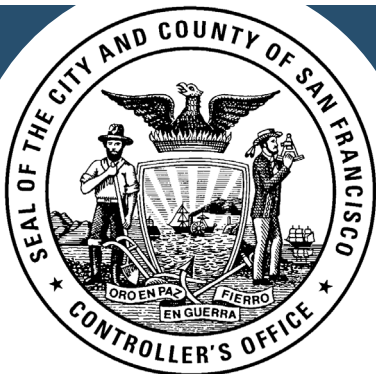


# Public Integrity Reviews 2024 Update

## Implementation Status of Recommendations



**CITY & COUNTY OF SAN FRANCISCO**

Controller's Office

August 1, 2024

In January 2020, former Public Works Director Mohammed Nuru (Nuru) was criminally charged with a scheme to defraud the City of his honest services by providing official action in exchange for bribes. As part of his guilty plea, Nuru admitted to accepting bribes, beginning in 2008, in exchange for official actions related to refuse rates and City contracts at Public Works, Airport, and Port. Nuru admitted to accepting bribes from Walter Wong, Nick Bovis, Florence Kong, Balmore Hernandez, William Gilmartin, Alan Varela, Ken Wong, Recology employees Paul Giusti and John Porter, and Chinese developer Zhang Li. Nuru's admissions implicated Sandra Zuniga (who laundered money for him), Tom Hui (who also accepted meals from developer Li), and Linda Crayton (an Airport Commissioner who met with Nuru and Bovis).

In response to the criminal charges against Nuru, the City Attorney's Office (City Attorney) and the Controller's Office (Controller) launched a joint investigation into public corruption identified in the criminal complaint. The City Attorney focused on employee and contractor wrongdoing, and the Controller undertook a public integrity review of contracts, purchase orders, and grants to identify red flags possibly indicating process failures.

Now, more than four years after the original complaint against Nuru, investigations by multiple federal and local agencies have resulted in (1) criminal charges against 26 individuals and two corporations; (2) resignation or termination of over a dozen additional city officials and employees; (3) suspension, debarment, and/or settlement of 14 individuals and corporate city contractors; and (4) settlements with three contractors for the payment of restitution and civil fines.

The Controller, in conjunction with the City Attorney, has issued more than a dozen Public Integrity Assessments containing 79 recommendations. This slide deck provides a summary of the findings related to public corruption allegations ranging from 2008 through 2020 and reports on the status of 79 recommendations made in those assessments, including implementation of corrective actions from 2020 to date.

## Summary of Recommendations

Controller has issued **ten preliminary Public Integrity assessments, two audit reports, and two status update reports to date**. Each assessment report identifies areas for further review and makes preliminary recommendations for the City to ensure increased transparency in its operations and to address internal control weaknesses and risks in a timely manner. The benefit to be gained from this work is not in the recommendations made, but in the **effective implementation of those recommendations** to mitigate internal control weaknesses and risks. The Controller now provides this update on the implementation status of the recommendations it has issued to date, which are in the reports listed below.

