (August 2022).
<b>Sandra Zuniga</b>	Former director, Neighborhood Services	<p><b>Charges:</b> Conspiracy to launder money</p> <p><b>Pleadings:</b> Pled guilty to conspiring to commit money laundering with Mr. Nuru. Agreed to cooperate with federal investigators under a plea agreement.</p>	<i>Not yet sentenced</i>
<b>Harlan Kelly, Jr.</b>	Former general manager, SFPUC	<p><b>Charges:</b> Honest services wire fraud and conspiracy to commit honest services wire fraud in connection with a bribery scheme; separate from the bribery scheme, bank fraud and conspiracy to commit fraud</p> <p><b>Pleadings:</b> Pleas unknown regarding honest services wire fraud and conspiracy to commit wire fraud in connection with bribery scheme. Pled not guilty to bank fraud.</p>	<i>Trial setting or change of plea hearing scheduled for January 17, 2023.</i>
<b>Bernard Curran</b>	Former senior inspector, DBI	<p><b>Charges:</b> Honest services wire fraud (U.S. Attorney); perjury, violation of conflict-of interest laws (District Attorney)</p> <p><b>Pleadings:</b> Pled guilty to accepting bribes as rewards for approving building permits (federal case).</p>	<i>Not yet sentenced</i>
<b>Gerald Sanguinetti</b>	Former bureau manager, Public Works	<p><b>Charges:</b> Failure to disclose interest or income</p> <p><b>Pleadings:</b> Pled guilty to conspiring to commit honest services wire fraud.</p>	Convicted of two misdemeanor counts for violating San Francisco Campaign and Governmental Conduct Code, Section 3.1-102(a), placed on probation, fined \$10,000, and ordered to perform 250 hours of community service.

## Status update on pleadings and sentencing: *Former city contractors*

Name	Description	Charges/Pleadings	Status
<b>Nick Bovis</b>	Owner, Lefty's Grill and Buffet and other restaurants	<p><b>Charges:</b> Honest services wire fraud and wire fraud in connection with a bribery scheme</p> <p><b>Pleadings:</b> Pled guilty to committing honest services wire fraud and wire fraud to attempt to bribe city officials. Agreed to cooperate with federal investigators under a plea agreement.</p>	<p><i>Not yet sentenced</i></p> <p><b>Note:</b> He and his company SMTM Technology, LLC, were suspended as city vendors (March 2021).</p>
<b>Baltimore Hernandez</b>	Chief executive, AzulWorks, Inc., an engineering firm with large city contracts	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme</p> <p><b>Pleadings:</b> Pled guilty to conspiring to commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement.</p>	<p><i>Not yet sentenced</i></p> <p><b>Note:</b> Request to debar him and his company as city vendors is stayed pending the conclusion of the criminal case.</p>
<b>Florence Kong</b>	Owner, SFR Recovery, Inc., and Kwan Wo Ironworks, Inc., and former member of City's Immigrant Rights Commission	<p><b>Charges:</b> Bribery of a public official and making false statements to federal authorities</p> <p><b>Pleadings:</b> Pled guilty to providing bribes to Mr. Nuru.</p>	<p>Sentenced to one year and one day in prison and fined \$95,000 (February 2021).</p> <p><b>Note:</b> She and her two companies were suspended as city vendors (March 2021).</p>
<b>Wing Lok "Walter" Wong</b>	Building permit expediter and owner of several entities that do business with the City	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud, conspiracy to commit money laundering</p> <p><b>Pleadings:</b> Pled guilty to conspiring with Mr. Nuru and other unnamed city officials since 2004 to commit honest services wire fraud and conspiracy to commit money laundering. Agreed to cooperate with federal investigators under a plea agreement.</p>	<p><i>Not yet sentenced</i></p> <p><b>Note:</b> He and his companies, W. Wong Construction Co., Inc, Green Source Trading, LLC, and Alternate Choice, LLC, were suspended as city vendors (March 2021). He agreed not to do business with the City or act as a permit expediter at DBI for five years.</p>

## Status update on pleadings and sentencing: *Former city contractors* (continued)

Name	Description	Charges/Pleadings	Status
<p><b>Alan Varela</b></p>	<p>Officer, ProVen Management, Inc.</p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme</p> <p><b>Pleadings:</b> Pled guilty to conspiring to commit honest services wire fraud.</p>	<p>Sentenced to 24 months in prison and fined \$127,000 (September 2021).</p> <p><b>Note:</b> He and his company were suspended as city vendors (March 2021).</p>
<p><b>William Gilmartin III</b></p>	<p>Officer, ProVen Management, Inc.</p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme</p> <p><b>Pleadings:</b> Pled guilty to conspiring to commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement.</p>	<p><i>Not yet sentenced</i></p> <p><b>Note:</b> He and his company were suspended as city vendors (March 2021).</p>

## Status update on pleadings and sentencing: *All others*

Name	Description	Charges/Pleadings	Status
<b>Recology</b>	Current city contractor and regulated entity	<p><b>Charges:</b> Conspiracy to commit honest wire services fraud in connection with a bribery scheme</p> <p><b>Pleadings:</b> Admitted to bribery as part of a deferred prosecution agreement.</p>	Although not convicted, had to admit to committing crimes. Agreed to pay \$36 million in criminal penalties, to revamp its corporate structure, and to cooperate fully in the ongoing law enforcement and regulatory investigation.
<b>Paul Giusti</b>	Former group government and community relations manager, Recology	<p><b>Charges:</b> Conspiracy to bribe a local official and commit honest services wire fraud</p> <p><b>Pleadings:</b> Pled guilty to conspiracy to bribe a local official and commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement.</p>	<i>Not yet sentenced</i>
<b>John Porter</b>	Former vice president and group manager, Recology	<p><b>Charges:</b> Bribery of a local official and concealment of money laundering</p> <p><b>Pleadings:</b> Pled not guilty to bribery of a local official and concealment of money laundering.</p>	<i>No trial date set</i>
<b>Rodrigo Santos</b>	Former Building Inspection Commission president, owner of Santos & Urrutia Associates, Inc.	<p><b>Charges:</b> Honest services wire fraud, bank fraud, aggravated identity theft, and obstruction of justice (<i>criminal charges by U.S. Attorney</i>); bank fraud, wire fraud; theft (<i>civil charges by City Attorney</i>)</p> <p><b>Pleadings:</b> On November 16, 2021, federal indictment (two counts) was entered (USA v. Curran, 3:21-cr-00453).</p> <p>Plea hearings were scheduled for December 19, 2022, (3:21-cr-00268-SI-1, USA v. Rodrigo Santos; 3:22-cr-00345-SI, USA v. Rodrigo Santos).</p>	<p><i>Hearing on change of plea scheduled for January 13, 2023.</i></p> <p>The City Attorney's case is stayed pending resolution of criminal case.</p>



## Status update on pleadings and sentencing: *All others* (continued)

Name	Description	Charges/Pleadings	Status
<b>Peter Schurman</b>	An engineering technician and field inspector for several engineering firms	<p><b>Charges:</b> Mail fraud and aggravated identity theft in connection with fraudulent building inspection reports</p> <p><b>Pleadings:</b> Pled guilty to mail fraud and aggravated identity theft</p>	Sentenced to five years of probation and ordered to pay almost \$50,000 in restitution, including \$7,905 to the City (October 2022).
<b>Victor Makras</b>	Real estate broker and investor and a former member of city boards/commissions including Port Commission, Police Commission, Public Utilities Commission, and Retirement Board	<p><b>Charges:</b> Bank fraud and making false statements to a bank; conspiracy to commit a false statement to a bank and commit bank fraud in connection to misrepresentations made in a mortgage refinance loan application</p>	<p>Convicted by a jury of making false statements to a bank and of bank fraud (August 2022).</p> <p><i>Not yet sentenced</i></p>
<b>Zhang Li</b>	Real estate developer, owner of Z&L Properties, Inc., which developed 555 Fulton Street	<p><b>Charges:</b> Accused of participating in a scheme to bribe public officials from 2015 through 2020.</p>	Arrested in London on November 30, 2022. Fighting extradition to the United States to face bribery charges.

## City Attorney's Investigative Outcomes

The City Attorney has focused its investigation on misconduct by current and former city employees, officials, and any remedies for specific decisions or contracts tainted by conflicts of interest or other legal violations. Besides the actions described below, more than a dozen city employees, including department heads, have resigned or been fired in the wake of the city and federal public integrity investigations.

### Suspensions and Debarment

**July 13, 2020:** The City Attorney initiated debarment proceedings against AzulWorks, Inc., and Mr. Hernandez. By agreement of the parties and a stipulated suspension, which prevents Mr. Hernandez and his company from participating in city contracting, the proceedings are stayed until the conclusion of the federal charges against Mr. Hernandez.

**August 12-November 25, 2020:** The City Attorney introduced legislation to help the City prevent corrupt contractors from receiving public funds, including adding a procedure authorizing the City to suspend contractors that have been indicted or charged in a civil, criminal, or administrative case with conduct that, if convicted, would be a basis for debarment.

**March 1, 2021:** The City Attorney issued suspension orders against Mr. Bovis and his company, SMTM Technology, LLC; Mr. Varela and Mr. Gilmartin and their company, ProVen Management Inc.; Ms. Kong and her companies, SFR Recovery Inc. and Kwan Wo Ironworks Inc.; and Mr. Wong and his companies, W. Wong Construction Co., Inc., Green Source Trading, LLC, and Alternate Choice, LLC.

### Settlements

**March 4, 2021:** The City Attorney announced \$101.5 million refuse rate settlement with Recology.

**May 13, 2021:** The City Attorney and Ethics Commission announced a settlement calling for Mr. Wong to pay the City over \$1.7 million and for Mr. Wong and the companies he controls to be debarred for five years.

**November 15, 2022:** The City Attorney and Controller announced a \$25 million settlement with Recology to rectify issues identified in a series of city reviews, including actual profits above target generated from San Francisco customers.

# Public Integrity Review Reports & Key Investigative Outcomes



### Ongoing Assessments and Audits

Our Public Integrity Review, performed in consultation with the City Attorney, continues to assess selected city policies and procedures to evaluate their adequacy in preventing abuse and fraud. These projects include:

#### Landfill Disposal Agreement Audit

We are auditing the landfill disposal agreement between Recology San Francisco (Recology) and the City, which the City's Department of Environment administers. The audit includes assessing Recology's compliance with the contract's requirements for reporting, charges, and fees.

#### SFPUC Public Integrity Assessment

We are conducting a preliminary assessment of SFPUC's procurement practices based on a limited review of three SFPUC procurements. One of these was identified in the federal grand jury subpoena to SFPUC and the other two were identified in the federal complaint against former SFPUC General Manager Harlan Kelly.

*Note: The need for additional assessments or audits will be determined as the U.S. Attorney and City Attorney's investigations proceed.*

### Reporting Results and Impact

Of the 64 recommendations issued by the Controller's Audits Division:

**Four** have been implemented via a **mayoral executive directive**, including ones that require:

- Department heads to report behested payments on Form SFEC-3610(b).
- Departments to formalize their relationships with non-city organizations through memorandums of understanding (MOUs).
- Departments to comply with gift acceptance and gift reporting requirements and to state whether the gift is used for employee recognition or appreciation.
- Departments to certify that the Board of Supervisors approved the gifts received in the preceding fiscal year.

