




OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
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FIELD FOLLOW-UP MEMORANDUM

TO: Dennis Herrera, General Manager
San Francisco Public Utilities Commission

FROM: Mark de la Rosa, Director of Audits 
Audits Division, City Services Auditor

DATE: December 7, 2023

SUBJECT: **Field Follow-up of the 2021 Public Integrity Audit: Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program**

SUMMARY

In December 2021 the Office of the Controller's City Services Auditor (CSA) issued an audit report, *Public Integrity Audit: Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program*. CSA has completed a field follow-up to determine the corrective actions that the San Francisco Public Utilities Commission (SFPUC) has taken in response to the report. The report contains seven recommendations, all of which have been implemented and closed.

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

Since 2011, the SFPUC's Social Impact Partnership (SIP) Program has resulted in contractor commitments of approximately \$22 million, 82,000 person-hours, and nearly \$1 million in in-kind services to support communities in SFPUC's service area. In 2021 CSA audited SFPUC to assess the appropriateness and effectiveness of SFPUC's governance and oversight of the SIP Program. The audit found that the SIP Program lacked the infrastructure and policies necessary for its sustainability that a fully developed program would have. This includes weakness in internal controls, inconsistent and unreliable recordkeeping, inadequate program monitoring, and a lack of a sustainable framework, which includes policies and procedures, systems, and resources, to ensure program success in the long term. It also revealed that roughly two-thirds of all contractor commitments made since 2011 were not fulfilled. The audit report made seven recommendations related to the

governance and oversight of the SIP Program including the evaluation of the SIP criteria used in the selection process and review of SFPUC's SIP Program outcomes.

Objective

The objective of this field follow-up was to determine whether SFPUC has taken the corrective actions recommended in CSA's 2021 audit report. Consistent with Government Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purposes of audit reports include facilitating follow-up to determine whether appropriate corrective actions have been taken.

This field follow-up is a nonaudit service. Generally accepted government auditing standards do not cover nonaudit services, which are defined as professional services other than audits or attestation engagements. Therefore, SFPUC is responsible for the substantive outcomes of the work performed during this field follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the nonaudit service.

Methodology

To conduct the field follow-up, CSA:

- Obtained documentary evidence from SFPUC.
- Interviewed SFPUC staff to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that SFPUC had reported as implemented.

RESULTS

SFPUC has fulfilled the intent of all seven recommendations made in CSA's December 2021 report, which, consequently, are now considered closed. The following exhibit summarizes the status of the recommendations.

Implemented and Closed Recommendations

Recommendation	Conclusion
San Francisco Public Utilities Commission should:	
<ol style="list-style-type: none"> 1. Take steps to enforce contract requirements related to the SIP Program, including consideration of the following: <ol style="list-style-type: none"> a. Institute procedures to proactively contact contractors that do not meet reporting requirements and notify contractors that have not demonstrated adequate progress in fulfilling their commitments. b. Post on the program website information related to contractor performance for all contractors participating in the program, including commitments fulfilled and unfulfilled, nonprofit organization beneficiaries, and compliance with program requirements. c. Incorporate contractors' past performance in fulfilling commitments into future solicitation criteria for participation in the program. d. Apply liquidated damages or other penalties to contractors that fail to meet their commitments. 	<p>SFPUC has taken steps to enforce contract requirements related to the SIP Program to address the audit recommendation. Specifically, SFPUC has:</p> <ol style="list-style-type: none"> a. Documented procedures to proactively contact contractors who do not meet reporting requirements or do not make adequate progress in fulfilling their commitments, including developing e-mail communication templates and a standardized email schedule related to reporting requirements and performance for compliant and non-compliant contractors. b. Developed a public interactive dashboard demonstrating contractor performance, which includes data on active and completed contracts, delivered and still-to-be-delivered commitments, and nonprofit beneficiaries and firm compliance with program. The dashboard also shows types of commitments made by firms, such as for volunteer hours, good/products, and financial donations. The SIP dashboard is updated at least biannually after each reporting period. c. Updated their SIP Request for Proposals (RFP) template to require submission of reference projects that demonstrate the contractor's past performance in fulfilling commitments. d. Updated their SIP RFP template to include accountability language, legal remedies, and liquidated damage clauses.

