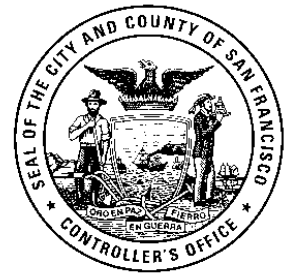


Although Its Sewer System Improvement Program Management Consultant Complied With Contract Terms, the San Francisco Public Utilities Commission Should Improve Its Contract Management

San Francisco Public Utilities Commission (SFPUC)



February 16, 2023

City & County of San Francisco
Office of the Controller
City Services Auditor

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

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Audit Authority

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

February 16, 2023

San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

Mr. Dennis Herrera, General Manager
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA

Dear Commission President, Commissioners, and Mr. Herrera:

The Office of the Controller, City Services Auditor (CSA), Audits Division, presents its report of the performance audit to assess how well the San Francisco Public Utilities Commission (SFPUC) oversaw its Sewer System Improvement Program Management Services Contract (CS-165). CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to conduct the audit, which had as its overall objective to evaluate whether SFPUC's contract management practices and procedures were adequate to ensure the contractor complied with contract requirements.


The audit concluded that SFPUC saw that the 15-year professional services Program Management Consultant (PMC) contract with AECOM-Parsons Joint Venture was fulfilled, but it needs to improve its contract management practices over similar large-scale programs. SFPUC generally employed solid practices around appropriate and allowable invoicing, staying within contract limits, and approving labor hours and billing rates. However, inadequate planning and weak oversight in its task order administration caused the contract funds to be exhausted years earlier than anticipated. Since the contract was executed in 2011, approximately 80 task orders totaling \$147 million have been issued. Of this amount, \$139 million (95 percent) had been spent through November 2021.

To strengthen its control environment over contract management, SFPUC needs to improve practices related to invoice approvals, use of employees as required, approval for high-value task orders, formal acceptance of PMC-submitted deliverables, document retention, meetings, and progress reports. The report discusses these findings in detail.

The report includes 15 recommendations for SFPUC to improve its contract management practices. SFPUC's response is attached as an appendix. CSA will work with SFPUC to follow up every six months on the status of the open recommendations made in this report.

CSA and SEC appreciate the assistance and cooperation of SFPUC staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-7574 or CSA at 415-554-7469.

Respectfully,


Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

City and County of San Francisco
Office of the Controller, City Services Auditor

**Audit of SFPUC's Oversight of Its
Sewer System Improvement Program
Management Consultant**



August 2022

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Report Highlights

AUDIT PURPOSE

Sjoberg Evashenk Consulting, Inc., was engaged by the Controller's Audit Division, to conduct a performance audit of the San Francisco Public Utilities Commission's (SFPUC) Program Management Consultant (PMC) professional service contract for the Sewer System Improvement Program (SSIP) (Agreement Number CS-165) and evaluate whether SFPUC's contract management practices and procedures were adequate to ensure the contractor complied with contract requirements.

BACKGROUND

In February 2011, SFPUC was directed by its Commission to procure PMC services to assist SFPUC staff with the implementation of the SSIP. In June 2011, SFPUC executed a 15-year professional services contract with AECOM-Parsons Joint Venture to serve as the PMC. The contract was issued for a total not-to-exceed amount of \$150 million.

Since the contract was executed, SFPUC has issued 80 task orders totaling \$147 million--of which \$139 million (95 percent) had been spent as of November 2021.

RESULTS

We found SFPUC's PMC contract generally aligned with industry practices and other similar large-scale programs and the PMC fulfilled its contractual obligations. However, SFPUC's contract management practices need improvement. Namely, SFPUC envisioned that the resources for this contract would provide PMC services for 15 years, but inadequate long-term planning and management of task order costs and resources caused contract funds to be exhausted years earlier than anticipated, as acknowledged by program management. Although SFPUC was unable to explain how the contract value was established, it is possible that the contract value was set too low. Benchmarking data indicate that procuring PMC services to support a program as large as the SSIP for \$150 million is much lower than industry averages.

Although SFPUC had no written guidance to help its management or staff properly oversee and manage task order administration for the contract, SFPUC generally employed solid practices to ensure invoiced costs were appropriate and allowed under the contract's task orders and ensured that expenditures did not exceed the contract's maximum value. For instance, staff approved consultant labor hours weekly and confirmed that billing rates were correct, bills were mathematically accurate, charges aligned with efforts and services provided, and work performed was consistent with task order requirements. Still, SFPUC needs to improve its practices for invoice approvals, use of employees as required, approval for high-value task orders, formal acceptance of consultant-submitted deliverables, document retention, meetings, and progress reports.

SUMMARY OF KEY RECOMMENDATIONS

- Ensure assumptions used to determine the expected contract value and anticipated costs of PMC services procured are supported and documented. In addition, when establishing cost estimates, consider comparing internal estimates to comparable industry and peer averages for similar services to help determine whether estimates are reasonable.
- Establish a formal, long-term plan to prioritize, track, and manage overall PMC costs across all individual task orders and prioritize resources to ensure funding remains available through the duration of the contract and is focused on the most important service needs. Regularly revisit its plan to assess whether actual contract expenditures align with the long-term plan and whether the plan needs to be revised and document any needed changes.
- Clearly specify roles and responsibilities for documentation management across SFPUC and its PMC contractor with discrete procedural steps over the life of a document, from creation to final disposition. Specify the types of documents—such as deliverables, project meeting information, and invoices—that must be maintained and where they must be maintained during the life of the project or task order.
- Memorialize meeting discussions to confirm a shared understanding of decisions reached on scope and critical budget considerations and retain related meeting documentation in contract files—such as the PMC's SharePoint site—that includes complete meeting agendas and comprehensive meeting minutes.

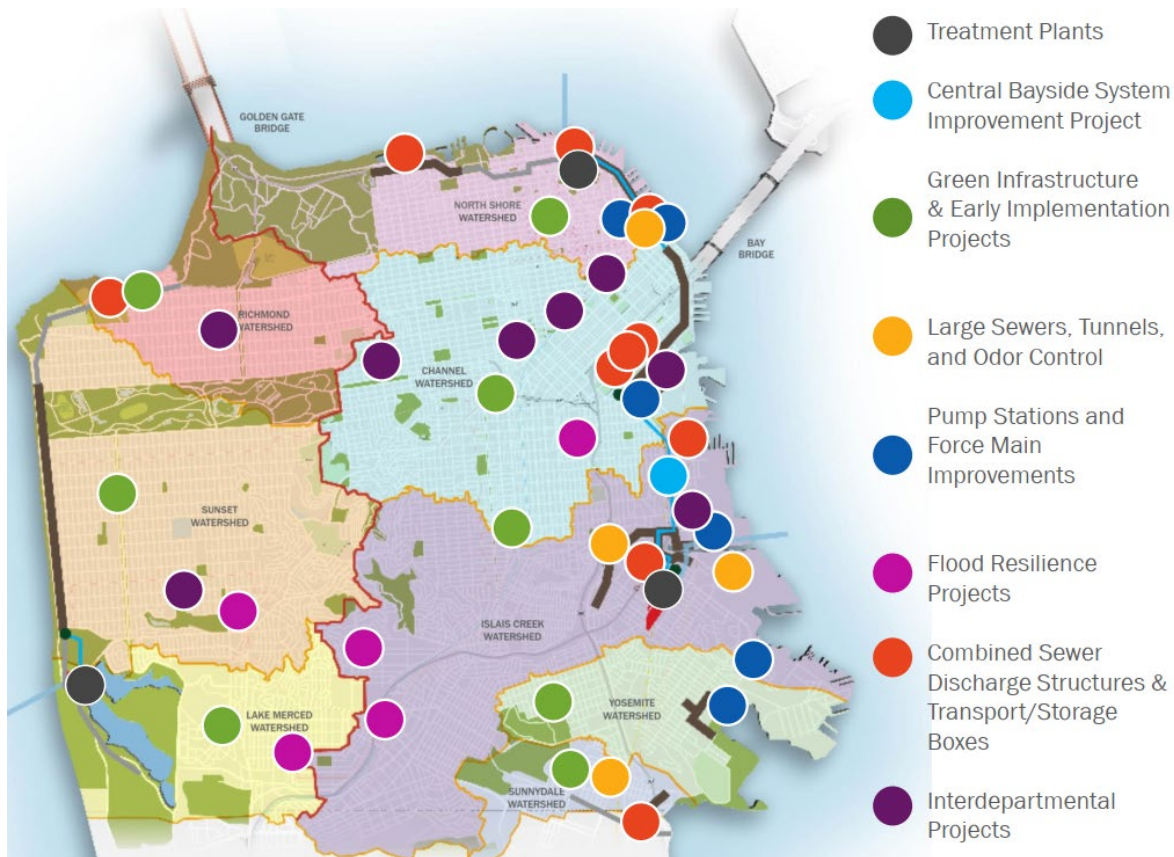
Introduction and Background

In 2011, the San Francisco Public Utilities Commission's (SFPUC) created its Sewer System Improvement Program (SSIP) to upgrade the City's aging stormwater treatment and collection systems that had not undergone repairs since the 1970s. This significant, \$7 billion capital project investment over 20 years was aimed at correcting seismic deficiencies, providing environmental and health protections, and rectifying poor facility conditions among other areas. The SSIP involves staff and management across multiple SFPUC departments and contracts with external consultants, contractors, and experts, including a critical \$150 million contract with a program management consultant (PMC) for the first phase of the SSIP.

Sewer System Improvement Program Phase I Projects

In 2011, SFPUC planned for a series of sewer system improvement projects that are currently projected to cost approximately \$7 billion. Initially, SFPUC planned a multi-phased implementation for the SSIP with an initial Phase 1 spanning 15 years of the 20-year program timeframe—although SFPUC is moving away from the phased-approach to prioritize and implement remaining projects through its regular capital improvement budget process. Phase 1 focused on 70 projects primarily related to treatment plant improvements, though included other projects, such as ensuring regulatory compliance, enhancing process reliability and redundancy, improving plant odor control, and upgrading aging treatment plants, as shown in Exhibit 1.

EXHIBIT 1. SSIP PHASE 1 PLANNED PROJECTS AND LOCATIONS



Source: SFPUC Presentation to the Southeast Community Facility Commission on January 25, 2017 based on the 2016 baseline schedule.

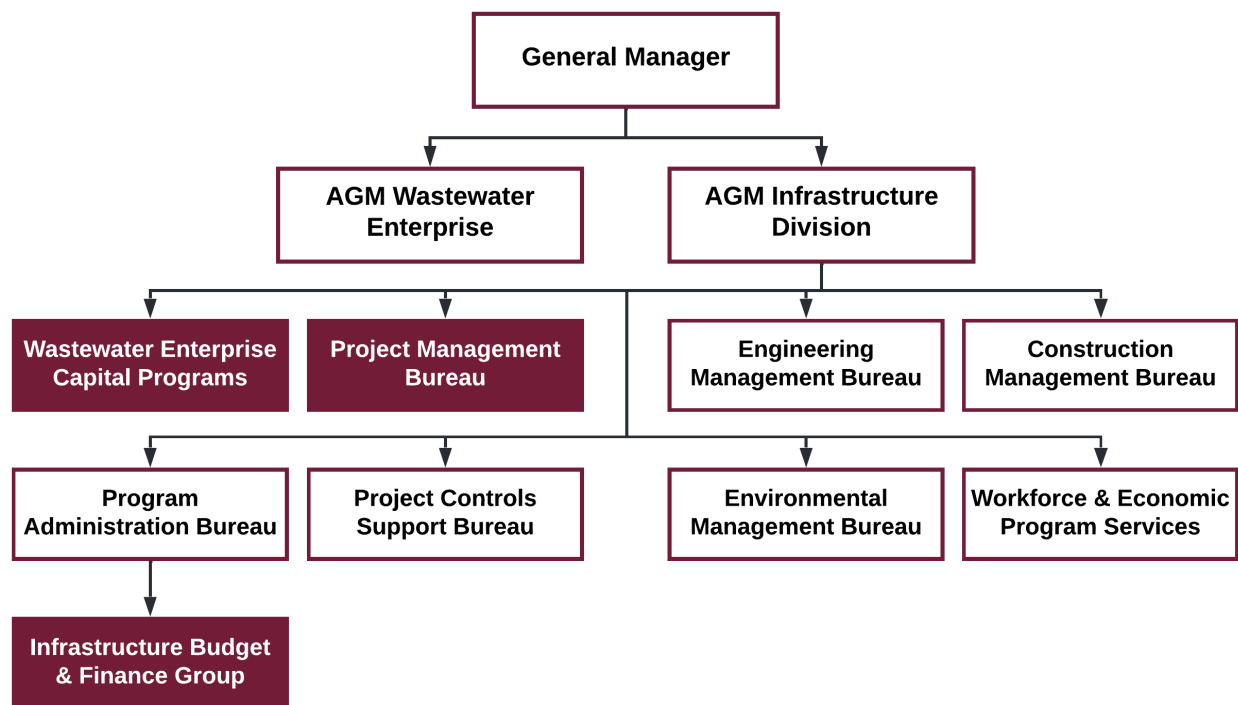
Recent approved budget estimates set the Phase 1 budget at nearly \$3.7 billion—or more than half of the entire SSIP plan budget. According to a recent forecast in 2021, Phase 1 projects will require another \$746.5 million for a total of \$4.4 billion to complete.