### Reporting Results and Impact

**Six** have resulted in **approved legislation and amendments to city law** that:

- Prohibit the Mayor from delegating to department heads contracting decisions and other matters for which the Mayor has delegation discretion ([BOS File 200949](#)).
- Create new requirements on pre-qualified contractor selection, notification, and documentation for public works professional services contracts ([BOS File 200787](#)).
- Revise the City's debarment procedures by adding suspension and other related procedures and requirements, including those related to notification ([BOS File 200896](#)).
- Codify that the City must award grants by using a competitive solicitation process like the one used to award contracts under the San Francisco Administrative Code, Chapter 21 ([BOS File 201089](#)).
- Prohibit elected officials, department heads, commissioners, and designated employees from soliciting behested payments from interested parties and amend the definition of an interested party ([BOS File 201132](#)).
- Create exceptions to the prohibitions for behested payment solicitations, including solicitations made by certain city programs, charitable donations, the City's acquisition of real property, and amending the definition of interested party ([BOS File 220539](#)).

### Reporting Results and Impact *(continued)*

**Two** have been voter-approved and resulted in amendments to law that:

- Amend behested payment legislation to prohibit members of the Board of Supervisors from seeking behested payments from contractors if the Board had approved their contracts. Also, any future change to the City's behested payment laws now requires approval by majority vote of the City's Ethics Commission and a two-thirds approval by the Board of Supervisors ([Proposition E](#)).
- Amend the Refuse Collection and Disposal Process, including restructuring membership of the Rate Board, revising the rate-setting process for residential and commercial customers and rules governing how future changes are made ([Proposition F](#)).

**Two** have resulted in **legislation introduced at the Board of Supervisors** that proposes to:

- Require Public Works and the Department of Homelessness and Supportive Housing to follow competitive bidding and other requirements for homelessness-related projects ([BOS File 200734](#)).
- Authorize SFPUC to include Social Impact Commitment criteria as a qualitatively scored element in solicitations for certain contracts at designated thresholds. ([BOS File 221126](#)).

### Reporting Results and Impact *(continued)*

**Other departmental actions taken, results, and impacts** so far include:

- Public Works implemented revised procurement procedures for projects addressing homelessness and emergency procurement.
- The Airport Commission, Port Commission, Recreation and Park Commission, Transbay Joint Powers Authority, and SFPUC Commission implemented policies prohibiting their officials and employees from communicating with contract proposers/bidders and potential proposers/bidders.
- The City Attorney created an MOU template for non-city organizations' fundraising services, which include the Controller's required disclosure, recordkeeping, and auditing provisions.
- The Controller's Systems Division enhanced the tracking, reporting, and transparency capabilities of the City's financial, procurement, and human resources systems. This included creating a Form 700 required filers dashboard.
- The Ethics Commission launched its electronic filing system, which now enables over 4,700 designated city employees to file Statements of Economic Interests electronically.
- DBI created a compliance program and hired a compliance manager to oversee internal audits and implement DBI's reform initiatives.
- SFPUC added an interactive Social Impact Program (SIP) dashboard on its website to ensure transparent reporting to the public regarding contractors' performance, accountability, and delivery of SIP commitments.
- In June 2022 San Francisco voters approved Proposition F, which assigns the Controller new duties as the Refuse Rate Administrator. As of December 2022 the Controller has created and fully staffed the new Office of the Refuse Rates Administrator.



# Findings of 1<sup>st</sup> Public Integrity Assessment

**San Francisco Public Works  
Contracting**

*Issued June 29, 2020*

## Findings Highlights

### Public Works Procurement Has No External Oversight

- Unlike the other departments given special contracting authority by the Administrative Code, Chapter 6, Public Works is not overseen by a board or commission. Also, in 2011 the Mayor gave the director of Public Works authority to approve contracts over the threshold amount. Due to the lack of a commission and the mayoral delegation of authority, there is no oversight above the director regarding Public Works' Chapter 6 procurement.

### An Unethical Tone at the Top and Lack of Centralized Monitoring

- Although some of the opportunities to commit the schemes alleged in the federal government's complaint were created by control weaknesses outlined in the assessment, it was the "tone at the top," lack of cross-functional sharing of information, and disregard of ethics and gift laws propagated by the former director of Public Works that provided the pressure, rationalization, and ability necessary to carry out these actions.
- Because no one entity has full oversight over procurement, the City lacks centralized monitoring to ensure procedures are performed in accordance with the Administrative Code and any corresponding policies.

### Gaps Exist in City Laws, Requirements, and Monitoring

- Loopholes in city and state restrictions around gifts create avenues for unethical behavior and manipulation through the giving of gifts that are permitted and are difficult to enforce against.
- The processes used to award the contract that is the subject of the federal complaint against Mr. Nuru generally complied with the Administrative Code, Chapter 21, for competitive solicitations. However, these processes would not have identified the behind-the-scenes bid steering that allegedly occurred.
- City requirements for competitive solicitation of grants and use of selection methods within prequalified contracting pools need improvement to reduce risks of fraud and abuse.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. Under the Administrative Code, Chapter 6, the Mayor should delegate final approval for Public Works construction contracts to an official other than the department director. The Mayor and Board of Supervisors should amend Chapter 6 to prohibit delegation to the department head for these contracting activities.</p>	<p><b>Implemented</b></p> <p>On June 29, 2020, Mayor London Breed <a href="#">rescinded the delegation of authority</a> granted to the director of Public Works in 2011.</p> <p><a href="#">Board- and Mayor-Approved Legislation (11/6/2020)</a>:  <i>(Sponsors: Supervisors Haney, Mandelman, Mar, Ronen, Stefani, Peskin, Walton)</i> Amended the Administrative Code to prohibit the Mayor from designating department heads as the Mayor’s designee regarding contracting decisions and other matters in which the Mayor has discretion to delegate.</p>
<p>2. The Ethics Commission should examine and close loopholes in the San Francisco Campaign and Governmental Conduct Code to ensure that city law does not create avenues for unethical behavior in acceptance of gifts.</p>	<p><b>In Progress</b></p> <p>In 2021 the Ethics Commission comprehensively examined city gift laws, including loopholes, regarding gifts to individuals and to city departments. Its findings and recommendations were issued in public reports on August 9 and October 4, 2021. On December 10, 2021, the Commission began considering a combined set of reforms to address the report findings and recommendations as a proposed ballot measure and regulation amendments. The Commission has engaged in a required meet-and-confer process concerning the proposed reforms with the Municipal Executives Association, the bargaining unit representing the City’s department heads and managers. In 2022 the Ethics Commission continued to work toward conclusion of the meet-and-confer process and enactment of these gift and other essential ethics reforms as its top policy priority. The meet-and-confer process has not concluded as of December 2022.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The Ethics Commission should expeditiously enable and require that all Statements of Economic Interests (Form 700s) are filed electronically by all required filers and conduct annual compliance reviews of these filings. The Mayor and Board of Supervisors should prioritize funding and other support necessary to accomplish this goal.</p>	<p><b>In Progress</b></p> <p>In January 2022 the Ethics Commission launched the electronic filing process for the over 4,700 city employees whose positions are designated to file Statements of Economic Interests (Form 700) in their department’s section of the City’s Conflict of Interest Code (part of the Campaign and Governmental Conduct Code). Since January 2022 these filers have had to electronically file their public financial disclosure statements using the Ethics Commission’s online filing system. Over 92 percent of the 4,700 city employees and consultants required to file electronically using the Ethics Commission’s online filing system submitted their Form 700 filings by the April 1<sup>st</sup> deadline. In May 2022 the Ethics Commission presented the <a href="#">Form 700 E-Filing Expansion Project Implementation Report</a>.</p> <p>The Ethics Commission's Audit Division is developing procedures to conduct an annual Form 700 Post-Compliance Review pilot test, which is planned for completion by June 30, 2023.</p>
<p>4. The Mayor, Board of Supervisors, and Office of Contract Administration should establish clear guidelines for selecting a vendor or vendors from a pre-qualified pool. Possible methods for such selections include soliciting quotes for a defined item or scope of work from all vendors in the pool.</p>	<p><b>Implemented</b></p> <p><a href="#">Board- and Mayor-Approved Legislation (12/18/2020)</a>: (Sponsors: Supervisors Stefani, Safai, Haney, Peskin, Mar, Mandelman, Yee) Amended the Administrative Code to require notification to prequalified contractors and written documentation of contractor selection from pre-qualified lists, and written documentation of contractor selection for work assigned under as-needed Public Works professional services contracts, and to require the Controller to audit such selection documentation.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. Public Works should adhere to the new procurement procedures implemented by its acting director for projects addressing homelessness and emergency procurement. The City should implement similar procedures for such purchases citywide.</p>	<p><b>Partially Implemented</b></p> <p><i>Implemented by Public Works (2/3/2020):</i> Implemented revised procedures for professional service and construction contracts for shelter and transitional housing, as well as contracts under an emergency declaration.</p> <p><a href="#"><i>Proposed Legislation, BOS File 200734 (filed 10/5/22): (Sponsors: Supervisors Peskin and Haney)</i></a> Amend the Administrative Code to require Public Works and the Department of Homelessness and Supportive Housing to competitively bid professional and other services related to people experiencing homelessness.</p>
<p>6. The Mayor, Board of Supervisors, and Office of Contract Administration should establish minimum requirements to ensure competitive solicitation of grants, similar to requirements for contracts, and formalize these requirements in code and policy.</p>	<p><b>Implemented</b></p> <p><a href="#"><i>Board- and Mayor- Approved Legislation (8/4/2021): (Sponsors: Supervisors Stefani and Chan)</i></a> Amended the Administrative Code to codify grant award processes, including by requiring competitive solicitation with certain exceptions. Sets forth criteria for administrative debarment procedures. Authorizes the Purchaser to promulgate rules and regulations to carry out the ordinance and to advertise rebate and incentive programs.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>7. To promote data-driven decisions and transparency, city departments should be required to use the City’s centralized systems throughout the purchasing life cycle, from planning through contract award. To enable this change, these systems should be improved to better meet department needs.</p>	<p><b>In Progress</b></p> <p>Use of the SF City Partner Portal’s functionality, from bid opportunity posting through bid submission, is left up to each department. That is, the citywide mandate to post all city revenue and expenditure contracting opportunities on this site is not legislated for Buy Events (City Expenditure Contract) or Sell Events (City Revenue Contract). Due to this limitation, the following updates have been made.</p> <p><u>Bid Opportunities, Outreach, and Contract Award:</u> The Systems Division is considering any option to support the vision to have one location for all bid opportunities, buy and sell, without all departments adopting the Sourcing module of the SF City Partner portal. Any Buy or Sell event can be seen in the Portal's “View Opportunities” tab and is visible to the public on both public Buy and Sell Sourcing events, but no Sell events have been published to date. A vision exists to develop and publish all bid-related information on the SF City Partner website through the Unified Supplier Portal project that is in the design stage. To post Sell Events to the SF City Partner portal, a Sell Sourcing Event must be set up in the Sourcing module. Integration between the Sourcing and Procurement modules for Buy events is now available in SF Procurement. Future enhancements will include a similar integration between the Sourcing and Revenue Contracts module for Sell events.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>8. The City should close gaps in centralized monitoring of all procurement activities by strengthening and resourcing the Office of Contract Administration (OCA) or some other city entity to expand its monitoring and oversight to all city procurement activities.</p>	<p><b>Implemented</b></p> <p>OCA developed and launched a new citywide contract approvals management application via ServiceNow, which allows for full transparency and reportability on departments' compliance with city contracting requirements for contracts established under the Administrative Code, Chapter 21. The system fully digitizes all contracting waiver approvals and memorializes into one central location all reviews and approvals required and obtained for every contract subject to Chapter 21, as well as compliance and insurance requirements. OCA has begun to staff its Contract Compliance, Oversight, and Reporting Team, which will provide centralized oversight of Chapter 21 contracts through citywide procurement audits and compliance reporting. With the implementation of Chapter 21G (Grants), the Purchaser issued the first round of rules and regulations covering the requirements for grant sole source contracting and waivers. The Purchaser will continue to update rules and regulations and continued to approve Public Works' Chapter 6 public works agreements, providing additional oversight over the department's contracting activities, through August 2022, when the Public Works Commission was established, taking on the responsibility.</p>

# Findings of 2<sup>nd</sup> Public Integrity Assessment

Gifts to Departments Through Non-City Organizations Lack Transparency and Create "Pay-to-Play" Risk

*Issued September 24, 2020*



## Findings Highlights

### No Restrictions Exist on Department Heads' Solicitation of Behested Payments

- Mr. Nuru solicited funds from interested parties, including businesses that had contracts with Public Works or held city building permits. When parties with a city contract or permit donate to non-city organizations, it can create a "pay-to-play" relationship.
- The City does not require appointed department heads to file behested payment Form SFEC-3610(b).
- The City needs to improve compliance with restrictions on and reporting requirements for acceptance of gifts from outside sources.