Recommendation	Conclusion
<p>2. Move forward with plans to obtain Board of Supervisors approval of a SIP Program policy that includes requirements to standardize processes and practices and provide clear, consistent guidance for the program's contractors.</p>	<p>On December 13, 2022, The Board of Supervisors passed and adopted Ordinance No. 261-22, which authorizes the SFPUC SIP Program and requires SFPUC to adopt rules and regulations to implement it. Through Resolution No. 23-0075, Rules and Regulations for the implementation of the SIP Program was adopted by SFPUC on April 11, 2023.</p>
<p>3. Develop formal, written SIP Program policies and procedures on:</p> <ul style="list-style-type: none"> a. The oversight and management of the program and guidance provided to external parties. b. Roles and responsibilities of staff and management assigned to the program. c. Standardized contract provisions and protocols for monitoring and reporting on contractor compliance. d. Access and usage of information systems used for program management. 	<p>SFPUC has developed formal, written SIP Program policies and procedures. Specifically, SFPUC has:</p> <ul style="list-style-type: none"> a. Developed rules and regulations to provide guidance to SIP Program participants, such as contractors and beneficiaries, to effectively implement their SIP commitments, provide oversight, and ensure that the proposed SIP commitments are delivered in a transparent and accountable manner. b. Conducted a staff assessment to produce the SIP Staff Roles & Responsibilities, which reflects the current staffing model by outlining the roles and key responsibilities of staff. c. Included in the SIP Program Rules and Regulations are standardized contract provisions covering contract SIP Program requirements to obligate a contractor to perform and fulfill a Social Impact Commitment. Contractors are required to submit regular, bi-annual, SIP Program performance reports and required documentation to the SFPUC via an online portal. According to the Program Rules and Regulations, SFPUC will regularly monitor progress made on each SIP covered contract to ensure compliance and the delivery of commitments. d. Provided contractors access to the public dashboard to confirm their recorded performance and the progress of their Social Impact Commitments.

Recommendation	Conclusion
<p>4. Formalize the Contract Administration Bureau's record retention policy and ensure the bureau retains all documentation supporting the solicitation and contract award process, including documentation relating to the SIP Program. In doing so, SFPUC should consider developing a formal checklist and filing system to ensure all documentation is retained in a central location and files are easy to locate in the event of staff attrition.</p>	<p>The Contract Administration Bureau's Records Retention Policy and Retention Schedule was finalized and effective as of October 3, 2022. Each division is responsible for maintaining and retaining their records, including supporting documentation relating to the SIP Program. The Policy and Schedule ensures that SFPUC staff retain records necessary for effective business administration, create a records retention period, issue guidelines for handling documents for legal purposes, and comply with laws and regulations.</p>
<p>5. Ensure staff review required SIP reports and underlying documentation in a timely manner, ensuring information reported by contractors is accurate, reliable, and supported. As discrepancies are identified, SFPUC should proactively and promptly contact contractors to address the discrepancies and areas where additional support is necessary. Documentation supporting SFPUC's efforts should be retained in Salesforce or a centrally located network drive that is available in the event of staff turnover.</p> <p>a. SFPUC should also conduct periodic supervisory reviews of a sample of approved contractor submissions to ensure that SIP Program staff are following established processes and that information reported by the contractor is supported by the underlying documentation required by SFPUC.</p>	<p>SFPUC has SIP documentation and reporting data validation procedure that includes three levels of review of SIP firm submissions to ensure compliance with SIP reporting and documentation requirements. If submissions do not pass the first two reviews, they are rejected, flagged in a reporting tracker, and SIP staff contact the contractor to rectify. The submissions must go back through the review process from the beginning. During the final review, the Community Benefits Deputy Director reviews 20 percent of all submissions and documents any findings, discrepancies or issues identified during the SIP staff's review of approved contractor submissions. The Community Benefits Deputy Director subsequently makes recommendations and monitors the implementation of the recommended actions and ensures that any identified issues are addressed appropriately. If issues persist, follow-up reviews are conducted to track progress and ensure resolution.</p>
<p>6. Assess SIP Program staffing levels to ensure sufficient resources are available to provide oversight and controls necessary to ensure the integrity of the program and accuracy of information reported.</p>	<p>SFPUC's SIP Staff Roles and Responsibilities guide highlights the staffing structure with detailed job duties, classifications, and competencies required for the program. According to SFPUC, the SIP Program is fully staffed as of September 2023, with the recent addition of the SIP Senior Administrative Analyst in April 2023.</p>
<p>7. Increase transparency into the SIP Program by implementing a publicly</p>	<p>The SIP Dashboard is publicly available online to ensure transparency and accountability of the</p>

Recommendation	Conclusion
available SIP Performance Dashboard and implement internal controls to ensure the dashboard presents data that is accurate, reliable, and updated in a timely manner.	contractor's SIP commitments. SIP commitments, delivery of commitments, and contractor performance regarding contract compliance and delivery are reported on the SIP performance dashboard.

CSA extends its appreciation to you and your staff who assisted with this review. If you have any questions or concerns, please call me at (415) 554-7574 or e-mail me at mark.p.delarosa@sfgov.org.

cc: San Francisco Public Utilities Commission

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Attachment

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November 27, 2023

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Subject: Field Follow-up of the 2021 Public Integrity Audit: Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program

Dear Mr. de la Rosa,

Thank you for providing us the opportunity to review the report, *Field Follow-up of the 2021 Public Integrity Audit: Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program*, prepared by the Controller's Office City Services Auditor.

We appreciate the time your staff dedicated to this field follow-up. We are pleased by the determination that SFPUC has fulfilled the intent of all seven recommendations made in CSA's December 2021 report, and that these recommendations are now considered closed.

If there are any questions or additional information is needed, please do not hesitate to contact me at 415-554-1600.

Sincerely,


Dennis J. Herrera
General Manager

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