To date, SFPUC has expended approximately \$1.9 billion. More than 38 projects have been completed, ranging from Southeast Plant and Oceanside Plant improvements to Urban Watershed Assessment and Flood Resilience Projects.¹

SFPUC Stakeholders Involved in Managing CS-165

Several SFPUC departments are involved with managing and administering CS-165 including those shown in Exhibit 2.




EXHIBIT 2. SFPUC ORGANIZATIONAL UNITS INVOLVED WITH CS-165: KEY STAKEHOLDERS EMPHASIZED IN RED



The key roles and responsibilities related to the task order development, review, and approval process, in addition to general contract management over budget, schedule, performance, and deliverables are described in Exhibit 3. For instance, the Wastewater Enterprise Capital Program Division is responsible for managing the SSIP and executing the PMC contract, though SFPUC’s Infrastructure Division is primarily responsible for managing the PMC contract, including developing and approving task orders and revisions, overseeing contractor services, approving invoices, reviewing and accepting submitted deliverables, and evaluating contractor performance.

¹ Wastewater Enterprise Capital Improvement Program Fiscal Year (FY) 2021-22 3rd Quarter Report, issued May 31, 2022, to the SFPUC Commission.

EXHIBIT 3. KEY SFPUC DEPARTMENTS' ROLES AND RESPONSIBILITIES OVER PMC CONTRACT MANAGEMENT

 <p>WASTEWATER ENTERPRISE CAPITAL PROGRAM DIRECTOR</p>	<p>The Director is the Contract Manager and is responsible for CS-165, acting on behalf of SFPUC's Wastewater Enterprise. Among other responsibilities, the Director is responsible for implementing the SSIP vision, strategy, and direction; managing the program, schedule, and budget; and, providing primary communication between SFPUC Executive Leadership and the SSIP teams.</p>
 <p>INFRASTRUCTURE BUDGET AND FINANCE GROUP (IBF)</p>	<p>Located within the Infrastructure Division, the Infrastructure Budget and Finance Group is responsible for reviewing and approving task orders in SOLIS, reviewing and approving PMC invoices for payment, reviewing PMC TimeLive entries, and reviewing contractor rates, among other responsibilities associated with the financial administration of the CS-165 agreement.</p>
 <p>PROJECT MANAGEMENT BUREAU (PMB)</p>	<p>Provides overall management for project execution, including project work scope, schedule, and budget. During our review of SFPUC's management of the CS-165 agreement, project managers from the Project Management Bureau typically operated in the role of managing both SSIP projects, and the task orders for which PMC services were utilized.</p>

Role of the SSIP Program Management Consultant and Its Contract Responsibilities

To assist with SSIP program development and provide technical expertise, SFPUC hired an external PMC through a joint venture between two firms—AECOM and Parsons Corporation—for 15 years at a cost of \$150 million.² Representing just one component of SFPUC's broader SSIP program management and implementation effort, the services under the PMC agreement predominantly support SFPUC's pre-construction activities on SSIP projects. As such, the PMC contracted role was to support the City's SSIP management team with developing the program, risk management, labor and contract relations, scheduling, cost estimates, and analysis of alternate delivery mechanisms. Other contracted PMC services included validating proposed projects and providing specialized technical services. In particular, the PMC contract outlines five core service areas, or elements, defining the types of services available through task orders as depicted in Exhibit 4.

² Contract Number CS-165.

EXHIBIT 4. CS-165 CORE SERVICE ELEMENTS



Source: Summary of CS-165 Executed Agreement, Appendix A, Services to be Provided by Contractor, Description of Services

SFPUC Task Order Process Used to Assign PMC Contract Work

Once tasks that are needed under CS-165 are identified, SFPUC's Contract Manager requests that the PMC propose a detailed scope with sub tasks or activities, staffing plan, schedule, cost, and deliverables. The designated SFPUC Project Manager is the Infrastructure Division's Director of Wastewater Capital Program; for the purposes of our audit, we refer to this position as the SFPUC Contract Manager.

A task order manager—a role typically filled by a project manager or project engineer within the Infrastructure Division's Project Management Bureau—is assigned to oversee the work performed under the task order. Task order details are jointly developed with the PMC and approved by SFPUC's task order managers and Contract Manager.³ Once approved, budget details are entered into the City and County of San Francisco's (City) payment system and the PMC can begin work once SFPUC issues a Notice to Proceed. Much of this process is captured in the San Francisco Online Invoicing System (SOLIS), which maintains pertinent transactional detail for contracts, task orders, approvals, invoices, and electronic payments. Exhibit 5 illustrates the task order flow to assign work to the PMC.

³ If the SFPUC Contract Manager also served as the task order manager, the Infrastructure Division's Assistant General Manager provided final approval on task orders proposed.

EXHIBIT 5. TASK ORDER FLOW USED TO ASSIGN WORK TO THE PMC



Since CS-165 commenced in June 2011, SFPUC issued 80 task orders totaling \$147 million--of which \$139 million, or 95 percent, has been spent as of November 2021. Refer to Appendix A for a complete list of task orders under CS-165.

Scope and Methodology

Sjoberg Evashenk Consulting, Inc., was engaged by the Controller's Audit Division, to conduct a performance audit of the San Francisco Public Utilities Commission's (SFPUC) Program Management Services contract for the SSIP (Agreement No. CS-165) and evaluate whether SFPUC's contract management practices and procedures were adequate to ensure the contractor complied with contract requirements.

To meet the audit's objectives, we performed the following:

- Interviewed SFPUC Infrastructure Division management and staff in the Wastewater Capitol Program, Project Management Bureau, Budget and Finance Group, and Workforce and Economic Program Services; External Affairs Bureau; the City Attorney's Office; San Francisco Public Works; and the PMC to gain an understanding of management and oversight practices over the CS-165 contract; task order development, review, approval, and management practices; systems and tools used; documentation retained; and policies and procedures in places.
- Reviewed key CS-165 documents, including Infrastructure Division policies and procedures, PMC Program Instructions, the SSIP Program Management Plan, organization charts, CS-165 contract, task order documentation, progress reports, invoices and timesheets, PMC staff addition and substitution requests, and screenshots and extracts from SFPUC's SOLIS.
- Requested and reviewed SFPUC CS-165 solicitation documents, PMC proposal, CS-165 contract, and long-term contract plan to identify the total budget, detailed budget breakdown, and projected cost schedule. In the absence of a detailed long-term plan for spending contract resources and detailed project budget, compared actual contract expenditures to-date to the total contract amount. In addition, compared SSIP PMC costs to industry standard and peer benchmarks.
- Of the 80 task orders executed under CS-165, tested 10 regarding the development, review and approval process; appropriateness of services procured; review and approval of services and deliverables; sufficiency of meetings and progress reports; contract management and oversight activities; and performance evaluations. The 10 task orders represented 36 percent, or \$53 million, of budgeted and approved CS-165 task orders, as of November 12, 2021. Selected 10 additional task orders to specifically assess the adherence of scopes of work with the contract.
- Tested 30 invoices (three invoices for each of the 10 sampled task order) to determine if SFPUC invoicing processes were followed, contractor timesheets were consistent with invoices, PMC staff additions and substitutions were reviewed and approved, PMC staff rates were consistent with the terms and rates established in the CS-165 contract, any services were billed and paid before task order Notices to Proceed, and appropriate evidence of review and approval of invoices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Chapter 1. Although the Consultant Complied With Contract Terms, SFPUC Contract Management Needs Improvement

Implementing a capital improvement program is a complex endeavor, especially for public owners, managing a multitude of projects over several years or even decades is a significant undertaking that requires a solid program management framework to ensure all aspects of the program are delivered timely, within budget, and as intended by the owner. With many public owners relying on professional PMCs, it is imperative for the owner to ensure that the PMC is not only complying with contract terms and conditions and delivering on the program management scope areas specified by the owner, but the owner must also employ sound oversight of PMC budgets and expenses and manage related costs closely and effectively. Without close overall contract management, costs can escalate drastically and negatively impact available resources for important program management services.

For the CS-165 contract, we found that for those scope areas we reviewed, the PMC fulfilled its contractual obligations; however, there was a lack of oversight at the overall contract level as discussed in this chapter.

SSIP's Program Management Contract Scope Generally Aligned With Industry Standards

As is typical for mega-scale capital improvement programs, public owners often engage the services of a program management consultant to augment in-house staff resources and leverage expertise of program management professionals to ensure successful delivery of their program. While like *project* management for a single infrastructure project, *program* management encompasses overseeing many projects of varying size, scopes, budgets, and schedules. Program management efforts are complex and require extensive coordination and efforts from all parties involved to minimize impacts of single project schedule delays or cost overages on the overall program delivery schedule and budget.⁴

When hiring a PMC, an owner decides which program management functions to outsource and how program management responsibilities are shared or delegated. As an owner representative, the PMC is tasked with protecting the owner's best interest over the life of the program—from inception to commissioning, and often is also involved during all stages of individual construction projects that are part of the overall program.

Our high-level comparison of SFPUC's CS-165 contract with program management contracts for other large scale water programs revealed similar scope of work areas.⁵ Specifically, areas covered in comparable contracts included but were not limited to overall program/project management, project controls, communications, environmental planning, permitting, and preliminary design services, which were also part of CS-165. All contracts were set up as broadly scoped, on-call contracts with specific task orders to be developed at a later point.

⁴ Construction Management Association of America (CMAA) Standards of Practice, 2021.

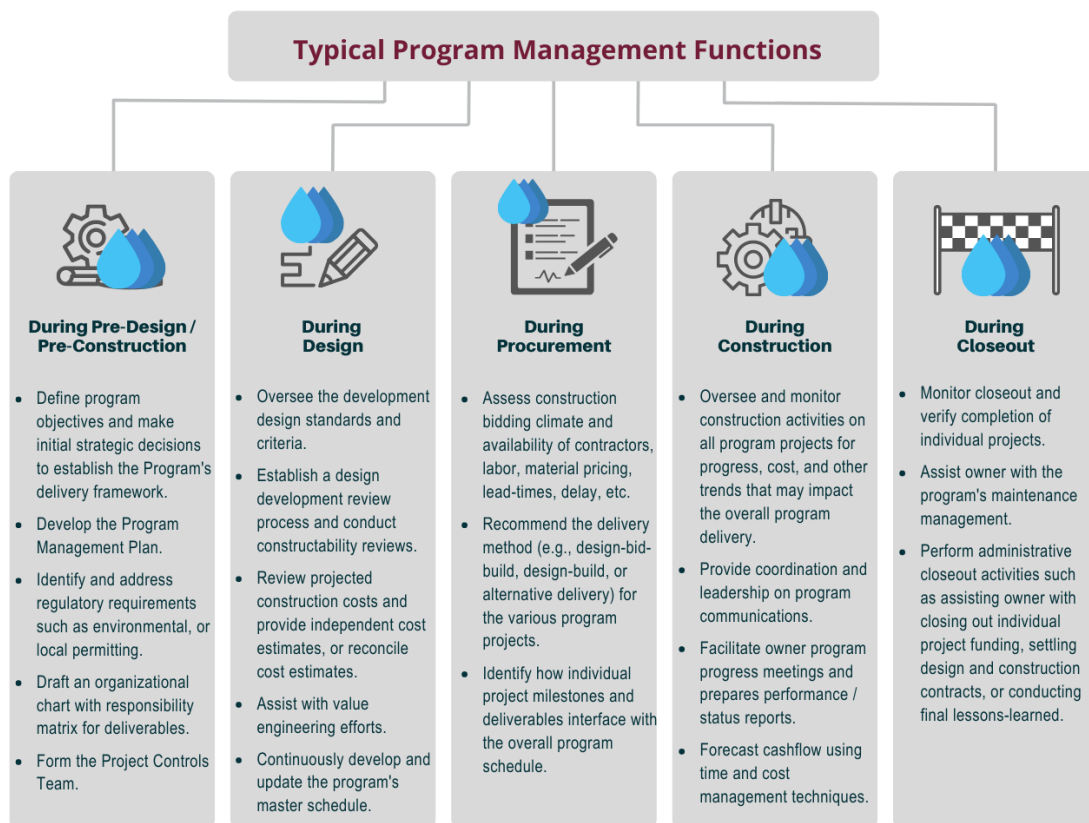
⁵ Program Management Contracts used for comparison were from City of San Diego Public Utilities Department Pure Water program (\$3B program), San Jose/Santa Clara Regional Wastewater Facility Capital Improvement Program (\$1.4B program), and Sites Reservoir Project Authority (\$4B program).