### Non-City Organizations Lack City Oversight

- Because the City does not consistently monitor and enforce requirements for non-city organizations, a lack of transparency and inconsistent practices exist among Public Works and the Parks Alliance, and potentially among the 33 other city departments that report having relationships with non-city organizations.
- The Public Works subaccounts at the Parks Alliance operate like a city account, although they are outside of the City's procurement and financial system and not subject to the City's accounting and procurement policies and procedures.

### Donors of All Gifts Accepted by the City Should Be Disclosed; Anonymous Donations Are Already Prohibited by Law and Should Not Be Accepted

- To avoid the real and perceived risk of facilitating "pay-to-play" relationships, any donations that will be used to benefit a city department or city employees should be publicly reported in a manner that permits public transparency. Besides being a violation of the City's Sunshine Ordinance, accepting anonymous donations puts the City at risk of taking payments from donors with a financial interest in the City's business (and who may expect favorable treatment in return).

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The City should amend the San Francisco Campaign and Governmental Conduct Code to prohibit unelected department heads and employees from soliciting donations from interested parties (to be further defined in legislation) of their department, unless specifically authorized by the Board of Supervisors. Those authorized to solicit donations must file Form SFEC-3610(b) for behested payments. Consequences for failure to report should be enforced.</p>	<p><b>Implemented</b></p> <p>In November 2020 the Ethics Commission proposed a ban on behested payments by department heads, board and commission members, and employees who are designated in their departmental Conflict of Interest Code to file a Statement of Economic Interests (Form 700) from persons who are defined as interested parties to them. The Board of Supervisors adopted the ban in legislation it unanimously approved on December 24, 2021. The law took effect on January 23, 2022.</p> <p>Following feedback they received that the new law was overly broad and challenging to implement, in June 2022 the Mayor and Board of Supervisors introduced separate legislation to amend the new City behested payment rules to clarify and narrow the scope of existing law.</p> <p>As approved by San Francisco voters in June 2022, Proposition E requires legislative amendments to the City’s behested payments provisions to be approved by both a majority vote of the Ethics Commission and a two-thirds vote of the Board of Supervisors.</p> <p>Following its consideration and the subsequent revisions to the Mayor and Board’s legislative proposals, in August 2022 the Ethics Commission voted to approve the revised amendments to balance the interests of improved clarity and workability while also retaining the core behested payments prohibitions. Under the amendments, which took effect on November 6, 2022, unelected department heads and employees still cannot solicit donations from interested parties.</p>

### Status of Recommendation Implementation

Recommendation	Status
<p>2. The Ethics Commission should expand the definition of who is considered an “interested party” so that it includes all city contractors.</p>	<p><b>Implemented</b></p> <p>In November 2020 the Ethics Commission proposed expansion of the definition of who is considered an “interested party” for purposes of the City’s behested payments law. The Board of Supervisors adopted the expanded definition in legislation it approved unanimously on December 24, 2021. The ordinance took effect January 23, 2022.</p> <p>The Board of Supervisors later amended the behested payments ordinance to prohibit most city officials and employees from soliciting behested payments from contractors and prospective city contractors of the official’s or employee’s department. Under the ordinance, “contractor” is defined according to the Campaign and Governmental Conduct Code, Section 1.126, which includes most city contractors.</p> <p>The amended law, which took effect on November 6, 2022, shortens the length of time contractors are interested parties.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The City should require departments and non-city organizations to formalize their relationships through memorandums of understanding that are posted to departmental websites and include:</p> <ul style="list-style-type: none"> <li>a. A requirement to adhere to city law on the acceptance of gifts, including the Administrative Code, Section 10.100-305, or other sections that apply to the department.</li> <li>b. An agreement to comply with the Sunshine Ordinance, Section 67.29-6.</li> <li>c. A clause granting the Controller audit authority and access to the organization’s records.</li> <li>d. Regular public reporting on these funds to occur not less than annually, at the donor or payee recipient level, and posted on the recipient department’s website.</li> <li>e. A requirement to report donations, including grants, on the organization’s website</li> <li>f. Clearly defined roles regarding expenditures, including prohibitions against spending directed or controlled by the recipient.</li> </ul>	<p><b>Implemented</b></p> <p>On September 24, 2020, the Mayor issued <a href="#">Executive Directive 20-02</a>, which requires city departments to establish an MOU with any non-city organization that receives donations on behalf of the department. These MOUs must incorporate transparency provisions that include many of the requirements set forth under Recommendation 3. The City Attorney works with departments to draft and negotiate these MOUs.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. Departments should comply with the Administrative Code, Section 10.100-305, or other sections specifically related to the department, by uniformly obtaining advance acceptance of any gifts from outside sources greater than \$10,000 for the department through non-city organizations, including explicit authorization for uses of these funds for employee recognition or appreciation.</p>	<p><b>Implemented</b></p> <p>The Mayor’s <a href="#">Executive Directive 20-02</a> requires all departments to ensure compliance with the Administrative Code, Section 10.100-305, or other applicable sections of the Administrative Code, Chapter 10, Article XIII, and requires departments to certify in their annual reports that all gifts received by the department in the previous fiscal year were approved by the Board of Supervisors, if required by the Administrative Code, and reported in a timely manner.</p> <p>The Controller’s Accounting Operations &amp; Suppliers Division updated the section of the Controller’s Citywide Accounting Policies &amp; Procedures Manual on gifts and donations, Section 12.5.1.3, which includes the noted requirements and the process departments must follow to obtain authorization for all gifts and report them to their fund accountant, including gifts below \$10,000.</p> <p>The Controller’s Systems Division enabled gift tracking and reporting in SF Financials, and job aides are available as well as departmental trainings. Donor-level gift revenue reporting will require departments to adopt the SF Financial’s Billing module, to automate donor-level reports, absent continuing to do it manually outside of the system, or work with the Controller to interface departmental subsystems and/or uploads. An uploader for large-volume data is now available for city departments' use.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. The City should require annual certification from department heads that all gifts of goods, services, and funds have been approved by the Board of Supervisors and reported on time, as required.</p>	<p><b>Implemented</b></p> <p>The Mayor’s <a href="#">Executive Directive 20-02</a> requires departments to certify in their annual reports to the Board of Supervisors that all gifts of cash and goods received by the department in the previous fiscal year were approved by the Board of Supervisors, if required under the Administrative Code, and timely reported. These reports, required by the Administrative Code, Section 10.100-305(c), are due each July. The Sunshine Ordinance also requires city departments to report on their websites any money, goods, or services worth more than \$100 in aggregate, for the purpose of carrying out or assisting any city function.</p> <p>Gifts of services must follow an Accept and Expend In-Kind Gift resolution process and must be considered at the Board of Supervisors for approval.</p> <p>The Controller's Audits Division and the Ethics Commission may consider various compliance reviews as part of their work plans. These reviews may use the data in the City’s Financial and Procurement System, where all departments can load memorandums of understanding with non-city entities in SF Procurement’s Supplier Contracts module. To help promote transparency, the reviews may also track and report Private Gifts (i.e., grant revenues), which are to be listed in SF Financials’ Grants module.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. The City should make it easier for departments to use city funds for employee recognition and appreciation events and provide explicit (line-item) appropriations for this purpose.</p>	<p><b>Implemented</b></p> <p>The Mayor's Consolidated Budget and Annual Appropriation Ordinance provides funding for employee appreciation events. The Controller's Budget and Analysis Division updated budget instructions for the fiscal year 2022-23 and 2023-24 cycles regarding employee recognition costs, and the Controller's Accounting Operations and Supplier Division finalized and published the Citywide Employee Recognition Policy and included it in the August 2022 Controller's Citywide Accounting Policies and Procedures Manual.</p>
<p>7. The Controller should, on a sample basis, annually audit organizations that both give gifts to the City and have a financial interest with the City, including a contract, grant, permit, permit application, or other entitlement.</p>	<p><b>Implemented</b></p> <p>The Controller's Audits Division has developed a continuous audit program that ensures that non-city organizations are audited annually. This program will be initiated in fiscal year 2022-23.</p> <p>In fiscal year 2022-23, the division also plans to continue its risk assessment and audits of noncity organizations that give gifts to the City and that have a financial interest with the City.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>8. Departments should comply with the Sunshine Ordinance, Section 67.29-6, for their non-city organizations by not accepting any donation through anonymous donors or for which they cannot identify the true source.</p>	<p><b>Implemented</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation.</p> <p>In addition to the Mayor’s Executive Directive mentioned above, the City Attorney continues to advise departments about compliance with this provision of the Sunshine Ordinance. For example, the Office’s Good Government Guide provides guidance regarding the Section 67.29-6 reporting requirements.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>9. The City should amend the Sunshine Ordinance, Section 67.29-6, to clearly define “financial interest” so that it is aligned with the City’s updated “interested party” definition.</p>	<p><b>In Progress</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation.</p>
<p>10. For all recommendations made as part of this assessment that require reporting, the City should review and strengthen its consequences for noncompliance.</p>	<p><b>Will Not Be Implemented</b></p> <p>The Ethics Commission reports that they have sought to strengthen disclosure requirements related to gifts to City departments as part of a proposed ballot measure that would also provide clear consequences for noncompliance. The Ethics Commission’s original proposal included language that would have held department heads accountable for failing to disclose gifts to City departments. That proposal was withdrawn by the Ethics Commission after opposition by some department heads, managers, and their labor organization. The Ethics Commission continues to meet and confer with MEA about its remaining proposals, although they report this recommendation will not be implemented.</p>

# Findings of 3<sup>rd</sup> Public Integrity Assessment

**San Francisco's Debarment Process**

*Issued November 5, 2020*

### Findings Highlights

#### San Francisco's Debarment Process Is Similar to Those of the State and Federal Governments

- San Francisco's debarment procedures are consistent with those of the State of California and the federal government, except the City does not require an investigation as the initial step, although in practice an investigation is conducted.