Date Issued	Title of Public Integrity Assessment or Audit Report	Number of Recommendations	Implemented	Partially Implemented	In Progress	Will Not Be Implemented
6/29/2020	San Francisco Public Works Contracting	8	5	2	1	-
9/24/2020	Gifts to Departments Through Non-City Organizations Lack Transparency and Create "Pay to Play" Risk	10	9	1	-	-
11/05/2020	San Francisco's Debarment Process	1	1	-	-	-
1/11/2021	Ethical Standards for Contract Award Processes of the Airport Commission and Other Commissions and Boards	10	7	1	2	-
4/14/2021	Refuse Rate-Setting Process Lacks Transparency and Timely Safeguards	5	5	-	-	-
9/16/2021	Department of Building Inspection's Permitting and Inspections Processes	8	8	-	-	-
12/09/2021	Significant Changes Are Needed to the Design, Monitoring, and Control of the San Francisco Public Utilities Commission's Social Impact Partnership Program	7	7	-	-	-
4/08/2022	San Francisco Department of the Environment's Relationship with Recology and Lack of Compliance With Ethics Rules	9	9	-	-	-
5/16/2022	Refuse Rate-Setting Process Update Based on Additional Reviews and Meetings With Recology	6	6	-	-	-
7/13/2023	Recology San Francisco Generally Managed the Landfill Disposal Fees Appropriately but Did Not Always Comply With It's City Contract	9	5	-	2	2
10/17/2023	The Community Challenge Grant Program's 2023 Solicitation Process Was Deeply Flawed and Needs To Be Redone Properly	3	2	-	1	-
3/28/2024	Criminal Conduct by Former San Francisco Public Utilities Commission General Manager Harlan Kelly Undermined the Integrity of City Procurements Despite Existing Rules Governing Gifts, Disclosures, and Sole Source Waivers.	3	-	-	3	-
<b>Total</b>		<b>79</b>	<b>64</b>	<b>4</b>	<b>9</b>	<b>2</b>

# Status Updates on Criminally Charged Individuals/Entities

## 28 former city employees, officials, contractors, and/or others have been criminally charged.

### Former City Employees

Name	Description	Charges/Pleadings	Sentence/Sanctions
<b>Mohammed Nuru</b> CR 21-00490 WHO	Former director, San Francisco Public Works (Public Works)  <i>Accepted bribes from Recology, Wong, Kong, Hernandez, Varela, Gilmartin, Bovis, and Li.</i>	<b>Charges:</b> Honest services wire fraud, conspiracy to commit money laundering, and false statement to a government agency  <b>Status:</b> Pled guilty to honest services wire fraud (January 2022).	Sentenced to seven years in prison; three years of supervised release; \$35,000 fine; forfeiture of second home in Stonyford, California (August 2022); forfeiture of city employee pension.
<b>Sandra Zuniga</b> CR 21-00096 WHO	Former director, Mayor's Office of Neighborhood Services (Neighborhood Services)  <i>Laundered bribes for Nuru.</i>	<b>Charges:</b> Conspiracy to launder money  <b>Status:</b> Pled guilty to conspiring to commit money laundering with Mr. Nuru and agreed to cooperate with federal investigators (March 2021).	Sentenced to three years of probation; fine waived (December 2023).
<b>Harlan Kelly, Jr.</b> CR 21-00402 RS	Former general manager, San Francisco Public Utilities Commission (SFPUC)  <i>Accepted bribes from Wong.</i>	<b>Charges:</b> Honest services wire fraud and conspiracy to commit honest services wire fraud in connection with a bribery scheme; separate from the bribery scheme, bank fraud and conspiracy to commit fraud  <b>Status:</b> Convicted at trial of six out of nine counts, including conspiracy to commit honest services wire fraud (July 2023).	Sentenced to four years in prison; three years of supervised release; \$10,000 fine (March 2024); forfeiture of city employee pension.
<b>Bernard Curran</b> CR 21-00453 SI SF 22001657 (local case)	Former senior building inspector, Department of Building Inspection (DBI)  <i>Accepted bribes from Santos and others and failed to disclose loan from property owner.</i>	<b>Charges:</b> Honest services wire fraud (U.S. Attorney); perjury, violation of conflict-of interest laws (District Attorney)  <b>Status:</b> Pled guilty to federal charges for accepting bribes as rewards for approving building permits (December 2022) and pled guilty to local conflict of interest charges (September 2023).	Sentenced to one year and one day in prison; two years of supervised release; fine waived (October 2023); sentenced locally to two years in prison concurrent with federal sentence; forfeiture of city employee pension.
<b>Gerald Sanguinetti</b> CRI-21006697	Former bureau manager, Public Works  <i>Failed to report wife's income from SDL Merchandising. SDL Merchandising was paid out of a Nuru controlled bank account at Parks Alliance for t-shirts and hats for Public Works employee appreciation events.</i>	<b>Charges:</b> Failure to disclose interest or income  <b>Status:</b> Pled no contest (July 2022).	Convicted of two misdemeanor counts for violating San Francisco Campaign and Governmental Conduct Code, Section 3.1-102(a); placed on probation; fined \$10,000.