Consultant Complied With Contracted Program Management Functions

Simplified, a program management consultant integrates and coordinates activities of all parties involved with the delivery of the program, from the owner, consultants, contractors, to other agencies to ensure program objectives are fulfilled and public funds are spent effectively.⁶

When assessing SFPUC’s requirements and activities performed by the PMC with leading practice, we found that the PMC contract and contract task orders issued by SFPUC were generally aligned with functions typical of a program management consultant as shown in Exhibit 6. For example, the Program Management Plan (PMP) is a key deliverable typically prepared by the PMC on behalf of the owner at the start of the program to set the program’s framework and guide the delivery from inception through design, construction, and closeout. For SSIP, the PMP was a part of the first task order SFPUC issued under CS-165 and the resulting PMP completed by the PMC in 2013 contained all elements expected of such a plan such as definition of roles and responsibilities amongst both City and consultant program teams, protocols for risk management, program-wide engineering design requirements, and construction management.⁷

EXHIBIT 6. EXAMPLES OF KEY PROGRAM MANAGEMENT FUNCTIONS













Source: Auditor-generated from CMAA Standards of Practice, Chapter 11 Program Management, 2021 Edition.

⁶ CMAA Standards of Practice, 2021.

⁷ CMAA Standards of Practice, Chapter 11 Program Management, 2021.

As discussed in Chapter 3 of this report, we reviewed 10 of the 80 task orders issued under CS-165—accounting for 38 percent of the total PMC contract value—for program management services such as overall support, specific project technical support, or independent construction cost estimating to determine if the PMC complied with its contract obligations to provide those services. The task orders reviewed are listed in Exhibit 7. Our review found the PMC fulfilled the objectives and scopes of work for the task orders reviewed.

EXHIBIT 7. TEN TASK ORDERS ISSUED UNDER CS-165 REVIEWED

Task Order	Description	Notice to Proceed Date	Most Recent Budget Through FY 2021-22
70	 Provides SFPUC with SSIP programmatic support services, such as program management and contract administration, and support for program controls, communications, climate change analysis, compliance, and other programmatic tasks as-needed.	6/30/2016	\$39,120,430
72	 Provides SFPUC with SSIP programmatic support services, such as labor market analysis, technical assistance and outreach support for the Contractors Assistance Center, SFPUC Wastewater Enterprise climate change coordination, technical support, and stormwater control support.	7/5/2016	\$3,305,916
74	 Provides SFPUC with Southeast Treatment Plan projects support, such as project management support, SharePoint and document management support, technical quality reviews, and cost estimate support.	8/22/2016	\$2,642,632
76	 Provides SFPUC with services in support of developing and implementing asset management activities for the SFPUC Wastewater Enterprise's facilities.	11/19/2020	\$620,307
77	 Provides SFPUC with services for independent construction cost estimating support for the Biosolids Digester Facility Project.	5/12/2020	\$2,925,939
78	 Provides SFPUC with Southeast Treatment Plan support for new projects, such as program technical support, preliminary project scoping and development, and independent technical reviews and input.	3/4/2021	\$205,951
80	 Provides SFPUC with SSIP Central Bayside Improvements Project support related to development and implementation of the projects. Services offered included communications and reporting support, independent technical reviews and input, and schedule and budget support.	9/7/2016	\$1,291,484
85	 Provides SFPUC with planning, technical, and program management support on efforts that address the improvement planning, surveying, rehabilitation, and backflow prevention for combined sewer discharge structures.	6/4/2019	\$202,264
87	 Provides SFPUC with support related to developing and implementing Flood Resilience Programmatic Strategies and green infrastructure projects. Some of the services provided included program technical support, preliminary project scoping and development, project alternatives analysis support, and independent technical reviews and input.	8/5/2019	\$4,199,706
90	 Provides SFPUC with project support services related to Land Reuse of 1800 and 1801 Jerrold Ave, and Southeast Community Center Improvements. Services provided included program technical support, communications and reporting support, schedules and budget support, and cost estimates.	7/28/2016	\$1,763,613
Total:			\$56,278,242

Source: Auditor-generated from task order documentation through fiscal year 2021-22.

SFPUC's Contract Management and Oversight Practices Need Improvement

Like overall SSIP technical design and construction task and activities, owners need to appropriately oversee contracts for consultants and contractors hired to perform SSIP activities. Yet, while there are many industry guidelines on what program management should entail, there is less guidance prescribing how owners should

oversee a capital improvement PMC.⁸ Nonetheless, there are standard contract management practices which, if followed, could bolster a public owner’s level of accountability and oversight of a PMC and better ensure services performed by the PMC align with owner expectations in addition to being within contractually agreed-upon spending limits.

As part of a framework including established policies and procedures in addition to clearly defined roles and responsibilities, contract oversight requires close management of budgets and cost, schedule, scope and changes, and quality of deliverables evidenced through a document trail demonstrating contract administration. This monitoring of a consultant’s performance is critical to not just ensuring all contractual obligations are met, but also that owners are aware of and address any potential issues on the contact and on a program such as the SSIP. Specific industry objectives for contract administration include management of information and documentation including but not limited to schedule and progress reporting, budget-to-actual monitoring, keeping meeting minutes, developing cash flow projections, and ensuring all owner expectations regarding the quality of deliverables are met.⁹ However, as shown in Exhibit 8, SFPUC’s contract oversight practices need improvement – these areas are discussed in detail in Chapters 2 and 3 with recommendations for improvement.

EXHIBIT 8. COMPARISON OF LEADING CONTRACT OVERSIGHT PRACTICES WITH SFPUC’S SSIP PMC PRACTICES

Leading Contract Oversight Practice	SFPUC Performed	Report Section Discussed in More Detail
Watch contract budget and costs to ensure funding available over term of contract	Partial	Chapter 2
Track, approve, and document changes to contract (or task order) including budget	Partial	Chapter 2
Ensure services procured align with scope of work set forth in contract or task orders	Partial	Chapter 2
Approve task orders that include detailed information related to estimates on staffing, schedule, budget and scope of work	✓	Chapter 3
Monitor day-to-day work activities and approve timesheets	✓	Chapter 3
Verify accuracy of invoice and approving for payment	✓	Chapter 3
Formally approve and accept submitted deliverables	Partial	Chapter 3
Require adequate progress reports and status reports	Partial	Chapter 3
Maintain and retain appropriate records	Partial	Chapter 3
Complete consultant evaluations	✗	Chapter 3

Source: Leading practices developed based on guidance produced by American Water Works Association, Water Design-Build Council, and general strong control practices employed by public owners and entities in adherence with the Integrated Internal Control Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in addition to CMAA Contract Administration Guidelines issued in 2013 and Sjoberg Evashenk Consulting’s proprietary Capital Infrastructure Resource Library.

⁸ Program Management Institute (PMI) Publication “Program Management Outsourcing Challenges & Factors Contributing to Success”, 2014.

⁹ CMAA Contract Administration Guidelines issued in 2013 and Sjoberg Evashenk Consulting’s proprietary Capital Infrastructure Resource Library.

Formal Policies and Procedures Were Not Developed to Guide Contract Task Order Administration, Although Certain Ad Hoc Practices Were in Place

To appropriately manage operations and its PMC contract, public owners need to operate under a set of formal policies and procedures to set expectations, ensure consistency, and provide needed control of public funds and projects. However, SFPUC had no written guidance to help its management and staff properly oversee and manage CS-165 task order administration.

However, SFPUC described its informal and ad hoc policies and procedures used to carry out day-to-day administration and management activities for CS-165 task orders—which mostly related to the administrative processing of task orders and related invoices control. For instance, informal invoicing practices included:

- ✓ SFPUC's task order manager reviews and approves weekly labor hours entered by the PMC into an automated SFPUC time tracking system based on the manager's knowledge of work activities conducted.
- ✓ SFPUC's Infrastructure Budget and Finance (IBF) group perform an administrative review to confirm billing rates and staffing agree with contract provisions, time charged agrees with the weekly systems used, invoices are mathematically accurate and not double billed, and costs are within the approved task order budget.
- ✓ SFPUC must pre-authorized all non-labor charges and those charges must and supported by underlying invoices or other documentation.
- ✓ SFPUC's task order manager performs a programmatic review verifying the amounts invoiced reasonably align with the effort expended and services provided, work performed is consistent with the task order requirements, time charged agreed with the time approved through TimeLive or manual timesheets, non-labor allowable expenses were adequately supported, and required deliverables are submitted.
- ✓ After review and acceptance, both the task order manager and the PMC Contract Manager approve the invoice.

Given the significant size and length of the \$150 million PMC contract, SFPUC should have written guidance assigning key roles and responsibilities, describing expectations of performance and activities, ensuring consistencies over the life of the contract. This is especially critical since the Infrastructure Division experienced significant staffing turnover and suffered losses of institutional knowledge over the years with key leaders involved with administering CS-165 having left the SSIP and organization.

Recommendation

To strengthen its accountability over public funds and better manage the CS-165 and future PMC contracts, SFPUC should:

1. Formally adopt comprehensive policies and procedures covering all task order administration processes and requirements, including those discussed throughout this report.

Chapter 2: SFPUC Envisioned That Contract Would Provide PMC Services for 15 Years, but Inadequate Planning Caused Funds to Be Exhausted Years Earlier Than Anticipated

Strong contract oversight practices are critical for ensuring outsourced services are delivered in alignment with agency expectations and established budgets and schedules. Toward that goal, establishing a budget and controlling the use of limited contract resources to prioritize activities and ensure appropriate levels of funding will be available as needed over the life of the contract is imperative. With regard to cost management, leading industry practices involve establishing a realistic and consistent budget and ensuring the budget is controlled to provide the best, timely information to the owner.¹⁰

Although SFPUC established budgets and captured costs at an individual task order level, it did not manage funds overall for its PMC contract for the SSIP to ensure funds would be available over the life of the contract. In fact, SSIP management expects the \$150 million contract value to be fully expended during fiscal year 2022-23—several years earlier than expected. While this situation could be partially due to the initial contract budget not aligning with industry estimates and industry-wide cost increases due to inflation, labor shortages, and supply chain issues, SFPUC could not explain how the initial contract value was estimated and should have better managed to the contract limit costs regardless of the veracity of the budget developed. Additionally, while invoices reflected correct billing rates, approved staffing, and appropriately supported labor and non-labor charges, invoices and entries in SFPUC’s timekeeping system used by its consultants were inconsistently approved.

SFPUC Could Not Explain How \$150 Million PMC Contract Value—Lower Than Industry Averages—Was Established

When first advertising to receive bids from external consultants for PMC services, SFPUC estimated \$150 million would be needed across 15 years; however, SFPUC was unable to describe or demonstrate how that estimate was developed. Further, our review of peers and an industry study lead by the Construction Management Association of America in 2014, found that the proportion of PMC fees to SSIP program costs was lower than industry averages, which were an approximate average of 5.6 percent of a capital improvement program’s total budget.

It is Unclear how Contract Value Was Established

SFPUC advertised the PMC contract in 2011 for a not-to-exceed cost of \$150 million and estimated it would require 680,500 consultant hours to provide requested services in five task categories. However, no documentation exists to explain how the \$150 million budget was estimated or hours necessary were calculated. In fact, SFPUC indicated that its estimated hours were only used to calculate a “blended labor rate” for scoring during the procurement process.