#### The City Has No Procedures for Suspension or Minimum Qualifications for Hearing Officers, but Its Debarment Procedures Are Similar to Federal and State Rules

- The City's debarment period of up to five years is the same as or similar to others.
- Unlike the federal government, the City and the state cannot suspend contractors.
- Although it does not require debarred contractors to pay administrative costs or other penalties, the City can pursue claims against contractors under state law or bring other civil actions.
- Unlike the state and federal governments, the City has no minimum qualifications for hearing officers.
- Consistent with state and federal requirements, San Francisco publicly lists contractors it has debarred *but should add suspended contractors*.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. To be consistent with what the federal and state governments require, and as proposed by the Office of the City Attorney, the Board of Supervisors should amend the San Francisco Administrative Code to add:</p> <ul style="list-style-type: none"> <li>a. Suspension to its debarment procedures.</li> <li>b. Minimum qualifications for debarment hearing officers, such as that a hearing officer must be a licensed attorney.</li> <li>c. A requirement for a public listing of suspended city contractors.</li> </ul>	<p><b>Implemented</b></p> <p><i><a href="#">Board- and Mayor- Approved Legislation (11/25/2020): (Introduced by the City Attorney)</a></i> Amended the Administrative Code by adding prohibited gifts from a contractor to a public official as express grounds for debarment, revising debarment procedures, amending the definition of "contractor" to include grant applicants and grantees, adding provisions authorizing suspension of a contractor from participating in the procurement process for entering into city contracts or grants if the contractor is the subject of a criminal or civil charge brought by a government agency, and requiring that hearing officers be licensed California attorneys.</p> <p>The Controller has implemented updated procedures to record and track debarred and suspended bidders, suppliers, and contractors. It has also issued two semiannual reports and has enhanced its website to maintain a list of debarred or suspended suppliers/contractors. The Controller also updated its accounting policies to refer to the aforementioned procedures and website.</p>

# Findings of 4<sup>th</sup> Public Integrity Assessment

Ethical Standards for Contract Award  
Processes of the Airport Commission  
and Other Commissions and Boards

*Issued January 11, 2021*

## Findings Highlights

### Concession Leases Are Awarded Based on Solicitation Results

- Based on a Controller's 2019 audit and this assessment, Airport concession leases are awarded based on evaluation results from the competitive solicitation process.

### An Airport Commissioner Allegedly Improperly Communicated With a Potential Bidder

- Former Airport Commissioner Linda Crayton allegedly agreed to meet with and help a potential bidder by leveraging her position and authority and did not report the improper request for preferential assistance.

### The Airport's SIA Does Not Expressly Prohibit Ms. Crayton's Alleged Actions

- Ms. Crayton allegedly promised to provide selective assistance to a potential bidder, but the Airport's statement of incompatible activities (SIA) does not prohibit communications with potential bidders and proposers.

### New Airport Contracting Policies and Procedures

- The Airport has strengthened its contracting policies and continues to make improvements.

### Contract Approvers Can Consider Information on Form SFEC-126(f)4

- Before a contract is awarded, departmental and commission contract approvers may not know of contractor information that could help them avoid conflicts of interest.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. City commissions and boards should revise their policies and procedures to include requirements to address members' involvement in contract award processes and prohibit communications during competitive selection.</p>	<p><b>Implemented</b></p> <p>Of the city commissions and boards surveyed for this assessment, those of the Airport, Recreation and Park, Port, SFPUC, and Transbay Joint Powers Authority revised their policies and procedures to prohibit communications during competitive solicitation processes. The San Francisco Municipal Transportation Agency had an existing policy that fulfills this recommendation.</p>
<p>2. In consultation with the Ethics Commission, each city commission and board should annually train its members on the department's statement of incompatible activities. The training should state that if proposers request inappropriate assistance, commissioners should report this to the commission secretary on public record and consult with the City Attorney and the Ethics Commission for next steps.</p>	<p><b>In Progress</b></p> <p>The Ethics Commission received authorization and funding for outreach and training staff beginning in its fiscal year 2021-22 budget. The department filled three of the four new Ethics@Work staff positions in early December 2022 and is on track to complete the hiring process to fill the fourth position by December 31, 2022. The department began to develop plans to initiate heightened outreach on a range of ethics provisions, including on incompatible activities and methods for reporting alleged violations of the City's ethics laws. At the Ethics Commission's October 14, 2022, meeting, staff reported on the <a href="#"><i>status of its ongoing work</i></a>, including the development and schedules for the phasing of essential program components, such as training needs assessments, materials and content development, and outreach plans, and in December the team conducted its first training session.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. City law should be amended to codify that city officials and employees shall not knowingly provide selective assistance to individuals or entities that confers a competitive advantage on a proposer or potential proposer for a city contract.</p>	<p><b>In Progress</b></p> <p>In 2021 the Ethics Commission comprehensively examined essential city ethics laws and issued a public report of its findings and recommendations on December 7, 2021. Among its recommendations, the commission proposed codifying the ban on selective assistance in the Campaign and Governmental Conduct Code. On December 10, 2021, the commission began considering a combined set of reforms to address its report's findings and recommendations as a proposed ballot measure and regulation amendments. Over the past eight months, the commission has continued to engage in a required meet-and-confer process concerning the proposed reforms with the Municipal Executives Association, the bargaining unit representing the City's department heads and managers.</p> <p>Throughout 2022 the commission continued to work toward conclusion of the meet-and-confer process and enactment of these essential ethics reforms as its top policy priority. As of December 2022, that meet-and-confer process had not yet concluded.</p>
<p>4. The Ethics Commission should work with the City Attorney to consider codifying prohibitions in the statement of incompatible activities to ensure citywide consistency in their enforcement and increase the visibility of these prohibitions.</p>	<p><b>In Progress</b></p> <p>See response above.</p>
<p>5. City departments should include in their competitive solicitation documents the restrictions on communication by and with potential bidders and enforce the restrictions by requiring commissions and board members to affirm compliance in writing annually.</p>	<p><b>Partially Implemented</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation. The Office of Contract Administration and several other departments, including Airport, SFPUC, and Port, have added provisions to their solicitation templates restricting communications between bidders and commissioners.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>6. The Airport should regularly issue reports to the Airport Commission listing published solicitation documents, so commissioners are aware of the pending restricted communications period for each solicitation, pursuant to the Airport's Competitive Selection Process Communications Policy.</p>	<p><b>Implemented</b></p> <p>On December 15, 2020, by Resolution No. 20-0247, the Airport Commission adopted a Competitive Process Communications Policy to support the integrity of the competitive selection process for Airport contracts and leases. The policy commits members of the Airport Commission to not engage in communications regarding any specific business opportunity at the Airport at any time except in a public meeting. Under the policy, a restricted communications period commences at the issuance of any competitive solicitation for a contract or a lease and ends when the contract is awarded or the solicitation is terminated. The Commission also requested the Airport Director to implement the policy and to provide regular reports to the Airport Commission as to pending restricted communications periods. Accordingly, before each Airport Commission meeting, Commissioners receive in their meeting packet a Restricted Communications Period Report listing all open procurements subject to the Competitive Process Communications Policy, the date the commission approved the procurement, and the date the procurement document was published. And at each Commission meeting, the Airport Director references the Report. Additionally, on December 15, 2020, the Airport Director issued Executive Directive 20-10, to implement the policy to highlight the duties of Airport Commission employees in maintaining the integrity of the competitive process and to require that (1) every solicitation document include instructions for communications with the department during the pendency of the competitive process; (2) every solicitation document include a prohibition against communications in a manner other than as instructed; (3) bidders/proposers in submitting their proposals attest compliance with the restricted communications provisions of the solicitation document; and (4) selection panel members acknowledge and attest compliance with the restricted communications policy.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>7. The Airport should implement the remaining newly proposed aspects of the department's competitive solicitation process.</p>	<p><b>Implemented</b></p> <p>The Airport has implemented its Competitive Selection Process Communications Policy as described in the status of Recommendation 6.</p>
<p>8. The City should consider whether it would be warranted to codify the roles of commission and board members, including the limitations thereon, in the contract award process.</p>	<p><b>In Progress</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>9. To promote data-driven decisions and consistency and transparency in city contracting:</p> <ul style="list-style-type: none"> <li>a. City departments should work with the Controller to develop and implement plans for enhancing the City's financial system to accommodate management of departmental revenue contracts, including bid opportunities, outreach, contract award, revenue collection, and revenue recognition.</li> <li>b. The Controller should, to enable this change, improve the City's financial system to better meet departments' needs.</li> </ul>	<p><b>In Progress</b></p> <p>Use of the SF City Partner Portal's functionality, from bid opportunity posting through bid submission, is left up to each department. That is, a citywide mandate to post all city revenue and expenditure contracting opportunities on this centralized site is not legislated for Buy Events (City Expenditure Contract) or Sell Events (City Revenue Contract). Due to this limitation, the following updates have been made.</p> <p><u>Revenue Collection &amp; Revenue Recognition:</u> The SF Financials system allows departments to enter revenue contracts. Job aids and training have been made available to all departments, but there has been little interest in entering revenue contracts. A suggested alternative to improve reporting and transparency is for the Controller's Systems Division to extract and load revenue contractor/customer and summary lessor contract data from the Controller's compiled GASB 87 (lease accounting) data. A process will be created so that when new lessor data is added for GASB 87 compliance, it will also be loaded into SF Financials' Revenue Contracts module. The process will ensure the risk of duplicate contractor is mitigated, and may include the use of unique identifiers, to ensure reporting needs are met. The Systems Division expects to load the extracted data on customers and summary lessor contracts into SF Financials by December 2022.</p> <p><u>Bid Opportunities, Outreach, and Contract Award:</u> The Systems Division must determine the best way to publish all bid opportunities, including Sell opportunities, on the SF City Partner portal. The division must consider any option to support the vision of one location for all bid opportunities, buy and sell, without all departments adopting the Sourcing module. Any Buy or Sell event now can be seen on the SF City Partner portal in the "View Opportunities" tab and is visible to the public on both public Buy and Sell Sourcing events. However, no Sell events have been published to date. There is a vision to develop and publish all bid-related information to the SF City Partner website through the Unified Supplier Portal project that is in the design stage. To post Sell Events to the SF City Partner portal, a Sell Sourcing Event must be set up in the Sourcing module.</p> <p>To ensure future standardization across the City, the Citywide Accounting Policies &amp; Procedures should require revenue contractor/customer onboarding to include the provision of Form W-9 data, including the Taxpayer Identification Number. The Procedures should also require that departments enter the basic required elements into the Revenue Contract module. Automation for the uploads or generation of a revenue contract from a Sell Contract Revenue event will require SF Financials to be customized, which may take one to two years. The Systems Division will need to coordinate this update with other teams.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>10. The City should:</p> <ul style="list-style-type: none"> <li>a. Direct departments to require proposers to submit key information about their affiliates and subcontractors, including identification of owners, directors, and officers, for contracts subject to the Campaign and Governmental Conduct Code, Section 1.126(f)(4), in their response to the competitive solicitation process and enter this information in the City's financial system.</li> <li>b. Consider requiring departments to obtain this information for contracts not subject to Section 1.126(f)(4).</li> </ul>	<p><b>In Progress</b></p> <p>Board Member, Owner, and Officer Information Functionality: For bid opportunity and contracts subject to elected official approvals and associated ethics reporting, systems functionality could be added. This would take project funding. Also, unless all departments are required to adopt the SF City Partner portal and PeopleSoft Revenue Contract and Supplier Contract, this addition would have limited effectiveness in helping to create a shared sightline or to automate reporting. That said, a solutions perspective offers the least effort and lowest cost approach. The system already allows users to upload this information in an attachment, but this does not meaningfully address transparency. Although intake data fields could be added at either the Bidder or Supplier Award phase, this would be a complex effort that would have to be implemented gradually over 12 to 18 months.</p> <p>The Ethics Commission understands that the Controller is analyzing which data needs to be captured across city systems to enable commissioners, department heads, and elected officials to have access to this information before contract award, and that once its analysis is complete, the Controller plans to train departments on this. The Ethics Commission will consider the impact of the Controller's analysis on filing processes within the commission's jurisdiction once the analysis is complete.</p>

# Findings of 5<sup>th</sup> Public Integrity Assessment

Refuse Rate-Setting Process Lacks  
Transparency and Timely Safeguards

*Issued April 14, 2021*

## Findings Highlights

### The Refuse Rate Methodology and Safeguards Should Be Improved

- The 2017 error in Recology Sunset Scavenger and Recology Golden Gate's rate application that resulted in a settlement of \$101.5 million occurred because Recology excluded revenues from a zero-waste account and impound account that greatly impacted the operating ratio formula used to determine the rate increase.