# Status Updates on Criminally Charged Individuals/Entities

## Former City Employees *(continued)*

Name	Description	Charges/Pleadings	Sentence/Sanctions
<b>Lanita Henriquez</b>  Court No. 23013637	Former program director, City Administrator  <i>Accepted kickbacks from Dwayne Jones.</i>	<b>Charges:</b> Misappropriation of public money, bribery, and financial conflict of interest in a government contract (August 2023).  <b>Status:</b> Case pending.	<i>Trial date has not been set.</i>
<b>Stanley Ellicott</b>  Court No. 24001435, CRI-24500153	Former manager, Department of Human Resources (Human Resources)  <i>Accepted kickbacks from Dwayne Jones.</i>	<b>Charges:</b> Misappropriation of public money, aiding and abetting codefendant Henriquez in a grant money kickback scheme, possession of stolen property (January 2024); grand theft, misappropriation of public money, insurance fraud, money laundering. The charges come with an aggravated white-collar crime enhancement (March 2024).  <b>Status:</b> Cases pending.	<i>Trial date has not been set.</i>
<b>Cyril Yu</b>  CR 23-00403 SI	Former plan checker, DBI  <i>Accepted bribes from Tahbazof, Ghassemzadeh, and Khoshnevisan.</i>	<b>Charges:</b> Honest services wire fraud  <b>Status:</b> Pled guilty (March 2024).	Sentenced to one year in prison, two years of supervised release; fined \$20,000.
<b>Rudolph "Rudy" Pada</b>  CR 23-00402 WHA	Former plan checker, DBI  <i>Accepted bribes from Tahbazof, Ghassemzadeh, and Khoshnevisan.</i>	<b>Charges:</b> Honest services wire fraud  <b>Status:</b> Pled guilty (December 2023).	<i>Sentencing scheduled for August 16, 2024.</i>

# Status Updates on Criminally Charged Individuals/Entities

## Former City Contractors, Commissioners, and Others

Name	Description	Charges/Pleadings	Sentence/Sanctions
<p><b>Nick Bovis</b> CR 20-00204 WHO</p>	<p>Owner, Lefty's Grill and Buffet and other restaurants  <i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Honest services wire fraud and wire fraud in connection with a bribery scheme  <b>Status:</b> Pled guilty to committing honest services wire fraud and wire fraud to attempt to bribe city officials. Agreed to cooperate with federal investigators under a plea agreement (May 2020).</p>	<p>Sentenced to nine months in prison, one year of supervised release; fined \$100,000 (March 2024).  <b>Note:</b> <i>Bovis and his company SMTM Technology, LLC, were suspended as city vendors (March 2021).</i></p>
<p><b>Balmore Hernandez</b> CR 20-00353 WHO</p>	<p>Chief executive of engineering firm AzulWorks, Inc., a company with large city contracts  <i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme  <b>Status:</b> Pled guilty to conspiring to commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement (October 2020).</p>	<p>Sentenced to six months in prison, one year of supervised release; fined \$100,000 (November 2023).  <b>Note:</b> <i>Request to debar Hernandez and his company as city vendors has been submitted.</i></p>
<p><b>Florence Kong</b> CR 20-00354 WHO</p>	<p>Owner, SFR Recovery, Inc., and Kwan Wo Ironworks, Inc., and former member of City's Immigrant Rights Commission  <i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Bribery of a public official and making false statements to federal authorities  <b>Status:</b> Pled guilty to providing bribes to Mr. Nuru (October 2020).</p>	<p>Sentenced to one year and one day in prison, three years of supervised release; fined \$95,000 (February 2021).  Kong and affiliated entities separately paid \$750,000 in restitution and ethics fines as part of a civil settlement with the City (January 2024).  <b>Note:</b> <i>Kong and her two companies were suspended as city vendors (March 2021).</i></p>