As is typical in the construction industry when an owner hires a PMC, services are procured based on the consultant’s qualifications and not solely the consultant’s cost proposal. While program owners set a general

¹⁰ Construction Management Association of America (CMAA) Standards of Practice, 2021.

PMC budget and establish high-level scope areas as part of procurement and resulting contract documents, the final scope of work and associated budgets to deliver the desired services are often negotiated post-contract award through individual task orders—as was done by SFPUC.¹¹

Based on the hour estimates in the solicitation, SFPUC appears to have initially expected that the PMC would spend approximately 47 percent of its resources on programmatic work benefitting the SSIP under tasks 1 and 2—while the PMC’s remaining efforts, or 53 percent, would be spent on project-specific work under tasks 3 through 5. As shown in Exhibit 9, PMC’s cost estimate for each authorized task area based on SFPUC’s estimate of hours needed as well as other PMC charges totaled a combined \$149.2 million. However, no further breakdown of budgeted costs or assumptions behind cost calculations was provided.

EXHIBIT 9. COMPARISON OF CS-165 SOLICITATION HOURS BY TASK AND PROPOSED HOURS AND COST BY TASK

Cost Line Item	Solicitation Hours	PMC Hours Per Proposal	PMC’s Proposed Cost	Percent of Task Subtotal Cost
Task 1. Program Planning and Administration	199,000	199,000	\$39,292,457	29%
Task 2. Program Implementation	135,500	105,500	\$23,779,780	18%
Task 3. Project Technical Support	240,000	240,000	\$47,482,616	36%
Task 4. Program Controls	66,000	66,000	\$14,625,709	11%
Task 5. Pre-Construction Management and Planning	40,000	40,000	\$8,252,551	6%
<i>Task Sub Total</i>	<i>680,500</i>	<i>650,500</i>	<i>\$133,433,117</i>	<i>100%</i>
Other Direct Charges			\$3,000,000	
Escalation (CPI)			\$11,042,958	
Markup on Subconsultants			\$1,696,761	
Total Cost Estimate	\$150,000,000		\$149,172,832	

Source: CS-165 Solicitation and PMC Proposal.

PMC Contract Cost Estimates Do Not Align With Industry Averages

An industry study lead by the Construction Management Association of America in 2014 noted that average PMC fees should equate to approximately 5.6 percent of the program’s budget—but could increase up to as much as 18.3 percent.¹² Applying that industry average to the SSIP, total PMC fees for the entire program would have been closer to \$390 million. With the most recent advertisement for the next tranche of PMC services estimating another \$90 million in PMC fees needed to close out the SSIP over the next ten years, total PMC fees for the program could total \$240 million, or 3.4 percent of the entire SSIP—still less than the cited industry average.¹³

Moreover, another benchmarking review conducted by the City of San Jose for their Regional Wastewater program noted even higher PMC fee amounts—ranging from 5.9 percent at the Sacramento Regional County Sanitation District to 10 percent at the Orange County Sanitation District. For instance, like SFPUC, the

¹¹ CMAA Owner’s Guide to Construction & Program Management, 2011.

¹² CMAA Comparison of Construction Management & Program Management Fees, 2014.

¹³ Total of \$240 million combines the existing PMC contract fees of \$150 million with the additional advertised PMC services of \$90 million.

Orange County Sanitation District had a 15-year PMC contract term although its program was significantly smaller at \$2 billion. Yet, the Orange County Sanitation District’s PMC contract budget was \$200 million—\$50 million more than SFPUC.¹⁴

Conversely, those industry benchmarks differ though from our comparisons of SFPUC’s CS-165 budget with two other water programs in California. Because the others had smaller programs than SSIP ranging from \$1.4 billion to \$3 billion, we annualized the amounts for comparison purposes as shown in Exhibit 10. These results show that the SSIP contract budget for PMC services seems more in line with those programs—but is still lower for a program of this size.

EXHIBIT 10. COMPARISON OF PROGRAM MANAGEMENT FEES

	SSIP	San Diego Pure Water	San Jose/Santa Clara Regional Wastewater ^(A)
Program Value	\$7 Billion	\$3 Billion	\$1.4 Billion
Program Duration	20 Years	20 Years	10 Years
PMC Budget	\$150 Million over 15 Years	\$30 Million over 5 Years	\$39 Million over 5 Years
Auditor-Calculated PMC Fee in relation to Program Value	2.1%	3.1%	2.8%
Auditor-Adjusted PMC Fee for Program Value	\$10M / Year	\$18.8M / Year	\$7.8M / Year

Source: Auditor-generated from program management contracts and/or related RFQ/RFPs from entities shown in Exhibit.

Note: ^(A) The San Jose/Santa Clara program value increased PMC contract was amended at the end of Year 5 to extend to 10 years and increase the budget to \$78 million, which resulted in a ratio of 5.6 percent—in line with industry benchmarks.

Regardless of whether its PMC contract budgets align with industry averages or its peers, SFPUC should be able to support its assumptions and calculations for its contracted PMC services.

SFPUC Did Not Manage Overarching CS-165 Costs Across Task Orders, and Funds Were Spent Much More Quickly Than Expected

As is common with long-term PMC contracts, SFPUC structured its CS-165 agreement to provide significant flexibility by not detailing specific budgets for expected spending categories upfront.¹⁵ Flexibility in longer-term contracts—such as the SSIP PMC contract—is often built-in to react to changing conditions over time. This would be particularly relevant during the early years of the contract when SFPUC was initially establishing the SSIP and specific activities and services needed were being developed as the program progressed, expectations set, and site conditions assessed.¹⁶ Yet, with the only limitation in CS-165 being that costs did not exceed the contract’s \$150 million threshold for services provided, budget controls must be

¹⁴ City of San Jose Program Management Services Contract for the San Jose/Santa Clara Regional Wastewater Facility Capital Improvement Program, City Council Presentation, September 26, 2017.

¹⁵ Other similar PMC contracts used for comparison were for San Diego Pure Water, San Jose-Santa Clara Wasterwater, Sites Project Authority, as shown in Exhibit 10.

¹⁶ CMAA Standards of Practice, 2021.

employed to ensure resources are adequately controlled and remain available over the life of the contract. In fact, cost management is a critical component of contract administration—regardless of the industry or type of contracted service.

For example, while executed construction contracts have a maximum price or lump sum amount the contractor will get paid, the construction contractor is still required to itemize expenses within detailed categories aligned with the contract's schedule to show progress against the total contract amount. Similar for a task order-based professional services contract like CS-165, costs under unique task orders for specific scopes of work need to be rolled-up and monitored for spending against the total contract amount—just like line items on a construction contract. By not routinely consolidating task orders and reviewing spending at the contract level, budget oversight is effectively diminished and risks of contract budget overruns are significantly increased as SFPUC experienced with the CS-165 contract.¹⁷

No Overarching Monitoring Across Task Orders

One mechanism to control costs is to issue individual task orders authorizing specific work, activities, and deliverables to be completed. SFPUC used its task order process to define and approve smaller chunks of work for its PMC to conduct and carve out distinct budgets with related discrete tasks to manage the \$150 million contract. While using individual task orders to manage services and control costs is in line with best practices, SFPUC did not adequately oversee task orders to ensure resources were prioritized and overall contract funds remained available over the contract term.

Leading practices recommend that program owners maintain visibility and control over the entire contract to monitor how the portfolio of task orders underway or completed impact the overall PMC budget and schedule. Thus, in addition to the intimate review that SFPUC's task order managers should conduct on individual budgets and the technical, specialized work performed by its PMC on the SSIP, SFPUC's contract manager must control the administrative side of the contract and intervene when existing task orders approach contract limits or may be written for work unrelated to program management.

Although it intended the \$150 million PMC contract to provide SSIP support services over the entire 15-year contract period, SFPUC acknowledged that it did not establish a long-term plan to track and manage overall PMC costs across all individual task orders or prioritize resources to ensure funding remained available. Rather, SFPUC issued task orders on an informal, ad hoc basis and routinely increased budgets and scope with little oversight of the contract spend down across task orders. While this was permissible, it conflicted with best practices and the reasonable need to ensure funds lasted through the life of the contract. In addition to not sufficiently tracking or monitoring overall contract spending to ensure sufficient funds, SFPUC did not have the requisite oversight information to appropriately scale back PMC services as needed when faced with dwindling funds or alert SSIP executive sponsors governing the program that more money would be needed to provide adequate PMC oversight. Without adequate oversight, SFPUC could not determine how insufficient PMC funds impacts the scope of other SSIP contracts and activities. As of November 2021, SFPUC issued 80 task orders under its PMC contract totaling approximately \$147 million—of which \$139 million, or 95 percent, has been spent. SFPUC expects the full \$150 million contract to be exhausted by 2023—several years earlier than its expiration date.

¹⁷ CMAA Standards of Practice, 2021 and Sjoberg Evashenk Consulting's proprietary Capital Infrastructure Resource Library.

According to both SFPUC and the PMC, it was clear that contract funds were being expended too quickly and SFPUC acknowledged that an adequate process had not been implemented to prioritize critical tasks and plan resources. Both SFPUC and the PMC indicated that a meeting was held in fiscal year 2015-16 to discuss slowing spending and better prioritizing the remaining contract resources. While spending patterns declined in most of the subsequent years spending, the rate is still on pace to prematurely exhaust contract funds.

In recent years, SFPUC began to review planned contract expenditures more aggressively, by task order, to ensure the limited remaining contract funds were dedicated to the tasks viewed as highest priority. Unfortunately, this often meant reducing budgets and narrowing scope on task orders—potentially limiting their effectiveness overseeing the SSIP as envisioned—although, ultimately, these efforts had little impact on extending the availability of contract resources. While SFPUC should have formally communicated that funds were being exhausted to executive management earlier on in the contract, found additional resources to bridge funding gaps, or reduced scope and activities of the PMC or other areas of the program, these steps were not taken.

If individual task orders are not reviewed in relation to the complex portfolio of services provided by the PMC under CS-165 and PMC performance assessed at a global, overarching level, the risk of accelerated or over-spending of budgeted funds and performance of potentially out-of-scope services are increased. Like a single construction project where a project manager has responsibility for ensuring the project is delivered on time and on budget, the SFPUC contract manager has the same obligation over its PMC. In fact, PMC task order managers are like construction managers who serve as boots-on-the-ground overseeing the day-to-day construction work while the overarching project manager is accountable to ensure general contractors—or the PMC for the SSIP in this example—perform in accordance with contract terms.

Processes for Issuing and Revising Individual Task Orders Did Not Adequately Consider Long-Term Task Order Costs or Overall Sustainability of Contract Funding

Our review of SFPUC's oversight and management of 10 individual task orders revealed that SFPUC routinely revised task orders for additional scope of work and funding for the upcoming fiscal year on annual basis funding—although it did not adequately forecast overall task order costs against available contract resources nor did it maintain appropriate documentation of task order budget negotiations with its PMC.

Partly, this situation was due to SFPUC not establishing its initial task order budgets with full resources expected to fund all needed activities for an individual task order. Rather, SFPUC reviewed and revised task orders annually to incrementally increase scope and budget for services expected for the upcoming fiscal year. In fact, our testing of 10 task orders over the last seven years found that all but one task order had multiple budget revisions to extend services across additional years or expand scope of work resulting in fund increases from a low of 10 percent to high of 350 percent as shown in Exhibit 11.

EXHIBIT 11. COMPARISON OF INITIAL BUDGET TO MOST RECENT BUDGET FOR TEN TASK ORDERS REVIEWED

Task Order	Description	Initial Notice to Proceed Budget	Most Recent Budget as of May 2022	Percent Change
70	Program Management	\$8,688,699	\$39,120,431	350%
72	Project Technical Reviews	\$845,100	\$3,305,916	291%
74	Project Technical Reviews	\$1,069,805	\$2,642,632	147%
76	Asset Management	\$648,856	\$620,306	-4%
77	Project Cost Estimation	\$812,545	\$2,925,939	260%
78	Project Technical Support	\$123,027	\$205,951	67%
80	Project and Technical Support	\$1,176,500	\$1,291,484	10%
85	Projects Technical Support	\$101,167	\$202,264	100%
87	Program and Technical Support	\$1,337,331	\$4,199,706	214%
90	Project Support Services	\$539,900	\$1,763,613	227%
Total		\$15,342,930	\$ 56,278,242	267%

Source: Initial and Last Revision of Task Orders.