### Recology's Control of Refuse Collection Services Occurred Pursuant to City Law

- San Francisco voters would have to approve a ballot measure to change the City's process for providing residential refuse collection service. The process allows Recology to hold all of the City's residential refuse permits and not compete to remain as the exclusive permit holder to provide the service.

### The Public Works Director's Role Should Be Revised and Codified

- Although his actions were subject to multiple stakeholders' review at public hearings and comments, Mr. Nuru had significant influence over the City's refuse collection rate-setting process.

### The Ratepayer Advocate's Role Should Be Reassessed

- The ratepayer advocate functions primarily as a public liaison and outreach coordinator rather than as an advocate, which may be inconsistent with the intent of the Budget Analyst's recommendation that led to the position's creation.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Mayor and Board of Supervisors should consider whether the 1932 Refuse Collection and Disposal Initiative Ordinance and the City's arrangement with Recology continue to provide optimal benefits to ratepayers or whether another business model should be employed. Any change to the Refuse Ordinance will require voter approval.</p>	<p><b>Implemented</b></p> <p>In June 2022 San Francisco Voters approved Proposition F, The Refuse Rate Reform Ordinance of 2022, which amended the Refuse Collection and Disposal Ordinance ("the Refuse Ordinance") to (1) restructure the refuse rate-setting process to replace hearings before Public Works with a requirement that the Controller, as Refuse Rate Administrator, regularly monitor the rates and appear before the Refuse Rate Board to recommend rate adjustments; (2) establish an appointed Ratepayer Representative to replace the Controller on the Refuse Rate Board; (3) authorize the Refuse Rate Board to set commercial rates; (4) require applicants for refuse collection permits to demonstrate their ability to avoid disruptions in service; (5) clarify existing law regarding refuse collection permits; (6) authorize the Board of Supervisors on recommendation of the Refuse Rate Administrator, Refuse Rate Board, and Mayor to amend the Refuse Ordinance by eight-vote supermajority; and (7) fully codify the Refuse Ordinance in the Health Code. With the passage of Proposition F, the three Rate Board members are now the General Manager of SFPUC, the City Administrator, and an appointed Ratepayer Representative.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>2. The Mayor and Board of Supervisors should codify the extent and limitations of the roles, including oversight roles, in the refuse rate-setting process of the commission, director, and staff of the <i>new Department of Sanitation and Streets*</i> and any related contractors, including the ratepayer advocate, rate consultants, and auditors.</p>	<p><b>In Progress</b></p> <p>The Mayor and Board of Supervisors may amend the provisions of Proposition F (June 2022) to codify the extent and limitations of Section 290. Section 290.15 states "On recommendation of the Refuse Rate Administrator and the Refuse Rate Board and the Mayor, and by supermajority of at least eight votes, the Board of Supervisors may by ordinance amend any portion of this Section 290, except that the Board of Supervisors may not alter the composition of the Refuse Rate Board or eliminate the requirement that refuse rates shall be approved by order of the Refuse Rate Board. Further, any such amendments must further one or more of the following purposes: (1) to ensure that refuse service remains cost-effective and can meet established service standards and environmental goals; (2) to promote stability in the rate structure and enable rates that are reasonable and fair; (3) to ensure the process for setting and monitoring rates is transparent, accountable, and publicly-accessible; or (4) to ensure the Refuse Rate Board and Refuse Rate Administrator conduct their duties under this Section 290 in line with high professional ethical standards."</p> <p>In November 2022 San Francisco voters approved Proposition B to eliminate the Department of Sanitation and Streets and to transfer the duties back to Public Works.</p>

\* In November 2022 San Francisco voters approved Proposition B to eliminate the Department of Sanitation and Streets, so parts of recommendations related to this department are no longer applicable.



## Status of Recommendation Implementation

Recommendation	Status
<p>3. The Mayor and Board of Supervisors should consider whether additional changes to the refuse rate-setting process are warranted, such as assigning operational and financial oversight to a department that is further removed from the refuse collector.</p>	<p><b>Implemented</b></p> <p>Proposition F (June 2022) amended the Refuse Collection and Disposal Ordinance (“the Refuse Ordinance”) to: (1) restructure the refuse rate-setting process to replace hearings before Public Works with a requirement that the Controller, as Refuse Rate Administrator, regularly monitor the rates and appear before the Refuse Rate Board to recommend rate adjustments; (2) establish an appointed Ratepayer Representative to replace the Controller on the Refuse Rate Board; (3) authorize the Refuse Rate Board to set commercial rates; (4) require applicants for refuse collection permits to demonstrate their ability to avoid disruptions in service; (5) clarify existing law regarding refuse collection permits; (6) authorize the Board of Supervisors on recommendation of the Refuse Rate Administrator, Refuse Rate Board, and Mayor to amend the Refuse Ordinance by eight-vote supermajority; and (7) fully codify the Refuse Ordinance in the Health Code.</p>
<p>4. To ensure that the public interest is adequately represented in the rate-setting process, the City should review the role of the ratepayer advocate and, if deemed necessary, direct that the role be changed in future competitive solicitation documents and contracts for this service so that the role emphasizes advocacy, as its name implies.</p>	<p><b>Implemented</b></p> <p>Proposition F provides for an appointed Ratepayer Representative as one of three members of the Rate Board. The Ratepayer Representative is to be recommended by The Utility Reform Network (TURN) or another organization recognized by the Board of Supervisors as dedicated to protecting ratepayers. The Mayor appoints the Ratepayer Representative subject to rejection by a two-thirds vote of the Board of Supervisors within 30 days of notice of the appointment.</p> <p>In addition to the Ratepayer Representative, the past practice of having a Ratepayer Advocate and the function of that role will be further reviewed and considered along with the public interest input, accessibility, and written objection processes, during the next Rate Application Review and Rate Board hearing cycle. This will help to ensure public awareness, outreach, education, and feedback on refuse rates.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. Regarding the refuse rate adjustment process, the City should assess whether the operating ratio or another methodology should be used and should require that:</p> <ol style="list-style-type: none"> <li>a. The refuse company submits documents supporting its rate application, such as: audited financial statements; quarterly and annual rate reports that include all sources (including reserves and special accounts) and costs by ratepayer class, operating ratios, and balancing accounts; and a reconciliation between the audited financial statements and annual rate reports.</li> <li>b. Any quarterly or annual rate report submitted shows the date it was issued and includes a summary of any revisions made if later versions are published. All such reports should be posted to website of Public Works or the <i>Department of Sanitation and Streets*</i> (when it begins operations) and filed with the Rate Board in a timely manner.</li> <li>c. Cost of Living Adjustment factors are analyzed based on actual results over the preceding four years.</li> <li>d. Public Works report to the refuse company and file a report with the Rate Board when an error in documentation that had been submitted is identified.</li> <li>e. The refuse company ensures an independent rate analysis is performed that includes a study of comparable jurisdictions' refuse collection rates to support the accuracy and reasonableness of the proposed rate adjustment. This analysis should be considered by the Public Works director, Rate Board, and/or <i>Sanitation and Streets Director*</i> and Commission as part of each rate-setting process.</li> </ol>	<p><b>In Progress</b></p> <p>To carry out the implementation of Proposition F (June 2022), the City's fiscal year 2022-23 and 2023-24 Adopted Budget includes two new refuse rate positions to staff the voter-mandated functions (both hired already) and duties transferred to the Controller. The related recommendations will be considered as part of the Refuse Rate Team's work plan for the coming year and rate cycle. The new Controller's Refuse Rate Team will consider the required content for the Refuse Rate Application, along with financial reporting templates, analytics, and metrics. The team will consider comparable jurisdictions' refuse collection rates and related best practices in public transparency reporting.</p>

\* In November 2022 San Francisco voters approved Proposition B to eliminate the Department of Sanitation and Streets, so parts of recommendations related to this department are no longer applicable.

# Findings of 6<sup>th</sup> Public Integrity Assessment

Department of Building Inspection's  
Permitting and Inspections Processes

*Issued September 16, 2021*

### Findings Highlights

#### DBI's Permitting and Inspection System Lacks System Controls

- There are no controls in place to prevent inappropriate after-the-fact changes to recorded inspection records. Other review and inspection milestones and policies to manage such changes are uneven and inadequately monitored.

#### DBI Does Not Use Available Data to Track, Monitor, or Investigate Certain "Red Flag" Activities

- The department has no system related to "red flag" activities such as out-of-area inspections, inappropriately expedited review of project plans, or approvals by those without proper authorization to do so.

#### Review and Investigation of Complaints or Higher-Risk Activities Is Not Standardized Across the Department

- In some cases this review was inappropriately assigned to units to review their own initially-performed work.

#### Financial Penalties for Non-Compliance With Code Are Inadequate

- Fines appear in some cases too low and do not provide an adequate incentive to adhere to City-established requirements.

### Findings Highlights (cont.)

#### Negative "Tone at the Top"

- The combination of internal control weaknesses and a pattern of poor ethical management under DBI's former director Tom Hui sustained a negative "tone at the top" during his tenure.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Building Inspection Commission should work with the Department of Building Inspection to ensure it sets a good ethical tone at the top and reiterates the importance of compliance with ethics laws and rules.</p>	<p><b>Implemented</b></p> <p>The Building Inspection Commission (BIC) works closely with the Department of Building Inspection (DBI) to ensure it sets a good ethical tone at the top. The BIC regularly supports and ensures that DBI is fulfilling its goal to be transparent and accountable. Commissioners complete annual and biannual Sunshine Ordinance and ethics trainings. Commissioners adhere to the same Code of Conduct and Statement of Incompatible Activities as does DBI staff. At a recent meeting, the BIC invited the Ethics Commission to give a presentation on the importance of compliance with ethics laws and rules.</p> <p>The BIC regularly seeks supplemental information (i.e., reports and details) from staff to provide better public visibility to inform the department's operations. The BIC raises questions regarding policies and procedures at its monthly meetings, and BIC President Raquel Bito regularly meets with Director O'Riordan and the Executive Management Team to review the status of ongoing initiatives.</p> <p>DBI's compliance manager is new to the department, but in future the Commission plans to seek feedback from the compliance manager on the following items:</p> <ul style="list-style-type: none"> <li>• Quarterly updates on reforms, addressing the Controller's recommendations and the Mayor's directive.</li> <li>• The compliance manager's regular work with DBI leadership to ensure it sets ethical rules and regulations, leads by example, and emphasizes compliance.</li> </ul>