# Status Updates on Criminally Charged Individuals/Entities

## Former City Contractors, Commissioners, and Others *(continued)*

Name	Description	Charges/Pleadings	Status on Pleading/Sentencing
<p><b>Wing Lok “Walter” Wong</b></p> <p>CR 20-00257 WHO</p>	<p>Building permit expediter and owner of W. Wong Construction Co., Inc., Green Source Trading, LLC, and Alternate Choice, LLC</p> <p><i>Bribed Nuru, Kelly, and Hui.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud, conspiracy to commit money laundering</p> <p><b>Status:</b> Pled guilty to conspiring with Mr. Nuru and other, unnamed city officials since 2004 to commit honest services wire fraud and conspiracy to commit money laundering. Agreed to cooperate with federal investigators under a plea agreement (June 2020).</p>	<p>Sentencing scheduled for December 12, 2024.</p> <p><b>Note:</b> <i>Wong and his companies, W. Wong Construction Co., Inc, Green Source Trading, LLC, and Alternate Choice, LLC, were suspended as city vendors (March 2021). Wong agreed not to do business with the City or act as a permit expediter at DBI for five years.</i></p>
<p><b>Alan Varela</b></p> <p>CR 21-00192 WHO</p>	<p>Officer, ProVen Management, Inc.</p> <p><i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme</p> <p><b>Status:</b> Pled guilty to conspiring to commit honest services wire fraud. (May 2021).</p>	<p>Sentenced to 24 months in prison, one year of supervised release; fined \$127,000 (September 2021).</p> <p><b>Note:</b> Varela and his company were suspended as city vendors (March 2021).</p>
<p><b>William Gilmartin III</b></p> <p>CR 20-00192 WHO</p>	<p>Officer, ProVen Management, Inc.</p> <p><i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud in connection with a bribery scheme</p> <p><b>Status:</b> Pled guilty to conspiring to commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement (May 2021).</p>	<p>Sentenced to eight months in prison, one year of supervised release; fined \$100,000 (January 2024).</p> <p><b>Note:</b> Gilmartin and his company were suspended as city vendors (March 2021).</p>
<p><b>Rudolph Dwayne Jones</b></p> <p>Court No. 23013720</p>	<p>Owner, RDJ Enterprises, LLC, and other entities; and former city employee before becoming a contractor</p> <p><i>Provided kickbacks to Lanita Henriquez.</i></p>	<p><b>Charges:</b> Bribery, misappropriation of public money, financial conflicts-of-interest (August 2023).</p> <p><b>Status:</b> Case pending.</p>	<p><i>Trial date has not been set.</i></p>