For each task order reviewed, SFPUC only set the initial task order budget for one or two years although it planned to have the PMC provide the requested task order service over a longer time period—thus, the budget variances noted in Exhibit 11 were not necessarily unreasonable. For example, SFPUC set an initial budget of approximately \$8.7 million for general program management support services under Task Order 70 for one year although these support services would be provided over several years. Thus, the 13 task order budget revisions increasing the budget 350 percent to more than \$39.1 million were mostly reasonable since SFPUC was just applying funding to the remaining time periods when SFPUC expected services to be provided. Seven of the 13 revisions, which accounted for most of the cost increase noted, were budget increases and partial encumbrances to extend the term to allow for on-going program management support services for five additional fiscal years—rather than unplanned cost overages.

Although it is not uncommon to link contract or task order budgets with a government’s annual budgetary funding cycles, SFPUC did not forecast the overall estimated cost of the task orders needed or schedule for completion throughout the contract’s life. This should have been done in addition to tracking annual funding commitments as part of typical contract cost management and control. This forward-looking practice would have enabled SFPUC to adequately forecast task order impacts against limited contract resources and ensure resources were spent in alignment with long-term plans and priorities.

Furthermore, we found that SFPUC retained some scope change request documentation, but generally did not retain supporting documents related to cost review or negotiations held when task orders and subsequent revisions were approved. During our in-depth review of Task Order 70 budget revisions, we found that SFPUC retained some scope change request documentation, but as discussed earlier, did not retain documentation of SFPUC’s task order cost review or negotiations. For instance, the first revision for Task Order 70 added approximately \$778,000 outside of the annual budget process. According to SFPUC, the revisions were due to changes in scope requested on several tasks; however, the task order revision did not

describe why the budgets were being amended nor detail changes to the scope of work. There were two formal change requests related to that first revision adding some detail justifying the increases, but those documents only supported \$69,000, or less than nine percent, of the \$778,000 budget increase. SFPUC provided anecdotal reasons based on staff recollections for the budget revisions, but these explanations did not fully detail why additional budget were needed or what additional activities would be performed.

According to SFPUC, they use change request forms to memorialize modifications to scope or budget outside of the annual review and revision process. However, because the modification process is viewed as labor intensive for both PMC and City staff, it was not consistently followed. As such, although SFPUC task order managers indicated they reviewed proposed task order budgets for the upcoming year to determine whether the hours and staff proposed appeared to be reasonable for the requested services, SFPUC did not maintain documentation of these negotiations and generally relied on the PMC's estimates as the contracted expert. While contemporaneous discussions on scope and budget are typical in a program like the SSIP when both owner and PMC staff are co-located working side-by-side to oversee the program, some evidence of price review and negotiation should be memorialized to ensure a shared understanding of agreements reached and protect the owner against potential claims or conflicts, safeguard that the owner is getting the best value from its limited resources, and provide transparency to the process.

To better ensure funds last through the contract term and appropriate services are provided to manage the SSIP through its PMC contract, it is imperative that SFPUC diligently manage and track resources across individual task orders. This could be done by developing long-term budgets and schedules for each task order when initiated and assessing the cumulative impact of task orders on available contract resources. However, given that the contract is expected to be fully exhausted by fiscal year 2022-23, SFPUC should revisit the remaining PMC services needed to appropriately support SFPUC's efforts to manage and implement SSIP and craft reliable estimates using industry benchmarks. Once cost estimates are completed, the SFPUC should work with its accounting staff to secure additional funding as needed or make budget and scope changes to other areas of the SSIP if funding is not available.

SFPUC Spent Contract Resources on Work Questionably Related to SSIP

In addition to the lack of long-term planning and limited oversight of task order budget increases discussed earlier, SFPUC also authorized work through task orders to have its PMC perform activities that were not specifically related to the SSIP or captured in the scope of CS-165.

Specifically, there were two instances where SFPUC authorized more than \$3 million in CS-165 task orders that included activities on separate SFPUC programs—namely, the Community Benefits Program and Social Impact Partnership Program. In one instance, SFPUC authorized PMC services for the development and implementation of the Community Benefits Program and Social Impact Partnership Program. In the other instance, questionable contract work activities related to the Community Benefits Program/Social Impact Partnership Program were commingled with other contract-specific activities (i.e., SFPUC's SSIP Project Labor Agreement and Job Training and Opportunities Program) making it difficult to discern what portion of the task order expenditures were related to the Community Benefits and Social Impact Partnership Programs. No other program documentation was available to help us determine funds spent on these non-SSIP programs. For example:

- **Task Order 11**—Issued in 2013, Task Order 11 required the PMC to develop and manage SFPUC’s internal Community Benefits Program and assist in facilitating SFPUC contractors’ Social Impact Partnership Program commitments. Some tasks assigned to the PMC in this task order included developing SFPUC’s Community Benefits plan and reporting; designing an implementation strategy for SFPUC’s Community Benefits Catalyst Projects; and researching, analyzing and adopting local and regional best practices for Community Benefits activities. None of this relates to the five service categories included in the CS-165 scope of work. Rather, the work defined in the task order was assisting another group within SFPUC in the development and implementation of an entirely unrelated program. For example, one of the activities under Task Order 11 involved the development of Community Benefits marketing materials, which provided descriptions of nonprofits participating in the program and detailed opportunities for contractors to work with the nonprofits, in the form of volunteer, in-kind services, and financial commitments.¹⁸ SFPUC expended roughly \$832,000 by the conclusion of Task Order 11.
- **Task Order 72**—Issued in 2016, one task under Task Order 72 requested PMC services to support SFPUC’s Community Benefits Program for several activities. Some subtasks assigned to the PMC included developing resource leveraging strategies, assisting community partners and SFPUC in funding community benefit programs, and supporting SFPUC’s Community Benefits Program. Like services requested under Task Order 11, these services were not discretely defined or consistent with providing development and management of a large-scale wastewater capital improvement program; rather, these services supported the development of an entirely separate program not under SFPUC Wastewater Enterprise’s purview. While the task itself had a budget of nearly \$2.2 million, it is not clear what portion of this \$2.2 million task order was devoted to performing Community Benefits-related services due to overlapping activities related to the SSIP Project Labor Agreement (allowable services consistent with CS-165) and the Community Benefits Program. Moreover, SFPUC was unable to locate any of the deliverables related to the task and reported that SFPUC External Affairs and SSIP staff, who might otherwise be able to provide insight into these services, are no longer with the agency.

SFPUC’s management felt these additional services were within CS-165’s scope of work because the contract permitted “as-needed” program management tasks that included specialized tasks “at the discretion of SFPUC.” However, this assertion seems invalid because that interpretation would allow SFPUC to potentially add any tasks to the contract regardless of they relate to the SSIP—the sole focus of CS-165. Although the PMC contract scope of work allows other “as-needed” program management services, these services must be consistent with the contract purpose and program area. The “as needed” services should not be considered a “catch-all” open-ended category to add ancillary activities and blur or inappropriately broaden the original intent of the contract and purpose for which it was initially solicited. In adopting this approach, SFPUC stretches the scope of professional services contracts to allow for a wide variety of services not originally contemplated when the contract was competitively solicited and awarded.

¹⁸ These services were related to what is now referred to as the Social Impact Partnership Program, which involved private contractors pledging donated money, in-kind goods and services, and volunteer hours as part of their proposals during SFPUC’s solicitation process as another means to score extra points on their proposals.

Although SFPUC Adequately Reviewed PMC Expenses to Validate Costs, Approval Protocols Need Improvement

SFPUC employed solid practices to ensure invoiced costs were appropriate and allowed under CS-165 task orders and ensured that expenditures did not exceed the contract's maximum value. For instance, staff approved consultant labor hours weekly, confirmed billing rates, ensured math accuracy, charges aligned with efforts and services provided, and work performed is consistent with task order requirements.

To determine if these practices were followed, we selected 30 invoices submitted between 2016 and 2022 for testing. We found SFPUC generally conducted thorough reviews of the costs invoiced by verifying labor hours and rates, staff charged, work effort, and non-labor charge. Invoices were reflected of correct billing rates, charged approved staff, supported non-labor charges, and were appropriately approved. Yet, we found instances where SFPUC could improve its practices over approvals—although there were no pervasive issues with the task order invoice reviews.

For instance, while most PMC labor hours were approved weekly either through SFPUC's automated system or through the manual timesheet process, there were nine instances where someone other than the task manager approved labor hours in the automated system which is inconsistent with described practices. The other approvers were mostly assistant project managers, which is low risk given that they work on the SSIP program and are likely familiar with the PMC's activities; however, there were three instances where administrative staff approved timesheets who were not designated by SFPUC to be sufficiently knowledgeable or aware of the appropriateness of PMC time charges.

Additionally, SFPUC did not follow its stated process for final approval of invoices. Specifically, in six of the 30 invoices tested, final approval from the Contract Manager or the Assistant General Manager was missing. Instead, the task order managers provided final approval. SFPUC provided explanations that senior oversight staffs' approval was not required on project-specific, technical task invoices—yet those senior SFPUC positions reviewed and approved nearly 20 other project-specific technical invoices we reviewed. Without being involved in the invoice review and approval process, the Contract Manager or Assistant General Manager may not have the requisite data to keep costs on track with approved budgets or keep visibility on the overall status and have a sense of budget status across all PMC task orders. Given the scarce contract resources remaining on CS-165, SFPUC should ensure that the designated individuals involved with approving all labor hours and invoices stay aware of and better control costs being charged.

Recommendations

To better ensure future PMC contract funds are sufficient to provide the services requested by SFPUC last the entirety of the contract term, and are adequately controlled to ensure contract resources are used in the most efficient manner for the greatest priorities, SFPUC should:

2. Ensure the assumptions used to determine the expected contract value and anticipated costs of PMC services procured are supported and documented. In addition, when establishing cost estimates, consider comparing internal estimates to comparable industry and peer averages for similar services to help determine whether estimates are reasonable.

3. Establish a formal, long-term plan to prioritize, track, and manage overall PMC costs across all individual task orders and prioritize resources to ensure funding remains available through the duration of the contract and is focused on the most important service needs. Regularly revisit its plan to assess whether actual contract expenditures align with the long-term plan and whether the plan needs to be revised and document needed changes.
4. Formally notify SFPUC executive management early on when forecasts project available contract funds will be insufficient to meet anticipated PMC service needs to determine whether additional funds can be secured to bridge gaps identified or reduce scope and activities of the PMC or other areas of the program to align with available resources.
5. Implement a process to develop long-term cost estimates, budgets, and schedules for each task order when initiated and revised and assess the cumulative long-term impact of task orders on available contract resources.
6. Retain documentation supporting task order price review and negotiation to ensure a shared understanding of agreements reached and protect the owner against potential claims or conflicts, safeguard that the owner is getting the best value from its limited resources, and provide transparency to the process.
7. Ensure designated individuals involved in approving all labor hours and invoices stay aware of and better control costs being charged.

Chapter 3: SFPUC Needs to Improve Several Aspects of Its CS-165 Task Order Administration

Contract oversight also includes monitoring contractor performance to ensure quality services and products are provided that meet owners' expectations and requested services are delivered. Industry tools used to oversee performance include review and approval of stated deliverables, regular meetings with contractors, and use of progress reporting to name a few. While SFPUC informally employed some of these tools, it needs to improve practices over the use of City employees as required, approval for high-value task orders, acceptance of PMC-submitted deliverables, document retention, meetings, and progress reports.

Task Orders Generally Include Sufficient Detail, but SFPUC Did Not Prioritize Use of City Employees or Seek Additional Approvals for High-Value Task Orders

As described in the background section of this report, SFPUC's practices to develop and approve task orders generally involved identifying a need, working collaboratively with the PMC to develop detailed scopes of work with budget estimates and deliverables, and assigning task order managers to oversee performance of services.

While SFPUC mostly did not have formal protocols guiding its administration and oversight of CS-165 task orders, we found most followed consistent practices and included sufficient detail and appropriate approvals. Specifically, based on our review of 10 task orders, all included detailed information related to estimates on staffing, schedule, and budget and most contained adequate descriptions of the scope of work and all were approved by the Task Order Manager or Director/Contract Manager. However, we found a few exceptions to the required task order development processes.