## Status of Recommendation Implementation

Recommendation	Status
<p>2. The Department of Building Inspection should remind its employees of the availability of the Whistleblower Program to report allegations of deficiencies in the quality and delivery of government services, wasteful and inefficient government practices, misuse of city funds, or improper activities by city government officers and employees.</p>	<p><b>Implemented</b></p> <p>DBI has reminded employees through posted flyers and e-mail communications regarding the Whistleblower Program, DBI's internal Unethical Reporting tool, and the City's gift rules and reporting requirements. DBI plans to continue reminding employees through quarterly e-mail communications.</p> <p>DBI implemented an Internal Unethical Behavior Reporting Program for employees to report inappropriate or unethical behavior anonymously. All reports submitted through this internal reporting tool are investigated and escalated appropriately.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The Department of Building Inspection should create a compliance program, independent of other divisions within the department and resourced with newly-selected and specialized staff and outside auditors and consultants, to help identify risks and combat fraud and abuse in permitting and inspection activities through training and enforcement, including but not limited to:</p> <ul style="list-style-type: none"> <li>a. Performing an annual risk assessment of each DBI division and tools in place to mitigate identified risks.</li> <li>b. Performing monthly reviews of same-day inspection schedules, out-of-district inspections, urgency of these inspections, and validity of these inspection approvals.</li> <li>c. Identifying any instances of permit applications deviating from established procedures, such as building plan reviews being conducted more quickly than expected.</li> <li>d. Ensuring consistent training and guidance on permit plan reviews and inspections by preparing and implementing annual training plans that cover all employees involved in these functions.</li> <li>e. Performing testing of its adherence to its Statement of Incompatible Activities, Code of Professional Conduct, city laws, and DBI policies.</li> </ul>	<p><b>Implemented</b></p> <p>DBI has created an independent compliance program, hired a compliance manager, and is working toward creating a fully staffed team to help identify risks and combat potential fraud and abuse in permitting and inspection activities. The compliance manager will serve as the department's Whistleblower liaison, oversee the ongoing internal audit, implement DBI's reform initiatives, and review and update policy and procedures. The compliance planning phase will complete in late 2022 and program implementation will last through fiscal year 2022-23.</p> <ul style="list-style-type: none"> <li>a. <u>Annual Risk Assessment of Divisions</u>. DBI plans to perform an annual risk assessment of each of its divisions and have tools to mitigate identified risks. The compliance program is to be fully developed by July 2023.</li> <li>b. <u>Operating Procedures and Policies</u>. The compliance manager is meeting with the Building Inspection Division (BID) leads and reviewing current and proposed Operating Procedures and Policies (OPP) to implement monthly reviews of same-day inspection schedules, out-of-district inspections, the urgency of these inspections, and the validity of the approvals of these inspections. BID's new inspection assignment procedures are under review. The OPPs will be finalized and implemented by January 2023.</li> <li>c. <u>Permit Application Review</u>. DBI plans to identify any instances of permit applications deviating from established procedures but is first analyzing its current application auditing. In July 2022 the Permit Services Division launched its Pre-Plan Review Process to ensure project documentation is complete and meets minimum requirements and to decrease review turnaround times. In August 2022 managers began using more tools and data to hold staff accountable for the work assigned to them and reduce customers' ability to attempt to influence their plan checker. The statistical reporting that is generated will also allow more transparency into the process, so that customers will be able to see that projects are not being reviewed out-of-turn unless they are assigned a legislative priority, such as affordable housing or accessory dwelling units. Although no accountability now exists for rechecks in any system or report, by December 2022 all rechecks will be submitted to the Permit Coordination unit to control the number of resubmittals and monitor the time allocated for those rechecks. By March 2023 Pre-Plan Review will be extended to the over-the-counter reviews to ensure the quality and completeness of plans for this workflow.</li> <li>d. <u>Permit Plan Review and Inspection Training</u>. DBI is establishing plan review checklists and standard comment sheets to build consistency and predictability in the plan review process. DBI intends to update all inspection manuals by July 2023. BID has increased the orientation period for new inspectors from four to six weeks. In September 2022 senior inspectors will begin conducting ride-along inspections with the inspectors they supervise. Last, quality control codes have been added to the inspection codes in the Inspection Scheduling System.</li> <li>e. <u>Ethics</u>. DBI's Human Resources unit plans to disseminate, track completion of, and retain biannual acknowledgement forms to comply with DBI's Statement of Incompatible Activities, Code of Professional Conduct, and city and DBI ethics policies and rules. The unit also plans to perform random spot checks to verify completion of same.</li> </ul>



## Status of Recommendation Implementation

Recommendation	Status
<p>4. The Department of Building Inspection should ensure its Permit Tracking System (PTS) has complete and accurate data, and has adequate controls to deter unauthorized modification of PTS records that conceal wrongdoing by DBI employees by:</p> <ol style="list-style-type: none"> <li>a. Requiring that all inspections are complete and recorded in PTS before a final permit sign-off is completed.</li> <li>b. Electronically locking inspection records in PTS so they cannot be edited after a certain period, such as 24 or 48 hours after initial entry.</li> <li>c. Creating an audit log for PTS, in addition to the technical log, to summarize who entered what information into PTS and when. It should be readily understandable and largely accessible to the public and subject to the department's record retention policy.</li> </ol>	<p><b>In Progress</b></p> <p>DBI plans to continue reminding all staff who use the Permit Tracking System (PTS) of the importance of accurately entering all required data in it. DBI trains all PTS users to ensure comprehensive notes are logged and records are complete.</p> <p>In November 2022 the compliance manager working with DBI's Management Information Systems (MIS) unit implemented a 48-hour inspection records lock to electronically lock (prevent edits to) inspection records 48 hours after initial entry.</p> <p>DBI is committed to making improvements to PTS, including implementing controls sufficient to maintain the integrity of its data. An audit log is now in place. Only designated staff in the department's MIS unit can make data or systemwide changes in PTS. These employees are only able to do so if approved per DBI's internal change management policy. All changes are tracked in the department's internal request-tracking and change-auditing infrastructures. The audit logs will be subject to the department's record retention policy and made accessible to the public upon request through its existing processes.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. The Department of Building Inspection should require supervisory quality assurance reviews of senior plan reviewers and senior inspectors' work, as well as for permits and inspections for projects that may warrant additional review, such as those that are larger or more complex.</p>	<p><b>In Progress</b></p> <p>This project is ongoing. Senior inspectors cannot assign themselves inspections unless there is a specific justification. Chief inspectors review daily inspection activity for inspectors and senior inspectors in their inspection division. The chief building inspector reviews all Notices of Violation (NOV) and Certificates of Final Completion issued for BID, to check for document accuracy and for NOV inclusion in the compliance control file. Chiefs and seniors meet weekly to discuss ongoing issues.</p> <p>Plan Review Services is implementing spot checks on plan review and additional quality control measures and is establishing a tracking system to monitor productivity and creating guidelines for supervisors and staff to review a minimum percentage of each employee's work product weekly. Plan review checklists are being established for use by the public, screeners, and plan checkers to ensure consistency. DBI plans to have permanent staff at the counter to build consistency and to enable the auditing of which plan checker reviews which applicant's project. Guidelines are being established for resubmittal of all rechecks through the Permit Coordination Division so that rechecks have priority for review and are counted in the plan review backlog. More detailed criteria to quantify small, medium, and large projects will allow for equitable distribution of plan review instead of the possibility that small and medium projects will be backed up behind large projects.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. The Department of Building Inspection should consider whether plan reviewers and inspectors should be required to certify biannually that they comply with city conflict-of-interest rules, the department's Statement of Incompatible Activities, and the department's Code of Conduct, to remind them of the City's ethics rules and help prevent future conflicts of interest.</p>	<p><b>Implemented</b></p> <p>DBI plans to send an e-mail reminder to all staff every March and September with links to the City's conflict-of-interest rules, additional employment rules, policy on family and romantic relationships at work, Whistleblower Program, policies and reporting requirements on gifts and attending parties, along with DBI's Statement of Incompatible Activities, Code of Professional Conduct, and internal unethical behavior reporting program. All staff will need to sign and return the DBI biannual certification form to its Human Resources unit for filing and retention.</p>
<p>7. The Department of Building Inspection should review the fees and penalties the department is authorized to levy for non-compliant construction (documented in Notices of Violation) to determine whether they are severe enough to effectively deter misconduct. If the department determines the fees and penalties are insufficient, it should recommend to the Building Inspection Commission that they be increased within legal constraints.</p>	<p><b>In Progress</b></p> <p>DBI plans to review the amounts of the fees and penalties it is authorized to levy for noncompliant construction to determine whether they are severe enough to effectively deter misconduct. Fee and penalty amounts are limited by the Building Code. DBI understands that legislation is being proposed at the Board of Supervisors to increase penalties for certain violations. DBI stated that it will review the proposed legislation along with relevant portions of the Building Code and conduct a comparative analysis of other jurisdictions.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>8. The Department of Building Inspection should conduct more outreach to educate the public on the City's permit and inspections process. For example, a checklist for permit sponsors listing the required types and order of inspections needed to construct or renovate a residential structure could be beneficial.</p>	<p><b>Implemented</b></p> <p>DBI has continued to update its website to provide more information and educate the public on its permit and inspections processes. Various customer checklists and clearer guidelines on what is required have been provided.</p>

# Findings of 7<sup>th</sup> Public Integrity Audit

**Significant Changes Are Needed to  
the Design, Monitoring, and Control  
of the San Francisco Public Utilities  
Commission's Social Impact  
Partnership Program**

*Issued December 9, 2021*

## Findings Highlights

### **SFPUC Did Not Design and Implement the Social Impact Partnership (SIP) Program in a Manner That Always Ensures the Greatest Value to the City and Its Residents**

- By awarding contracts based, in part, on SIP commitments and allowing contractors to default on those commitments, SFPUC increases the risk that it will award contracts to contractors that ultimately will not deliver the greatest value to the City or its residents.
- Allowing some contractors to default on their SIP commitments while others strive to (and do) meet their commitments, places contractors on unequal footing and jeopardizes the program's long-term sustainability.

### **Two Practices Risk Jeopardizing the Voluntary Nature of the SIP Program**

- SFPUC sometimes directs contractor SIP commitments to specific community needs or ties them to other mandatory programs, reducing or eliminating discretion contractors should have in a voluntary program.
- The scoring criteria established for contractor selection, which incorporates SIP scores in the total possible points rather than providing bonus points for participating contractors, could signal to proposing firms that SIP Program participation is, in reality, required.

### Findings Highlights (cont.)

#### **The SIP Program Lacks Sufficient Internal Controls Related to Contract Solicitations, Commitment Monitoring, and Contract Closeout**

- This is indicated by missing documentation on contractor solicitation and selection decisions; insufficient processes to receive and validate information reported by contractors related to fulfilled commitments or to ensure accurate information in the program dashboard; and procedures, including conflict-of-interest forms, that do not adequately mitigate the risks posed by potential conflicts of interest.