# Status Updates on Criminally Charged Individuals/Entities

## Former City Contractors, Commissioners, and Others *(continued)*

Name	Description	Charges/Pleadings	Status on Pleading/Sentencing
<b>Recology</b> CR 21-00356 WHO	Current city contractor and regulated entity  <i>Bribed Nuru.</i>	<b>Charges:</b> Conspiracy to commit honest wire services fraud in connection with a bribery scheme  <b>Status:</b> Admitted to bribery as part of a deferred prosecution agreement (September 2021).	Admitted to bribery scheme as part of a deferred prosecution agreement requiring payment of \$36,000,000 in criminal fines, cooperation with ongoing investigation, and changes to corporate structure. Criminal charges to be dismissed after three years if Recology complies with all terms.
<b>Paul Giusti</b> CR 21-00294 WHO	Former group government and community relations manager, Recology  <i>Bribed Nuru.</i>	<b>Charges:</b> Conspiracy to bribe a local official and commit honest services wire fraud  <b>Status:</b> Pled guilty to conspiracy to bribe a local official and commit honest services wire fraud. Agreed to cooperate with federal investigators under a plea agreement (August 2021).	Sentenced to three years probation, including six months of home detention; fined \$30,000 (December 2023).
<b>John Porter</b> CR 22-00270 WHO	Former vice president and group manager, Recology  <i>Bribed Nuru.</i>	<b>Charges:</b> Conspiracy to commit honest services wire and mail fraud in connection with bribery of a local official and concealment of money laundering  <b>Status:</b> Pled guilty to conspiracy to commit honest services fraud (May 2023).	Sentenced to three years probation; fined \$30,000 (September 2023).
<b>Rodrigo Santos</b> CR 21-00268 SI CR 21-00453 SI CR 22-00345 SI	Former Building Inspection Commission president, owner of Santos & Urrutia Associates, Inc.  <i>Bribed Curran.</i>	<u>Criminal charges by U.S. Attorney:</u> <b>Charges:</b> Honest services wire fraud, bank fraud, aggravated identity theft, and obstruction of justice  <b>Status:</b> Pled guilty to bank fraud, wire fraud, and tax evasion (January 2023).	Sentenced to 30 months in prison, three years of supervised release (August 2023).  Ordered to pay restitution of \$1,496,396 to bank fraud victims; \$113,818 to City for costs of DBI audit; \$1,301,511 to IRS.
		<u>Civil charges by City Attorney:</u> <b>Charges:</b> Municipal code violations; allegations of unfair business practices and check fraud under state law	Civil trial set for May 5, 2025.



# Status Updates on Criminally Charged Individuals/Entities

## Former City Contractors, Commissioners, and Others *(continued)*

Name	Description	Charges/Pleadings	Status on Pleading/Sentencing
<p><b>Peter Schurman</b> CR 21-00234 VC</p>	<p>An engineering technician and field inspector for several engineering firms</p> <p><i>Forged signatures of certified civil engineers on inspection reports submitted to DBI related to properties where R. Santos also performed work.</i></p>	<p><b>Charges:</b> Mail fraud and aggravated identity theft in connection with fraudulent building inspection reports</p> <p><b>Status:</b> Pled guilty to mail fraud and aggravated identity theft (August 2021).</p>	<p>Sentenced to five years of probation; fined \$37,000; ordered to pay restitution of almost \$50,000, including \$7,905 to the City (October 2022).</p>
<p><b>Victor Makras</b> CR 21-00402 RS</p>	<p>Real estate broker and investor and a former member of city boards/commissions including Port Commission, Police Commission, Public Utilities Commission, and Retirement Board</p> <p><i>Conspired to commit bank fraud to benefit H. Kelly.</i></p>	<p><b>Charges:</b> Bank fraud and making false statements to a bank; conspiracy to commit a false statement to a bank and commit bank fraud in connection to misrepresentations made in a mortgage refinance loan application</p> <p><b>Status:</b> Convicted at trial (August 2022).</p>	<p>Sentenced to time served followed by three years of supervised release; fined \$15,200 (August 2023).</p>
<p><b>Zhang Li</b> CR 23-220 VC</p> <p><b>Z&amp;L Properties</b> CR 23-221 VC</p>	<p>Real estate developer, owner of Z&amp;L Properties, Inc., which developed 555 Fulton Street</p> <p><i>Bribed Nuru (and Hui by taking him to dinner).</i></p>	<p><b>Charges:</b> Conspiracy to commit wire services fraud</p> <p><b>Status:</b> Z&amp;L pled guilty; Li entered Deferred Prosecution Agreement (July 2023).</p>	<p>Li admitted charges as part of a deferred prosecution agreement that requires Z&amp;L Properties to pay \$1,000,000 in fines. Charges will be dismissed after three years (July 2023).</p>
<p><b>Siavash "Sia" Tahbazof</b> CR 23-00421 SI</p>	<p>Real estate developer, owner of design firm SIA Consulting and SST Investments</p> <p><i>Bribed DBI employees Curran, Yu, and Pada.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud</p> <p><b>Status:</b> Pled guilty to fraud (January 2024).</p>	<p>Sentenced to three years of probation; fined \$75,000 (April 2024).</p>
<p><b>Bahman Ghassemzadeh</b> CR 23-00418 SI</p>	<p>Employee and nephew of Siavash Tahbazof and a former member of the Building Inspection Commission's Board of Examiners</p> <p><i>Bribed DBI employees Curran, Yu, and Pada.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud</p> <p><b>Status:</b> Pled guilty to fraud (January 2024).</p>	<p>Sentenced to three years of probation; fined \$25,000 (April 2024).</p>
<p><b>Reza Khoshnevisan</b> CR 23-00420 SI</p>	<p>Involved with Tahbazof in bribery scheme</p> <p><i>Bribed DBI employees Curran, Yu, and Pada.</i></p>	<p><b>Charges:</b> Conspiracy to commit honest services wire fraud</p> <p><b>Status:</b> Pled guilty to fraud (February 2024).</p>	<p>Sentenced to three years of probation; fined \$25,000 (May 2024).</p>
<p><b>Ken Hong Wong</b> CR 23-00162 WHO</p>	<p>Former California parole officer</p> <p><i>Bribed Nuru.</i></p>	<p><b>Charges:</b> Bribery, conspiracy to commit bribery</p> <p><b>Status:</b> Pled guilty to both charges (September 2023).</p>	<p>Sentenced to six months in prison (December 2023).</p>