For example, Task Order 90 was increased by \$67,000 to add a new subtask related to Communication Support and Community Outreach services; however, the task order revision did not detail the scope of work associated with the new subtask although the subtask was reflected in the budget information. According to SFPUC, the current Task Order Manager was not involved with the subtask and those with direct knowledge of the circumstances surrounding the creation of the subtask were no longer with SFPUC.

Also, there were two written policies related to using City employees and requiring additional approvals for high value task orders that SFPUC did not follow. Specifically, before authorizing PMC services through a task order, the Infrastructure Division's CIP procedures requires SFPUC staff to determine if the work could be done internally or by San Francisco Public Works. However, based on our review of 10 task orders, SFPUC could not demonstrate that this analysis was completed.

Similarly, the Infrastructure Division's CIP procedures stated that total task orders including modifications cannot exceed \$100,000 without approval of Assistant General Manager. According to SFPUC, this policy was not followed as it was outdated. Ignoring stated policies circumvents necessary controls established to mitigate risks associated with inappropriate approval of large task orders, revisions, or expenditures.

To ensure it follows stated practice, SFPUC should memorialize its analysis of the use of City employees instead of external contractors and retain documentation in SSIP files. Further, if SFPUC feels the \$100,000

threshold for obtaining Assistant General Manager approval is outdated, it should update the policy. Until then, it should follow the stated policy and retain appropriate approvals received.

Task Orders Do Not Always Clearly or Consistently Define Services

SFPUC did not clearly identify or distinguish tangible deliverables required from its PMC from other service-type requested work and labels used to categorize requested PMC work did not always accurately reflect the nature of services procured.

Our review of 10 task orders revealed several instances where task order scopes of work did not clearly specify the type of services to be provided for task activities resulting in inconsistent assignment of similar services as either work activities, as-needed services, or deliverables. For example, for one task order (Task Order 70), we found that SFPUC had classified monthly progress reports for the CS-165 contract as work activities, rather than tangible deliverables that would be submitted for review and/or approval. Auditors characterized deliverables, work activities, and as needed services as follows:

- ✓ **Deliverable:** A tangible product submitted to SFPUC for review, comment, and approval that is subject to retention requirements.
- ✓ **Work Activity:** Labor hours of service consumed to achieve a particular purpose or result.
- ✓ **As-Needed Service:** Unplanned work activities or deliverables that are requested and provided on an ad hoc basis.

SFPUC inconsistently applied these labels across task order services. For example, some required, tangible deliverables were labeled as work activities, which could likely result in those items not being captured as deliverables that must be stored on the PMC SharePoint and transferred to SFPUC. Without consistently and accurately defining the nature of tasks and deliverables, it is difficult for SFPUC to ensure that all required deliverables (in aggregate) associated with CS-165 have been sufficiently delivered. To reduce the risk of misclassification of deliverables that might be subject to retention requirements, SFPUC should standardize definitions for services to be provided and clearly specify in task order documentation which classification requested services fall under.

SFPUC Cannot Demonstrate It Reviewed or Accepted PMC Contract Deliverables

One key feature of contract management to best ensure an external contract complies with terms and provides requested services is for public owners to review and accept contract deliverables. Specifically, leading practices note that scope of services should include “deliverables or other tangible methods for measuring performance”.¹⁹ Through our review of 10 task orders issued under CS-165, we identified 292 required deliverables and reviewed 45 in detail. Our review found that most were submitted (31 of 45) as required. The remaining deliverables were either still in-progress (5 of 45), cancelled (8 of 45), or unable to be located (1 of 45).

Of the deliverables that were submitted, in nearly all instances, there was no evidence of SFPUC review or formal acceptance of deliverables submitted despite language in the CS-165 contract specifying that “All

¹⁹ Construction Management Association of America (CMAA) Owner’s Guide to Construction and Program Management, 2011.

deliverables to be provided under this Agreement will be submitted for review prior to being finalized”—although SFPUC informed us formal approval and acceptance was not required. Without some indication of review and acceptance, SFPUC cannot demonstrate that it received expected value from the contracted services and products meet the level of quality expected. Through our detailed review of 10 CS-165 task orders, most SFPUC task order managers interviewed expressed satisfaction with PMC services and deliverables; however, we were informed that the project manager working on one task order was not satisfied as subpar deliverables were submitted, leading to problems during construction on certain SSIP projects—these sentiments appeared to be general perceptions and because there were no formal protocols or responsibilities established to accept deliverables as a condition of payment, the work products submitted on the task order were not rejected and the PMC was paid.

Further, because task orders did not provide a schedule or timeline for submitting deliverables in most cases, we could not determine whether deliverables were submitted on-time.

To improve its oversight and ensure work products meet the level of quality it expects, SFPUC should ensure that it formally documents its review and acceptance of contract deliverables before paying contractors for related services. This practice should be memorialized in written policies and procedures.

SFPUC Did Not Ensure CS-165 Documentation Is Properly Maintained

According to the National Association of State Procurement Officials, public owners like SFPUC should maintain contract files containing items such as the authorizing contracts and amendments, task orders and revisions, budgets and schedules, deliverables, and progress reports—all items that help memorialize decisions made, support contract costs, and demonstrate the value of contract services.

Because SFPUC did not have the infrastructure and expertise to handle a large-scale document control requiring collaboration with internal and external stakeholders to receive, organize, and archive SSIP documents, the CS-165 agreement required the PMC to implement such a centralized system to serve as the SSIP documentation repository. However, SFPUC did not monitor its contractor to confirm critical SSIP documents or deliverables were maintained, including CS-165 documents, nor did it not clearly identify responsibilities for monitoring its contractor’s document retention or clarify what needed to be stored. We looked for several CS-165 contract-related documents, and most were missing from the SharePoint folders.

File Structure Was Established as Required, but CS-165 Documents Are Not Adequately Stored

As described in the SSIP PMP, the PMC established a clear SSIP document retention structure on a SharePoint platform that included folders for both program documents and CS-165 contract documents. An example of part of the PMC SharePoint structure is shown in Exhibit 12.

EXHIBIT 12. EXAMPLE SNAPSHOT OF A PORTION OF PMC SHAREPOINT SSIP FILE STRUCTURE

FILE INDEX Sewer System Improvement Program Project File Folder Structure	
4.9 Public Outreach Events	5.1.9.5 Budget and Cumulative Expenditure Report – Weekly
4.9.1 Meetings	5.1.9.6 TimeLive Report – Weekly
4.9.2 Notices	5.1.9.7 Detailed Task Order Revision Log – Weekly
4.9.3 Sign-In Sheets	5.1.9.8 Task Order Executive Summary
4.9.4 Feedback Summary	5.1.9.9 Resource Forecast and Actual Usage Report – Monthly
4.9.5 Prize Wheel	5.1.10 Reference Proposals
4.9.6 Door to Door Canvassing	5.1.11 Miscellaneous
4.9.7 Other Documents	5.2 Contract Management
5. SSIP Program Management Consultant (PMC)	5.2.1 PM Consultant RFP
5.1 Program Planning & Administration	5.2.2 Proposals
5.1.1 Project Authorization	5.2.3 PMC Agreements/Contracts
5.1.2 Correspondence Incoming	5.2.3.1 Prime Contracts
5.1.3 Correspondence Outgoing	5.2.3.2 Sub-Contracts & Vender Agreements
5.1.4 Transmittals	5.2.3.3 Task Orders/Work Plans
5.1.5 Meetings	5.2.3.4 Sub Task Orders
5.1.5.1 Agendas	5.2.3.5 Other Direct Charges (ODC)
5.1.5.2 Meeting Minutes	5.2.4 Firms & Staff Additions
5.1.6 Memoranda	5.2.4.1 Staff Addition Request
5.1.7 Technical Memo	5.2.4.2 Firms Addition Request
5.1.8 Presentations	5.2.5 Correspondence Incoming
5.1.8.1 Validation Presentation Material	5.2.6 Correspondence Outgoing
5.1.8.2 Alternative Delivery Presentations	5.2.7 Progress Reports
5.1.9 PMC Program Controls Reports	5.2.7.1 Community Contributions Strategy Quarterly Report
5.1.9.1 Resource Allocation Report – Quarterly	5.2.8 Invoices
5.1.9.2 Monthly Progress Report	5.2.9 Budget & Revenue Projections
5.1.9.3 Budget and Cumulative Expenditures by Task Order Firm – Monthly	5.2.10 Deliverables
5.1.9.4 Change Request Status Report – Monthly	5.2.11 Request For Deliverables
	5.3 Quality Management

While the PMC SharePoint established folders for its CS-165 documents, it did not store complete data related to its budgets, schedules, invoices, deliverables, progress reports, or meetings. Specifically, we reviewed documentation related to CS-165 and 10 related task orders active between 2016 through 2022 and found related task order revisions, deliverables, and monthly progress reports were missing from the PMC SharePoint site as shown in Exhibit 13.

EXHIBIT 13. TESTING OF CS-165 CONTRACT DOCUMENTS LOCATED IN PMC SHAREPOINT REPOSITORY

Task Order No.	General Task Order Duration	Task Order In File	Progress Reports In File	Deliverables In File
70	June 2016 to June 2022	Partial	Partial	Partial
72	June 2016 to June 2021	Partial	Partial	Partial
74	August 2016 to June 2020	Partial	Partial	Partial
76	November 2020 to June 2022	✓	✗	✗
77	May 2020 to June 2022	✓	✗	✗
78	March 2021 to June 2022	✓	✗	Partial
80	September 2016 to June 2022	✓	Partial	✓
85	May 2019 to June 2022	✓	✗	✗
87	August 2019 to June 2022	✓	✗	✗
90	July 2016 to June 2022	✓	Partial	✗

Source: PMC SharePoint task order files reviewed on June 21, 2022.

Although task orders and progress report documentation was not always maintained in the SharePoint repository as envisioned by the file structure, SFPUC indicated that some of the information is maintained in SOLIS. However, we noted that some task order revisions and monthly progress reports were also missing in SOLIS.

Ultimately, staff had to search for documents through internal decentralized and unstructured personal files and folders spread widely across SFPUC’s organization in addition to asking external contractors. Despite these efforts that required an extensive amount of time and resources, SFPUC was still unable to locate some documents, particularly those controlled and maintained by individuals no longer employed at SFPUC. Although our testing focused on CS-165 contract documentation, similar issues could likely extend more broadly to all SSIP documentation.

Responsibilities Were Not Clearly Assigned to Ensure Critical Documents Are Maintained

While the PMC was designated as the SSIP document repository by contract and required to establish a related SharePoint site in accordance with the SSIP PMP, SFPUC never assigned responsibility for ensuring all relevant documents were stored and secured on the site. In fact, there was confusion among SSIP stakeholders related to this responsibility. Some at SFPUC believed that documentation management was solely the responsibility of the PMC, while others believed it was a shared responsibility between the PMC and SFPUC.

Further, there was no comprehensive guidance for the SSIP regarding maintenance of program documentation. Although SFPUC's Infrastructure Division has policies and procedures to guide how certain SSIP documentation was to be stored, maintained, and controlled, this guidance was limited to technical engineering documents and reports. SFPUC also did not have policies or guidance addressing SSIP-related document retention more broadly or CS-165-related information such as contract administration, task orders, deliverables, and project meeting information. Without better guidance, critical documents may be lost and unavailable to access to address potential litigation, understand infrastructure specifications and details, and ensure transparency and accountability in spending public funds.

To help ensure key PMC contract documentation is adequately managed, the Infrastructure Division should more clearly specify roles and responsibilities for documentation management across SFPUC and its PMC contractor with discrete procedural steps over a document's life, from creation to final disposition. Further, the Infrastructure Division should also specify the types of documents—such as deliverables, project meeting information, and invoices—that must be maintained and where they must be maintained during the project or task order's life.

SFPUC Faces Daunting Task to Ensure All SSIP Documentation Is Properly Transferred and Archived

Although not formally memorialized, SFPUC stated all SSIP documents maintained on the PMC SharePoint must be transferred to SFPUC's internal SharePoint for archiving at critical milestones throughout the program such as the end of preconstruction on a project or the closure of a task order. According to SFPUC, this critical documentation transfer process only occurs on an ad hoc basis since SFPUC's internal SharePoint is still under development and unable to meet the storage needs as currently designed.

Moreover, because the PMC SharePoint has not been used as the centralized documentation repository as intended over the last decade since the SSIP inception, SFPUC will be challenged to sufficiently identify and locate a comprehensive universe of all SSIP documentation that must be transferred increasing the likelihood that some historical SSIP information may be lost.