#### **Since Its Inception, the SIP Program Has Been Subject to Inconsistent and/or Insufficient Guidance and Policies**

- This includes, but is not limited to, policies that establish a sound approach to enforcing SIP contract provisions and to documenting program activities to ensure transparency.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The San Francisco Public Utilities Commission should take steps to enforce contract requirements related to the SIP Program, including consideration of the following:</p> <ul style="list-style-type: none"> <li>a. Institute procedures to proactively contact contractors that do not meet reporting requirements and notify contractors that have not demonstrated adequate progress in fulfilling their commitments.</li> <li>b. Post on the program website information related to contractor performance for all contractors participating in the program, including commitments fulfilled and unfulfilled, nonprofit organization beneficiaries, and compliance with program requirements.</li> <li>c. Incorporate contractors' past performance in fulfilling commitments into future solicitation criteria for participation in the program.</li> <li>d. Apply liquidated damages or other penalties to contractors that fail to meet their commitments</li> </ul>	<p><b>Implemented</b></p> <p>The San Francisco Public Utilities Commission: (1) analyzed in depth every contract with SIP commitments since the program began and completed outreach to any firm from whom documentation was missing; (2) now sends each firm a quarterly summary of its delivered and outstanding SIP commitments; (3) reviewed all reporting from firms received through the January 31, 2022, deadline and followed up as needed (this will also be done for all future reports); (4) added an interactive dashboard to the SIP website that provides the public with transparent reporting on contractors' performance and delivery of SIP commitments; (5) drafted accountability language and legal remedies, which were reviewed by the City Attorney and approved by executive management, and have included them in the department's request for proposal (RFP) templates for all applicable contracts with proposals due as of March 2022; (6) drafted liquidated damages contractual language, which was approved by executive leadership and the City Attorney, and included it in RFP templates for all applicable contracts with proposals due as of March 2022; and (7) developed SIP accountability language, including liquidated damages, which has been approved and added to RFP templates.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>2. The Public Utilities Commission should move forward with plans to obtain Board of Supervisors approval of a SIP Program policy that includes requirements to standardize processes and practices and provide clear, consistent guidance for the program's contractors.</p>	<p><b>Implemented</b></p> <p>On September 27, 2022, the Board of Supervisors passed <a href="#">BOS #220539</a> concerning behested payment solicitations, excepting solicitations made under certain types of City programs to solicit, request, and contractually obligate charitable donations through competitively procured contracts. The law, approved by the Mayor on October 6, 2022, authorized the SIP Program through January 31, 2023, and requires that the Board of Supervisors adopt an ordinance authorizing the program for it to apply to new solicitations after January 31, 2023.</p> <p>Following the approval of the above law, SFPUC proceeded to obtain the Board of Supervisors' approval of the program. On October 24, 2022, by Resolution No. 22-0183, the SFPUC Commission adopted and authorized the Social Impact Partnership program and requested the General Manager to seek formal authorization of the SIP program from the Board of Supervisors.</p> <p><i><a href="#">Proposed legislation (BOS 221126)</a> (11/1/2022):</i>            (Sponsors: Hillary Ronen, Ahsha Safai, Dean Preston, Catherine Stefani, Aaron Peskin, Connie Chan, Gordon Mar, Shamann Walton, Myrna Melgar, Matt Dorsey) Amend the Administrative Code to authorize the SFPUC to include Social Impact Commitment criteria as a qualitatively scored element in solicitations for certain contracts at designated thresholds.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The San Francisco Public Utilities Commission should develop formal, written SIP Program policies and procedures on:</p> <ul style="list-style-type: none"> <li>a. The oversight and management of the program and guidance provided to external parties.</li> <li>b. Roles and responsibilities of staff and management assigned to the program.</li> <li>c. Standardized contract provisions and protocols for monitoring and reporting on contractor compliance.</li> <li>d. Access and usage of information systems used for program management.</li> </ul>	<p><b>In Progress</b></p> <p>SFPUC has developed formal, written Program policies and procedures, which are currently being reviewed. SFPUC will complete this recommendation by the end of 2022.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. The San Francisco Public Utilities Commission should formalize the Contract Administration Bureau's record retention policy and ensure the bureau retains all documentation supporting the solicitation and contract award process, including documentation relating to the SIP Program. In doing so, SFPUC should consider developing a formal checklist and filing system to ensure all documentation is retained in a central location and files are easy to locate in the event of staff attrition.</p>	<p><b>Implemented</b></p> <p>SFPUC's Contract Administration Bureau has finalized a record retention policy. The policy requires the retention of documentation related to the SIP Program from the solicitation and award process.</p>
<p>5. Ensure staff review required SIP reports and underlying documentation in a timely manner, ensuring information reported by contractors is accurate, reliable, and supported. As discrepancies are identified, SFPUC should proactively and promptly contact contractors to address the discrepancies and areas where additional support is necessary. Documentation supporting SFPUC's efforts should be retained in Salesforce or a centrally located network drive that is available in the event of staff turnover.</p> <p>a. SFPUC should also conduct periodic supervisory reviews of a sample of approved contractor submissions to ensure that SIP Program staff are following established processes and that information reported by the contractor is supported by the underlying documentation required by SFPUC.</p>	<p><b>Implemented</b></p> <p>SFPUC has completed comprehensive data validation for every SIP contract, which has also been reviewed by SFPUC's Internal Audits team to ensure good governance practices. Improved internal protocols, calendars, and tracking systems are now in place to ensure that reporting received by firms is accurate and complete, including all required documentation attached. SFPUC is also actively working with information technology consultants to automate processes to minimize risk and streamline the program's data systems.</p> <p>In the spring of 2022, SFPUC implemented revised SIP staff procedures to ensure consistency, completeness, and accuracy of firms' reporting. The procedures include a clear calendar, parameters for when staff communication is to be initiated with firms, and a step-by-step guide for the review and approval of firm reports, in alignment with documentation guidelines. SFPUC has developed a secondary review protocol that was implemented for the July 2022 reporting deadline.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. Assess SIP Program staffing levels to ensure sufficient resources are available to provide oversight and controls necessary to ensure the integrity of the program and accuracy of information reported.</p>	<p><b>In Progress</b></p> <p>The SIP Program staff assessment has been completed, and it is currently being reviewed. SFPUC plans to complete this recommendation by the end of 2022.</p>
<p>7. Increase transparency into the SIP Program by implementing a publicly available SIP Performance Dashboard and implement internal controls to ensure the dashboard presents data that is accurate, reliable, and updated in a timely manner.</p>	<p><b>Implemented</b></p> <p>SFPUC has added to the SIP website an interactive SIP dashboard to ensure transparent reporting to the public regarding contractors' performance, accountability, and delivery of SIP commitments. SFPUC completed the comprehensive data validation (referenced under Recommendation 5) before publishing the dashboard, which will be refreshed regularly to ensure the data reported is accurate and up-to-date.</p>

# Findings of 8<sup>th</sup> Public Integrity Assessment

**San Francisco Department of the  
Environment's Relationship With  
Recology and Lack of Compliance  
With Ethics Rules**

*Issued April 8, 2022*

## Findings Highlights

### **SF Environment's Role in the Current Refuse Rate Process Is Substantial Yet Not Well-Defined in Policy or Law**

- Although the zero waste manager received and reviewed Recology's quarterly and annual reports, including profits and expenses, SF Environment employees viewed the responsibility for setting just and reasonable rates as resting solely with Public Works.

### **SF Environment Employees Regularly Accepted Gifts From Recology, a Restricted Source**

- SF Environment employees regularly accepted non-cash gifts and meals from Recology worth more than \$25, in violation of the Campaign and Governmental Conduct Code.

### **SF Environment Did Not Proactively Disclose Recology's Donations to Friends of SF Environment, Contrary to the Mayor's Executive Directive 20-01**

- SF Environment did not proactively share information about Recology donations to Friends of SF Environment for more than a year and a half after the Mayor's executive directive and only after direct requests for documents from the Controller and City Attorney.

## Findings Highlights (cont.)

### Recology Donated to SF Environment's Earth Day Event Through the Department's Affiliated Non-City Organization, Friends of SF Environment

- In 2015 Recology donated \$25,000 to Friends of SF Environment for Earth Day events. SF Environment did not disclose this donation on its website and did not obtain approval by the Board of Supervisors. But because Recology donated through its *Friends of* organization, it is unclear whether SF Environment was then required to disclose the donation and obtain Board approval. To date, some of the donation remains unspent.

### Senior Management Narrowly Construed Document Requests, Resulting in Withholding Information About Recology's \$25,000 Donation

- The department narrowly construed the document requests based on what they said was a literal interpretation and did not initially produce pages of certain spreadsheets that would have revealed Recology's \$25,000 donation in 2015.

### Director Raphael Solicited Donations From Recology Shortly Before Signing Contracts With Recology in Both 2015 and 2019

- Despite Director Raphael's regular completion of ethics training from her appointment in 2014 through 2020, she solicited donations from Recology, a restricted source, around the time of contract finalization and negotiations and signing of both the Household Hazardous Waste Agreement (and its subsequent amendment) and the Landfill Disposal Agreement with Recology.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Commission on the Environment should ensure that SF Environment establishes a strong, ethical tone at the top, modeling the importance of compliance with ethics laws.</p>	<p><b>Implemented</b></p> <p>For the near-term, the Commission on the Environment's meeting agendas have a standing discussion item to track the department's progress in implementing the Controller's recommendations. On May 10, 2022, the commission met to review and provide feedback on the department's proposed action plan in response to the recommendations. On July 26, 2022, the commission: (1) heard a progress report from the department's acting director on the implementation of the Controller's recommendations; (2) discussed a review of the department's contract and grant processes, including commission deliberation on the potential levels of commission oversight and approvals; and (3) adopted a resolution that makes the Mayor's Executive Directive 20-02 commission policy, requiring a memorandum of understanding with any new or potential <i>Friends of</i> organization that must be fully reviewed by the commission, City Attorney, and Controller.</p> <p>In response to commissioners' requests and feedback on the Controller's report, SF Environment, through the recurring Director's Report will: (1) engage and inform the commission about any relevant future city audits and provide a six-month follow up on the implementation of the audit recommendations; (2) notify the commission on ethics updates and milestones in the Director's Report, including, but not limited to, completion of Form 700s, gift report submission, and completion of ethics trainings; and (3) update the commission on any new awarded or received contracts or grants since its last meeting.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>2. Policymakers should revise the refuse rate-setting process and procedures to clearly define SF Environment's roles, responsibilities, and involvement in the refuse rate-setting process.</p>	<p><b>In Progress</b></p> <p>The Controller's Refuse Rates Administration unit will review SF Environment's roles, responsibilities, and involvement over the coming Refuse Rate Application and Refuse Rate-setting cycle. Recommendations will be made to Policymakers for their subsequent consideration.</p>
<p>3. Policymakers should consider codifying the Mayor's Executive Directive 20-02, requiring departments to formalize their relationships with their <i>Friends of</i>/non-city organization and defining key components of those agreements.</p>	<p><b>In Progress</b></p> <p>The City Attorney and Controller drafted and published an agreement template, including required disclosure and transparency requirements, for departments to use in consultation with their respective Deputy City Attorneys. The Controller's Systems Division has also published a job aid and provides departments training on how to load their proposed and executed agreement with non-city organizations to help ensure centralized sightline and reporting transparency. To date, no proposed amendment to the Administrative Code has been introduced.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. SF Environment and all city departments should proactively seek advice from the City Attorney and the Ethics Commission when questions arise about city ethics rules and ensure full disclosure of relevant facts to facilitate accurate advice.</p>	<p><b>Implemented</b></p> <p>SF Environment has reviewed its ethics policies and protocols and plans to develop additional formal written policies as necessary, including when to seek advice from the City Attorney and/or Ethics Commission. The acting director and department staff meet weekly with the department's assigned deputy city attorney and now invite staff to ask questions on city ethics rules and related policies that may arise.</p> <p>In May 2022 the department reviewed with all staff the process for obtaining advice from the City Attorney and Ethics Commission. The department states that it will review this process annually.</p> <p>SF Environment updated its employee intranet with current city and department ethics guidance, an updated list of organizations or companies with financial relationships to the department, and processes for seeking approval and advice from the City Attorney and/or Ethics Commission about city ethics rules. This information will be added to the department employee manual by June 2023.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. SF Environment and all city departments should comply with the Mayor's Executive Directive 20-01 and ensure it timely and proactively discloses information to both the City Attorney and Controller.</p>	<p><b>Implemented</b></p> <p>SF Environment's acting director has met with the Controller and City Attorney to ensure no outstanding items exist and to clarify that the acting director will be the primary point of contact for all future information requests. He has repeatedly reminded staff of the importance of—and publicly committed the department to—fully complying with the Mayor's Executive Directive 20-01. This requires being open and proactive with the City Attorney and Controller during audits and investigations, which in turn will help ensure compliance with city policies and applicable laws.</p>
<p>6. SF Environment and all city departments should work with the City Attorney to comply with Mayor's Executive Directive 20-02 and create a memorandum of understanding or ensure the closure of the Friends of SF Environment organization and appropriate disbursement of its remaining funds.</p>	<p><b>Implemented</b></p> <p>On April 29, 2022, the department severed its ties with the Friends of SF Environment. Any future decision by the department to reestablish a <i>Friends of</i> organization will require full adherence with the Mayor's Executive Directive 20-02 and all applicable city laws and rules.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>7. SF Environment and all city departments should work with the Office of Contract Administration and the Department of Human Resources to designate employees who have contracting/purchasing responsibilities, including those who participate in contract negotiations and revisions, and to ensure all training requirements, including mandatory ethics training, are met.</p>	<p><b>Implemented</b></p> <p>Since 2021 all staff of the department must take the biannual online city ethics training. Ethics training is now also part of the onboarding process for new employees. In the summer of 2022, the department scheduled a staff training with the City Attorney's Ethics Team to review the City's behested payment rules and ask questions. As a follow-up, employees were invited to fill out a form to have their ethics questions answered by senior department staff or the City Attorney.</p> <p>The department significantly increased the required number of Form 700 filers after a review to determine which positions have substantial contracting or purchasing responsibilities. In August 2022, the department submitted the updated filing list to the Clerk of the Board and City Attorney.</p> <p>Individuals with contracting or purchasing responsibilities have completed required training(s) hosted by the Office of Contract Administration and required by DHR. The department's contract and grants manager is the central point of contact for all outgoing contracts and grants and received Proposition Q Delegated Departmental Purchasing Certification in April 2020, which is valid for 1,095 days (three years).</p> <p>At the department's request, in May 2022 the City Attorney provided a behested payment training to staff who have a decision-making, contracting, or purchasing role, and answered questions from the trainees.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>8. SF Environment and all city departments should seek approval from the Board of Supervisors if the department wishes to charge fees for tours and ensure that this fee revenue is deposited and recorded in the City's financial system.</p>	<p><b>Implemented</b></p> <p>SF Environment plans to include any fee (for tours or other services) in its budget submission by filling out Form 2B/2C. The commission approves the budget before it goes to the Mayor and Board of Supervisors. The department stated that it will not charge any fee for tours or any other activity before the Board approves the department's budget.</p> <p>SF Environment updated its employee intranet with ethics rules and instructions for setting new fees using Form 2B/2C. The department is also updating its employee manual with similar information and department policies and procedures.</p>
<p>9. The Department of Human Resources should consider requiring interview panelists to confirm that they have no conflicts of interest before participating in hiring panels and develop policies regarding these matters.</p>	<p><b>In Progress</b></p> <p>The Department of Human Resources is finalizing a city policy regarding the selection of evaluators, which includes the selection of hiring panels. Hiring panelists should be screened to identify and mitigate against any potential conflict of interest.</p>