## Other High-Level City Employees and/or Officials Resigned

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Name	Description
<b>Linda Crayton</b>	Former commissioner, Airport Commission  <i>Allegedly agreed to meet with and help Bovis by leveraging her position and authority and did not report the improper request for preferential assistance (resigned January 2020).</i>
<b>Tom Hui</b>	Former director, Department of Building Inspection  <i>Allegedly accepted meals from Zhang Li; findings of misconduct by City Attorney (resigned/retired March 2020).</i>
<b>Naomi Kelly</b>	Former city administrator  <i>Accepted paid hotel room from Recology, failed to report that Nuru inappropriately solicited funds from Recology, was city administrator when Henriquez accepted kickbacks from Jones (resigned February 2021).</i>
<b>Deborah Raphael</b>	Former director, Department of Environment  <i>Solicited inappropriate donation from Recology, accepted gifts and meals from Recology (resigned/retired April 2022).</i>
<b>Yosef Tahbazof</b>	Former member, Assessment Appeals Board  <i>Allegedly facilitated undisclosed loan Curran received from developer Freydoon Ghassemzadeh (resigned August 2023).</i>

## Contractor Suspensions and Settlements

### Suspensions and Debarment

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

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

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

**September 7, 2023:** The City Attorney and the City Administrator issued suspension orders against five affiliated entities that Mr. Jones owns, controls, or manages: RDJ Enterprises, LLC, RDJ-Project Complete, LLC, The Southeast Consortium for Equitable Partnerships, Urban Equity, LLC, and 20ROC Holdings, LLC.

### Settlements

**March 4, 2021:** The City Attorney announced \$101.5 million settlement with Recology to pay restitution to rate payers and a \$7 million civil fine.

**May 13, 2021:** The City Attorney and Ethics Commission announced a settlement calling for Mr. Wong and affiliates to pay the City more than \$1.7 million in restitution and fines.

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

**January 23, 2024:** The City Attorney announced a settlement calling for Florence Kong and affiliates to pay the City \$750,000 in restitution and fines.

## Public Integrity Reports & Key Outcomes



\* CSA conducted audits of these programs/areas.

### Ongoing Assessments and Audits

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

#### Status of City Contracting with Entities Affiliated with Jones

This assessment summarizes the status of city contracts and grants to Jones and his affiliated organizations.