SFPUC Could Not Demonstrate CS-165 Meetings Adequately Managed PMC Services

With SFPUC's decentralized approach using task order managers to implement task orders for managing large, long-term contracts, instituting regular meetings is one mechanism available to public owners to manage and monitor contractors and their performance. Given the number of SFPUC task order managers involved in CS-165 and the magnitude of each task order, regular meetings are necessary to pool information on the status across task orders and the stay abreast of PMC efforts.²⁰ However, while SFPUC indicated regular meetings with the PMC occurred, content discussed was often not documented and or was not sufficient to provide assurance that the agency had engaged in appropriate oversight of the contractor. Further, strong contract management practices require documenting meetings, as well as including minutes containing what was discussed, attendees, decisions and action items.

²⁰ At any time, CS-165 has upwards of 15 active task orders covering a wide variety of topics such as cost estimates, risk management, and technical reviews and task order managers may be among several SFPUC program areas, including the Wastewater Enterprise, Project Management Bureau, and External Affairs, as well as in the City Attorney's Office.

For instance, contract and task order status information that might be discussed in such meetings would include the status of active and planned task orders, contract and task order budget-to-actual status, contract and task order schedule and budget, PMC performance, and progress towards defined PMC goals. We were informed that the PMC and SFPUC Infrastructure Division Director/Contract Manager held bi-weekly Executive Briefing Meetings to discuss similar types of topics including PMC-specific programmatic work, including services completed, future work, funding, encumbrances, and any issues at the contract and task order level. However, SFPUC could not demonstrate that these meetings addressed critical topics such as budget-to-actual status, approved and pending expenditures, contractor or program performance, or risks and challenges facing the program based on our review of biweekly meetings held between January 2020 and March 2022.

Of the 14 bi-weekly meetings sampled, 5 meetings did not occur, and of the 9 that did take place, SFPUC was only able to provide meeting invites—no agenda or meeting minutes capturing results of the discussions. While the topics SFPUC and the PMC indicated they discussed during these meetings aligns with leading practices, no documentation exists to substantiate the practice and indicate what was discussed. Without sufficient documentation, there is little evidence to determine whether these important contract management meetings were sufficient and included important discussions and outcomes of major decisions, particularly those related to changes in budget, scope, and schedule.

To ensure sufficient oversight for large capital improvement program PMC contracts, SFPUC should memorialize meeting discussions to confirm shared understanding of decisions reached on scope and critical budget considerations. Additionally, SFPUC should retain meeting documentation in contract files—such as the PMC’s SharePoint site—that includes complete meeting agendas and comprehensive meeting minutes.

SFPUC Could Improve Required Monthly Progress Reporting

Generally, the PMC complied with contract provisions requiring the submission of progress reports; although requirements were vague and did not clearly specify what information SFPUC needed or expected to be in the progress reports (e.g., requirements stipulate that progress reports should provide detailed information on the status, but do not specify the types of information to be included).

CS-165 included limited progress reporting requirements although a recent task order included marginally more detail on requirements—although it still did not specify sufficient detail for what was to be included in monthly progress reports. Specifically, Task Order 70 required progress reports to contain information related to the status and progress of all active task orders, including a summary of the current estimates and schedules; however, SFPUC reported that it had the PMC move away from this format before the most recent Director started.²¹ While requiring more information than CS-165, the direction is still vague and leaves the reporting requirements to the discretion of individual project managers.

For our period of review from 2016 to 2022, the PMC generally submitted monthly progress reports along with invoices to provide support for the charges invoiced, justify labor costs, and provide high-level bullet

²¹ Task Order 70 was issued a Notice to Proceed on June 30, 2016. As of Task Order 70’s Revision 10, issued June 16, 2021, the requirements for monthly progress reports were shortened to “define and develop Project Manager focused reports that provide Project Managers/ Task Order Managers with timely and detailed information on the status of individual Task Orders.”

points of key activities for both the current month and upcoming month. According to the SFPUC Contract Manager, the reports generally met the needs of SFPUC because the project team met with the PMC frequently and received needed information during those meetings—not through the monthly progress reports that generally lagged well behind information shared during biweekly projects meetings. Yet, because those meetings are not well-documented as discussed in the previous section, SFPUC could not fully demonstrate it adequately provided contract oversight.

Despite management’s intent regarding the progress reports, our review of information contained in task order progress reports found that the reports generally lacked any sort of meaningful information that might be used as a record of progress made, justification for budget or scope changes, or contractor performance. For instance, one task order had significant changes to scope and budget. According to the Task Order Manager, at the start of the task order, SFPUC was on the verge of firing the general contractor on a large SSIP project due to major discrepancies between preliminary cost estimates and estimates at the time of bid; in fact, the project was temporarily placed on hold as a result. This led to a significantly expanded cost estimate for services procured under the task order to ensure SFPUC was provided accurate estimates. In this case, PMC services were expanded from performing cost estimate reviews to developing independent, ground up estimates. By the conclusion of the task order, the budget increased from approximately \$800,000 to nearly \$3 million, yet discussions around these significant developments were not captured in the monthly progress reports.

Beginning in July 2021, the PMC began to include budget, invoiced-to-date, and percentage of budget spent amounts in progress reports—all good features to help SFPUC oversee contractor performance and status; however, this information did not always appear to be accurate. While the addition of these data points represented an improvement towards providing more meaningful information on the status of task orders in the progress reports, the progress reports we were provided for the ten sampled task orders at times had errors among a number of the progress reports generated after June 2021. Specifically, in several instances, monthly progress reports generated after June 2021 reflected financial values that were inaccurate for the reporting period. For example, the progress report for Task Order 70 Task A reported an invoiced-to-date amount of \$23,093,846 in July 2021, but the January 2022 progress report later reported a lower amount, a roughly \$270,000 decrease. According to SFPUC, the issues auditors identified with the amounts reported in the progress reports were the result of point-in-time generation issues, where the progress reports provided to auditors were generated on a different date than the reports that would have been initially provided to SFPUC during the reporting period, though the key activities reported would still be accurate.

Further, while these reports were compliant, we identified opportunities to improve and enhance the information reported to SFPUC through these monthly progress reports to include other features such as the following:

- ✓ Current budget
- ✓ Expenses to-date
- ✓ Forecasted costs to complete tasks
- ✓ Key activities performed during the reporting period
- ✓ Summary of issues and challenges
- ✓ Potential changes to the scope of work and budget
- ✓ Status of deliverables

This information is important because it not only provides contract managers with critical performance indicators on the progress of a contract and/or task order, it also formally memorializes task order progress. This lack of critical information resulted in a general lack of project documentation regarding the progress (or lack thereof) being made on CS-165 task orders and the overall SSIP as it relates to PMC responsibilities. Moreover, it aligns with leading practices that emphasize the importance of maintaining records throughout the life of a construction project or program—from memorializing program requirements in a formal PMP to formalizing project specific protocols in a project procedures manual (PPM).²² Most importantly, applying sound document controls could help SFPUC better manage contractor performance and formally memorialize task order progress. To better ensure SFPUC receives the information needed by management and to ensure key activities are clearly documented, SFPUC should more clearly define the elements that should be included in progress reports, establish a set format for reporting, and use information provided to better inform oversight needed of CS-165.

SFPUC Did Not Conduct Performance Evaluations

While CS-165 gives SFPUC discretion over whether to conduct contractor evaluations, the SFPUC's Infrastructure Division's Procedures Manual requires performance evaluations be completed for all multi-year consultant agreements greater than \$500,000 on both an annual basis and the conclusion of the contract. Our review revealed that SFPUC has not completed annual evaluations of its \$150 million PMC contract.

Specifically, there was no evidence that contract-level performance evaluations were conducted to assess the PMC's performance and for the 10 task orders reviewed, only one performance evaluation was completed. One SFPUC task order manager completed a performance evaluation assessing services provided for one out of the task order's 10 tasks, spanning a period of 10 months.²³ SFPUC management and task order managers indicated that discretion is permitted to determine if an evaluation should be completed. Moreover, according to the SFPUC Contract Manager, it was open to interpretation on whether the Infrastructure Division's Procedures Manual performance evaluation requirement applied to the PMC agreement and individual task orders.

Performance evaluations are useful for documenting contractor performance as means for the organization to better manage the existing contract, as well as keeping a record of the contractor's performance so that the organization might better consider a contractor's past performance when evaluating contractor proposals for future projects. Further, according to the Infrastructure Division's Procedures Manual, performance evaluations are a standard business practice to 1) determine if SFPUC is receiving good value and quality deliverables; 2) provide opportunities for continuous improvement; and 3) provide input in the selection process for future consultant agreements. Without regular performance evaluations, the organization foregoes the opportunity to provide meaningful feedback on a contractor's performance, as well as creates the risk that a low-performing contractor might be awarded a contract for similar services in the future.

To ensure performance evaluations are completed on a routine basis, SFPUC should require regular performance evaluations of the PMC and should also more clearly define the basis by which performance evaluations will be completed (either at the contract or task order level) in both the contract and procedure manuals.

²² CMAA Contract Administration Guidelines, 2013.

²³ Task Order 74: Southeast Treatment Plant Projects Support, Task J – New Southeast Lift Station.

Recommendations

To improve task order management and oversight practices as a means of ensuring quality services and products, requested services are delivered, contractor performance is sufficiently documented, and internal policies and procedures are followed, SFPUC should:

8. Memorialize its analysis of the use of City employees instead of external contractors.
9. Update the policy requiring Assistant General Manager approval for task orders over \$100,000 if outdated; until then, follow the stated policy and retain appropriate approvals received.
10. Consistently apply definitions for services and deliverables and clearly specify in task order documentation which classification requested services fall under.
11. Formally document its review and acceptance of contract deliverables before paying contractors for related services.
12. Clearly specify roles and responsibilities for documentation management across SFPUC and its PMC contractor with discrete procedural steps over a document's life, from creation to final disposition. Specify the types of documents—such as deliverables, project meeting information, and invoices—that must be maintained and where they must be maintained during the project or task order's life.
13. Memorialize meeting discussions to confirm shared understanding of decisions reached on scope and critical budget considerations and retain related meeting documentation in contract files—such as the PMC's SharePoint site—that includes complete meeting agendas and comprehensive meeting minutes.
14. Clearly define the elements that should be included in progress reports, establish a set format for reporting, and use information provided to better inform oversight needed of CS-165.
15. Require regular performance evaluations of the PMC and more clearly define the basis by which performance evaluations will be completed (either at the contract or task order level).

Appendix A. SSIP PMC Contract Task Order Universe

SSIP CS-165 contract task orders, as of November 12, 2021 (amounts in millions).