# Findings of 9<sup>th</sup> Public Integrity Assessment

Refuse Rate-Setting Process Update  
Based on Additional Reviews and  
Meetings With Recology

*Issued May 16, 2022*

## Findings Highlights

### The SF Companies'\* Rate Reporting for All Four Years Following the 2017 Rate Application Had Errors and Omissions

- These ranged from inclusion of ineligible expenses in the operating ratio eligible expenses to inconsistent calculation of allowable profits in the annual rate reports.

### Employee Headcount and Payroll-Related Expenses Differed Significantly From Those in the Rate Application

- These variances often led to profits exceeding targets.

### Allowable Operating Profits Consistently Exceeded the Target of 9.0 Percent in the 2017 Rate Order

- Even after considering the \$101.5 million settlement paid to ratepayers, actual operating profits exceeded target profits by \$23.4 million for the period of rate years 2018 through 2021.

### Significant Intercompany Charges to the SF Companies From the Parent Company Make It Challenging to Determine the Appropriateness of Such Expenses

- These intercompany charges were often 30-60 percent of the SF Companies' expenses.

### Failure by Regulators to Track and Implement Recommendations From Previous Rate Application Processes Caused Historical Issues and Concerns to Go Unaddressed

\* "SF Companies" or "Recology" comprise Recology San Francisco, Recology Golden Gate, and Recology Sunset Scavenger.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. To facilitate greater transparency, the City should assess and consider the following changes to the rate-setting and rate-reporting processes:</p> <ul style="list-style-type: none"> <li>a. Show Total Sources and Total Uses, then clearly detail how operating ratio eligible costs only include costs associated with ratepayers subject to rate setting and exclude ineligible costs, along with the associated profit margin on revenues subject to rate setting and the amount above or below the allowed, profit target.</li> <li>b. Develop and enforce consistent methodology for the calculation and presentation of the operating ratio and related expenses for the rate application, quarterly rate reports, and annual rate reports. This calculation should include a breakdown of profit by Recology Sunset Scavenger, Recology Golden Gate and Recology San Francisco, as well as total profitability for the SF Companies.</li> <li>c. Establish a process to re-baseline rate application projections at least annually as part of applying automatic escalators (i.e., COLA) and ensure that variance of actuals from original and re-baselined projections are calculated and explained in both the quarterly and annual reports.</li> <li>d. Develop clear language that must be used to disclose and articulate, before the rate-setting process, how revenues subject to rates will be calculated. Operating ratio eligible expenses and pass-through expenses should be defined, and the appropriate treatment of revenues and rebates that affect the required revenue calculation should be explained.</li> <li>e. Require quarterly and annual reports to be submitted by Recology with an oath under penalty of perjury.</li> <li>f. Require that expenses be shown by allocation according to customer class and service.</li> <li>g. Include in quarterly and annual reports a schedule for owned and leased real property that includes address, historical purchase price, cumulative costs paid by ratepayers, and, for leased assets, annual proposed rental costs.</li> <li>h. Include a separate schedule for all intercompany charges, including calculations for allocation percentages and information on the flow of expenses between companies.</li> <li>i. Establish a process to, at least annually, benchmark San Francisco against other comparable jurisdictions, including but not limited to comparing rates by customer class and service type.</li> </ul>	<p><b>Implemented</b></p> <p>In June 2022 San Francisco voters approved Proposition F, the Refuse Rate Reform Ordinance of 2022, which amended the Refuse Collection and Disposal Ordinance (“the Refuse Ordinance”) to: (1) restructure the refuse rate-setting process to replace hearings before Public Works with a requirement that the Controller, as Refuse Rate Administrator, regularly monitor the rates and appear before the Refuse Rate Board to recommend rate adjustments; (2) establish an appointed Ratepayer Representative to replace the Controller on the Refuse Rate Board; (3) authorize the Refuse Rate Board to set commercial rates; (4) require applicants for refuse collection permits to demonstrate their ability to avoid disruptions in service; (5) clarify existing law regarding refuse collection permits; (6) authorize the Board of Supervisors on recommendation of the Refuse Rate Administrator, Refuse Rate Board, and Mayor to amend the Refuse Ordinance by eight-vote supermajority; and (7) fully codify the Refuse Ordinance in the Health Code. With the passage of Proposition F, the three Rate Board members are the General Manager of the SFPUC, the City Administrator, and an appointed Ratepayer Representative.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>2. The City should require the SF Companies to establish a balancing account to true-up excess profit (or shortfall), and as part of that process:</p> <ul style="list-style-type: none"> <li>a. Recommend the SF Companies to establish the balancing account, or a comparable mechanism, before the beginning of the next rate year with a beginning balance of \$23.4 million—the amount beyond allowable profit for rate years 2018 through 2021—which should be used to offset the upcoming COLA increase. Excess profits identified in prior periods could also be included in the balancing account.</li> <li>b. Develop a process to methodically check for errors and omissions in the rate calculation that should have otherwise been available during the rate-setting process, determine the impact of any mistakes on refuse rates, and true up differences with the balancing account.</li> <li>c. Require that the SF Companies request and receive approval from the City before substituting or swapping expenses within and among line items within a predetermined threshold. If an expenditure is made before being approved, such as expenditures for exigent circumstances, and later found to be ineligible, require that it be trued up with the balancing account.</li> </ul>	<p><b>In Progress</b></p> <p>With voter approval of Proposition F (June 2022) and to address various recommendations noted in this and previous Public Integrity Reports, the new Controller’s Refuse Rates Administration unit plans to review past practices and consider how to incorporate these recommendations over the upcoming rate cycle along with the associated, timely public transparency reporting.</p> <p>Also, a proposed settlement that addresses claims involving alleged retention of profits above the 9 percent target profit approved in the 2017 public rate setting process was approved by the Board of Supervisors on December 13, 2022. The proposed settlement, which is under the Mayor’s review, includes a \$25 million reimbursement to San Francisco ratepayers, property rental cost safeguards that ensure rental costs of select real properties will not be passed through to ratepayers once acquisition costs are paid, and terms requiring that ratepayers will be reimbursed for up to approximately \$26 million in rental payments in the event that those properties are no longer available for the benefit of San Francisco refuse ratepayers.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The City should require the SF Companies to submit audited financial statements for each rate year and, in addition:</p> <ul style="list-style-type: none"> <li>a. Provide a schedule of reconciliation between audited financial statements and the annual rate reports.</li> <li>b. Align the rate year with the SF Companies’ fiscal year to enable traceability and reconciliation.</li> <li>c. Require the balancing account be specifically included in the independent auditors’ review of the annually audited financials statements, including a reconciliation that should be published as part of those statements.</li> </ul>	<p><b>In Progress</b></p> <p>With voter approval of Proposition F (June 2022) and to address various recommendations noted in this and previous Public Integrity reports, the new Controller’s Refuse Rates Administration unit plans to review past practices and consider how to incorporate these recommendations over the upcoming rate cycle along with the associated, timely public transparency reporting. See also #2 regarding the proposed settlement pending before the Board of Supervisors.</p>
<p>4. The City should require the SF Companies to develop and document a consistent methodology to fairly charge ratepayers for real property and equipment, and ensure that:</p> <ul style="list-style-type: none"> <li>a. Recovery from ratepayers never exceeds the historical purchase price plus cost of capital used to purchase the property, including any capital improvements thereon.</li> <li>b. Upon sale of the property, a credit equivalent to the proportional gain is credited to the ratepayers.</li> </ul>	<p><b>In Progress</b></p> <p>With voter approval of Proposition F (June 2022) and to address various recommendations noted in this and previous Public Integrity reports, the new Controller’s Refuse Rates Administration unit plans to review past practices and consider how to incorporate these recommendations over the upcoming rate cycle along with the associated, timely public transparency reporting. See also #2 regarding the proposed settlement pending before the Board of Supervisors.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. The City should formally capture lessons learned from the rate-setting process and subsequent monitoring and ensure they are applied in future rate-setting, and should consider:</p> <ul style="list-style-type: none"> <li>a. Documenting publicly the adjustments resulting from the City’s review of the rate application, including how the adjustment was derived, the impact on the rate calculation, and whether the adjustment item needs to be revisited in future rate setting.</li> <li>b. Documenting publicly any significant issues or concerns with the overall rate-setting process, including whether there was timely access to accurate information from the SF Companies and whether public outreach to ratepayers was effective.</li> <li>c. Having an annual follow-up process to ensure that recommendations are implemented timely and that the results are published.</li> </ul>	<p><b>In Progress</b></p> <p>With voter approval of Proposition F (June 2022) and to address various recommendations noted in this and previous Public Integrity reports, the new Controller’s Refuse Rates Administration unit plans to review past practices and consider how to incorporate lessons learned and follow-up process over the coming months and as part of the next rate-setting cycle.</p> <p>The Controller’s Office reports that they will initiate a new rate process in early 2023 with a target to adopt new rates, and potentially other report recommendations, by October 2023.</p>
<p>6. The City should require Recology to submit a new rate application that complies with the recommendations made in this assessment.</p>	<p><b>In Progress</b></p> <p>With voter approval of Proposition F (June 2022) and to address various recommendations noted in this and previous Public Integrity reports, the form and format of the Refuse Rate Application Standardized Template &amp; Instructions (previously issued under DPW Order 173,617) will be updated by the Controller’s new Refuse Rates Administration unit over the coming months and in advance of the next rate-setting cycle.</p> <p>The Controller’s Office reports that they will initiate a new rate process in early 2023 with a target to adopt new rates, and potentially other report recommendations, by October 2023.</p>

# Any questions or comments?

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