#### Processes Related to Grant Solicitation, Monitoring, and Oversight

The assessment will review the solicitation process of the contracts and grants that Henriquez steered to Jones and his entities. We will also review the City's policies and practices related to grant solicitation, oversight, and monitoring and make recommendations for improving those processes. This assessment will renew recommendations for centralized record keeping to facilitate transparency and more effective monitoring.

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

### **Future Assessments**

The assessments summarized in this report all relate to allegations of corruption that pre-date Nuru's arrest or ended shortly after it.

The Controller's Office and the City Attorney's Office may issue separate public integrity reviews as necessary and appropriate if future criminal conduct implicates city employees, officials or contractors, or impacts city functions.

### Reporting Results and Impact

Of the 79 recommendations issued by the Controller's Audits Division:

The following have been implemented via a **mayoral executive directive\***, including ones that require:

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

\* Some of the issues previously addressed by a mayoral executive directive were subsequently addressed by legislation described later in this report.

### Reporting Results and Impact

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

- Prohibit the Mayor from delegating to department heads contracting decisions and other matters for which the Mayor has delegation discretion ([BOS File 200949](#)).
- Create new requirements on pre-qualified contractor selection, notification, and documentation for public works professional services contracts ([BOS File 200787](#)).
- Revise the City's debarment procedures by adding suspension and other related procedures and requirements, including those related to notification ([BOS File 200896](#)).
- Codify that the City must award grants by using a competitive solicitation process like the one used to award contracts under the San Francisco Administrative Code, Chapter 21 ([BOS File 201089](#)).
- Prohibit elected officials, department heads, commissioners, and designated employees from soliciting behested payments from interested parties and amend the definition of an interested party ([BOS File 201132](#)).
- Create exceptions to the prohibitions for behested payment solicitations, including solicitations made by certain city programs, charitable donations, the City's acquisition of real property, and amending the definition of interested party ([BOS File 220539](#)).
- Authorizes SFPUC to include Social Impact Commitment criteria as a qualitatively scored element in solicitations for certain contracts at designated thresholds. ([BOS File 221126](#)).



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

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

- Amend behested payment legislation to prohibit members of the Board of Supervisors from seeking behested payments from contractors if the Board had approved their contracts. Also, any future change to the City's behested payment laws now requires approval by majority vote of the City's Ethics Commission and a two-thirds approval by the Board of Supervisors ([Proposition E](#)).
- Amend the Refuse Collection and Disposal Process, including restructuring membership of the Rate Board, revising the rate-setting process for residential and commercial customers and rules governing how future changes are made ([Proposition F](#)).
- Amend the City's Campaign and Governmental Conduct Code including clarifying rules around restricted gift sources, requiring additional gift disclosures for departments, creating a citywide Statement of Incompatible Activities, and extending the annual ethics training requirement to all City officers and employees who participate in making governmental decisions. ([Proposition D](#)).

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

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

- Public Works implemented revised procurement procedures for projects addressing homelessness and emergency procurement.
- The Airport Commission, Port Commission, Recreation and Park Commission, Transbay Joint Powers Authority, and SFPUC Commission implemented policies prohibiting their officials and employees from communicating with contract proposers/bidders and potential proposers/bidders.
- The City Attorney created an MOU template for non-city organizations' fundraising services, which include the Controller's required disclosure, recordkeeping, and auditing provisions.