#	Task Order Description	Start	End	Task Order Value
1	SSIP Program Planning and Administration	09/02/11	06/30/16	\$26.10
2	Urban Watershed Assessments & Planning	10/07/11	06/30/16	\$11.85
3	North Shore Redundant Force Main Constructability Review	10/18/11	06/30/16	\$0.33
4	Program Controls Support	12/08/11	06/30/16	\$5.97
5	Southeast Water Pollution Control Plan	12/16/11	06/30/13	\$3.08
6	Document Management Support	12/16/11	06/30/14	\$0.17
7	Communications and Reporting Support	08/30/12	06/30/16	\$5.04
8	PM Support and Review Services – Central Bayside Project	11/27/12	06/30/16	\$0.64
9	Condition Assessment and Process Performance Evaluation – North Point Facility & Oceanside Plan	04/10/12	06/30/15	\$2.12
10	SharePoint Development for Wastewater Enterprise Project Development Process	07/24/12	06/30/13	\$0.03
11	Community Benefit Support	02/04/13	12/30/14	\$0.83
12	Comprehensive Risk Assessment and Risk Management Plan	04/10/12	06/30/14	\$0.19
13	Bayshore Sanitary District Sewer Services Rate Study Support	04/11/12	06/30/16	\$0.95
14	Alternative Project Delivery Systems	08/01/12	06/30/16	\$0.05
15	Southeast Water Pollution Control Plant (WPCP) Centrifuge Replacement Technical Support	04/17/12	06/30/16	\$0.00
16	Biosolids End-Use Market Assessment and High-Strength Waste Utilization Business Plan	02/04/13	06/30/16	\$0.64
17	Riva Pilot Study	08/30/12	06/30/16	\$0.13
18	Treasure Island Wastewater and Stormwater Infrastructure Evaluation Phase 1	09/13/12	06/30/16	\$0.15
19	Climate Change Analysis	08/29/13	06/30/16	\$0.67
20	Update to Subdivision Regulations - Sewer and Surface Conveyance Design Criteria	11/29/12	06/30/14	\$0.06
21	Collection System Condition Assessment Plan	05/09/13	06/30/15	\$0.75
22	Sunnydale Tunnel Supplementary Hydraulic Analysis	10/26/12	06/30/14	\$0.05
23	New Southeast Water Pollution Control Plant Headworks Planning	05/09/13	06/30/16	\$1.83
24	Digester Gas Storage Facility Failure Analysis	01/04/13	06/30/13	\$0.02
25	Technical Support and Review of 8 Washington Development Project	12/20/12	06/30/14	\$0.06
26	Green Infrastructure Early Implementation Projects	12/20/12	06/30/17	\$6.09
27	Wastewater Aerobic/Anaerobic Transformations in Sewers Odor Modeling Study for Wastewater Enterprise	03/13/13	06/30/16	\$0.24
28	Receiving Water Quality Modeling Study for Wastewater Enterprise	02/07/13	06/30/17	\$1.37
29	Southeast Water Pollution Control Plant Program Integration	02/21/14	03/30/16	\$4.10
30	Richmond Transport Tunnel Model	04/16/13	06/30/14	\$0.08
31	Project Description of Biosolids Project for Environmental Permitting Process	03/25/13	12/31/13	\$0.23
32	Biogas Beneficial Use Study at Southeast WPCP	04/18/13	12/30/13	\$0.13
33	Biosolids Digester Facilities Needs Assessment	04/18/13	06/30/14	\$0.14
34	SharePoint Development for Collection System Projects	05/09/13	06/30/15	\$0.02
35	Bayside Geotechnical Support	08/03/13	06/30/16	\$0.01
36	Technical Writing Support and Quality Assurance/Quality Control Review for Operations, Engineering, and Maintenance	02/12/14	06/30/16	\$0.43
37	Collections System Project Management Support	12/26/13	06/30/16	\$0.45
38	Technical Assistance with Outreach and Engagement for the Contractors Assistance Center	06/26/14	12/31/16	\$0.58

#	Task Order Description	Start	End	Task Order Value
39	Combined Sewer Discharge (CSD)/SSIP Condition Assessment Program	04/02/14	05/01/17	\$0.75
40	Southeast Plant Biosolids Digester Facilities Project (BDFP) Support	05/19/14	06/30/16	\$1.30
41	SSIP Compliance	06/04/14	06/30/16	\$0.79
42	Oceanside Fine Screen and Grit Removal Enhancements	06/04/14	06/30/16	\$0.04
43	Oceanside Project Interface and Support	11/05/14	06/30/16	\$0.43
44	Selby and Marin Outfall Structure Cover Design Proposal	07/29/14	12/31/15	\$0.05
45	Communications Strategy Implementation	10/31/14	06/30/16	\$0.74
46	Wet Weather Rate Analysis	11/19/14	06/30/19	\$0.17
47	Sewer Lateral Improvement Guideline and Policy Review	01/15/15	06/30/19	\$0.21
48	SFPUC Power Business Plan	01/21/15	06/30/16	\$0.08
50(A)	Green Infrastructure Construction Training Program	03/16/15	06/30/16	\$0.47
51	Construction Management Plan	05/06/15	06/30/16	\$0.50
52	Collection System Interdepartmental Project Support	06/30/15	06/30/16	\$0.05
53	Southeast Plant Logistics Coordination	09/16/15	06/30/16	\$0.75
54	Southeast Plant Project Review and Support	09/14/15	06/30/16	\$0.11
55	North Point Facility	10/14/15	06/30/17	\$0.07
56	Green Infrastructure Maintenance Manual	09/16/15	06/30/16	\$0.08
57	Flood Resilience for SSIP	08/10/15	06/30/16	\$1.39
59(A)	Triple Bottom Line Support for SSIP	09/08/15	06/30/16	\$0.08
60	Urban Watershed Assessment Incentive Programs Development	09/08/15	06/30/16	\$0.15
61	Distributed Control System Upgrade Support	01/13/16	11/30/16	\$0.03
63(A)	Cayuga and Wawona Stormwater Improvement Project Support	03/31/16	08/31/16	\$0.07
64	Folsom Area Stormwater Improvement Project Support	03/28/16	04/30/17	\$0.02
70(A)	SSIP Programmatic Support Services	06/30/16	06/30/22	\$37.00
71	SSIP Programmatic Green Infrastructure Support	06/30/16	06/30/18	\$0.40
72	Programmatic - WWE and Infrastructure Support	06/30/16	06/30/21	\$3.31
73	Biosolids Digester Facilities Project Support	06/30/16	06/30/18	\$1.72
74	Southeast Plant Projects Support	11/30/16	09/25/26	\$2.57
75	Oceanside Plant/North Point Facility Projects Support	08/22/16	06/30/22	\$0.63
76	Asset Management Support	11/18/20	06/30/22	\$0.62
77	BDFP Independent Estimate Support	05/11/20	06/30/22	\$2.93
78	Southeast Plants Projects Support	03/03/21	06/30/22	\$0.12
80(A)	Central Bayside Improvement System Project Support	09/06/16	06/30/22	\$1.29
81	SSIP Collection System Projects Support	08/11/16	06/29/18	\$1.42
82	Stormwater Management Early Implementation Projects Support	08/29/16	06/30/22	\$1.52
84(A)	Stormwater Management and Flood Resilience Projects Support	08/11/16	06/30/18	\$3.39
85	CSD & Transportation/Strategies Structures Support	05/31/19	06/30/22	\$0.20
86	Flood Resilience Project Support	06/04/19	06/30/22	\$0.62
87	Project Strategies Green Infrastructure Capital Support	08/03/19	06/30/22	\$3.07
89(A)	Technical Assistance for the City Attorney's Office	04/13/17	06/30/18	\$0.02
90	Land Reuse Projects Support	07/27/16	06/30/18	\$1.76
91	WWE/SSIP Advisory Support	07/24/19	06/30/21	\$0.05
80 Task Orders Total				\$146.55

Source: Auditor-generated from SFPUC's SOLIS financial and supply chain management system.

Note: (A) Denotes out of sequence task order numbering, not task order missing from listing.

Appendix B. Department Response



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February 6, 2023

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: San Francisco Public Utilities Commission (SFPUC)
Response to Sewer System Improvement Program
(SSIP) Audit

Dear Mr. de la Rosa,

Thank you for providing the SFPUC the opportunity to review the SSIP Program Audit Report and respond to its findings and recommendations.

We appreciate the time and effort spent by the staff of Sjoberg Evashenk Consulting, Inc., and the City Services Audit Division to review the SSIP Program over the last several months.

We have concurred with all fifteen audit recommendations. We are committed to incorporating these recommendations into our business practices, which will strengthen our SSIP program, operations, and administration.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Herrera".

Dennis Herrera
General Manager

CC: Ronald Flynn, Deputy General Manager
Nancy Hom, AGM Business Services/CFO
Stephen Robinson, AGM Infrastructure
Irella Blackwood, Audit Director

London N. Breed
Mayor

Newsha Ajami
President

Sophie Maxwell
Vice President

Tim Paulson
Commissioner

Tony Rivera
Commissioner

Kate Stacy
Commissioner

Dennis J. Herrera
General Manager

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



Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled Agency Response whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
San Francisco Public Utilities Commission should:		
1. Formally adopt comprehensive policies and procedures covering all task order administration processes and requirements, including those discussed throughout this report.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Plan: Update the comprehensive policies and procedures covering all task order administration processes and requirements. Implementation Date: 6/30/2023	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Ensure the assumptions used to determine the expected contract value and anticipated costs of PMC services procured are supported and documented. In addition, when establishing cost estimates, consider comparing internal estimates to comparable industry and peer averages for similar services to help determine whether estimates are reasonable.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Plan: Document the discussions and decisions leading to budget development for future PMC procurements. Implementation Date: 6/30/2023	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

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<p>3. Establish a formal, long-term plan to prioritize, track, and manage overall PMC costs across all individual task orders and prioritize resources to ensure funding remains available through the duration of the contract and is focused on the most important service needs. Regularly revisit its plan to assess whether actual contract expenditures align with the long-term plan and whether the plan needs to be revised and document needed changes.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Establish a plan for future PMC procurements. Require maintaining meeting minutes after each annual budget review meeting that is archived in a central archival system. Integrated with recommendation #1.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>4. Formally notify SFPUC executive management early on when forecasts project available contract funds will be insufficient to meet anticipated PMC service needs to determine whether additional funds can be secured to bridge gaps identified or reduce scope and activities of the PMC or other areas of the program to align with available resources.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Same as recommendation #3</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>5. Implement a process to develop long-term cost estimates, budgets, and schedules for each task order when initiated and revised and assess the cumulative long-term impact of task orders on available contract resources.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Same as recommendation #3</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

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<p>6. Retain documentation supporting task order price review and negotiation to ensure a shared understanding of agreements reached and protect the owner against potential claims or conflicts, safeguard that the owner is getting the best value from its limited resources, and provide transparency to the process.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Maintain archival of pertinent documentation of task order negotiation in a secure single archival system that can be accessed to provide audit trails. Integrated with recommendation #1.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>7. Ensure designated individuals involved in approving all labor hours and invoices stay aware of and better control costs being charged.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Process and Procedure has been changed. No more delegation of approvals to the administrative staff will be allowed. Only individuals involved in the project can be the designated approvers.</p> <p>Implementation Date: Completed 9/30/2022</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>8. Memorialize its analysis of the use of City employees instead of external contractors.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: To archive documentation when developing the staffing plan (during the RFP process) including communications with Local Union and Other City Departments.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>9. Update the policy requiring Assistant General Manager approval for task orders over \$100,000 if outdated; until then, follow the stated policy and retain appropriate approvals received.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Policy of requiring an AGM of Infrastructure’s approval for a task order greater than \$100K has been eliminated. Integrated with recommendation #1.</p> <p>Implementation Date: 2/28/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>10. Consistently apply definitions for services and deliverables and clearly specify in task order documentation which classification requested services fall under.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Provide clear explanation when there are deliverables type of work products versus work activities. The term deliverables can be misinterpreted as a work product such as reports that needed to be turned in at the completion of any task. Change the “Deliverables” type of billing in our invoicing system to say “Lump-sum”. Integrated with recommendation #1.</p> <p>Implementation Date: 3/31/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>11. Formally document its review and acceptance of contract deliverables before paying contractors for related services.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: See #10. In addition, for those task that have deliverables, it will require how the deliverables should be received on the task order to ensure the deliverable is formally accepted by way of signature from the deliverable recipient. Integrated with recommendation #1.</p> <p>Implementation Date: 2/28/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

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<p>12. Clearly specify roles and responsibilities for documentation management across SFPUC and its PMC contractor with discrete procedural steps over a document’s life, from creation to final disposition. Specify the types of documents—such as deliverables, project meeting information, and invoices—that must be maintained and where they must be maintained during the project or task order’s life.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Previously we were using Parson’s SharePoint because SFPUC did not have the technology to allow a 3rd party access. PUC now has implemented a technology that allows 3rd party access so we will be using SFPUC SharePoint for archiving documents going forward. Furthermore, we will establish standard roles and responsibility for project teams in the next PMC contract to clearly identify who should turn over the records for archiving. The archival requirement should be included in the task order during creation.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>13. Memorialize meeting discussions to confirm shared understanding of decisions reached on scope and critical budget considerations and retain related meeting documentation in contract files—such as the PMC’s SharePoint site—that includes complete meeting agendas and comprehensive meeting minutes.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Ensure task order development meetings minutes are recorded to track decisions. Incorporate this as an archival requirement and clearly define who is responsible on the next PMC contract.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>14. Clearly define the elements that should be included in progress reports, establish a set format for reporting, and use information provided to better inform oversight needed of CS-165.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Plan: Will incorporate this requirement into the existing Contract Management Procedure.</p> <p>Implementation Date: 6/30/2023</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

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<p>15. Require regular performance evaluations of the PMC and more clearly define the basis by which performance evaluations will be completed (either at the contract or task order level).</p>	<p> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur </p> <p>Plan: Will clarify performance evaluation process and enforce annual evaluations as part of annual task order modification process.</p> <p>Implementation Date: 12/31/2023</p>	<p> <input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested </p>

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