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

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

- The Controller's Systems Division enhanced the tracking, reporting, and transparency capabilities of the City's financial, procurement, and human resources systems. This included creating a Form 700 required filers dashboard.
- The Ethics Commission launched its electronic filing system, which now enables over 4,700 designated city employees to file Statements of Economic Interests electronically.
- DBI created a compliance program and hired a compliance manager to oversee internal audits and implement DBI's reform initiatives.
- SFPUC added an interactive Social Impact Program (SIP) dashboard on its website to ensure transparent reporting to the public regarding contractors' performance, accountability, and delivery of SIP commitments.
- In June 2022 San Francisco voters approved Proposition F, which assigns the Controller new duties as the Refuse Rate Administrator. As of December 2022 the Controller had created and fully staffed the new Office of the Refuse Rates Administrator. Then, in 2023, the Refuse Rates Administrator conducted its inaugural rate-setting process and proposed a new Rate Order for Rate Years 2023-24 and 2024-25, which was approved by the Refuse Rate Board in August 2023. The approved rates are 36% lower than Recology's proposed rate increases, saving ratepayers \$8.7 million.

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

**San Francisco Public Works  
Contracting**

*Issued June 29, 2020*

## Findings Highlights

### Public Works Procurement Has No External Oversight

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

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

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. Under the Administrative Code, Chapter 6, the Mayor should delegate final approval for Public Works construction contracts to an official other than the department director. The Mayor and Board of Supervisors should amend Chapter 6 to prohibit delegation to the department head for these contracting activities.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2021)</i></p> <p>On June 29, 2020, Mayor London Breed <a href="#">rescinded the delegation of authority</a> granted to the director of Public Works in 2011.</p> <p><a href="#">Board- and Mayor-Approved Legislation</a> (11/6/2020):  <i>(Sponsors: Haney, Mandelman, Mar, Peskin, Ronen, Stefani, Walton)</i> Amended the Administrative Code to prohibit the Mayor from designating department heads as the Mayor’s designee regarding contracting decisions and other matters in which the Mayor has discretion to delegate.</p>
<p>2. The Ethics Commission should examine and close loopholes in the San Francisco Campaign and Governmental Conduct Code to ensure that city law does not create avenues for unethical behavior in acceptance of gifts.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>As approved by San Francisco voters in March 2024, <a href="#">Proposition D</a> was placed on the ballot by the Ethics Commission to address its findings and recommendations regarding city gift laws, including loopholes, following its 2021 comprehensive examination of these topics.</p> <p>Proposition D eliminates exceptions to city gift policy by expanding the definition of restricted sources and creating a definition of “gift” in San Francisco law that empowers the Ethics Commission to develop all future gift exceptions.</p>
<p>3. The Ethics Commission should expeditiously enable and require that all Statements of Economic Interests (Form 700s) are filed electronically by all required filers and conduct annual compliance reviews of these filings. The Mayor and Board of Supervisors should prioritize funding and other support necessary to accomplish this goal.</p>	<p><b>Partially Implemented and Open</b></p> <p>In January 2022 the Ethics Commission launched the electronic filing process for the over 4,700 city employees whose positions are designated to file Statements of Economic Interests (Form 700) in their department’s section of the City’s Conflict of Interest Code (part of the Campaign and Governmental Conduct Code). Since January 2022 these filers have had to electronically file their public financial disclosure statements using the Ethics Commission’s online filing system.</p> <p>The Ethics Commission implemented processes to review Form 700 data on an annual basis and is working to fill the vacant primary position that supports Form 700 filing. The Ethics Commission is requesting that the position be filled through its fiscal year 2024-25 budget submission.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. The Mayor, Board of Supervisors, and Office of Contract Administration should establish clear guidelines for selecting a vendor or vendors from a pre-qualified pool. Possible methods for such selections include soliciting quotes for a defined item or scope of work from all vendors in the pool.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2021)</i></p> <p><a href="#">Board- and Mayor-Approved Legislation</a> (12/18/2020):  <i>(Sponsors: Haney, Mar, Mandelman, Peskin, Safai, Stefani, Yee)</i> Amended the Administrative Code to require notification to prequalified contractors and written documentation of contractor selection from pre-qualified lists, and written documentation of contractor selection for work assigned under as-needed Public Works professional services contracts, and to require the Controller to audit such selection documentation.</p>
<p>5. Public Works should adhere to the new procurement procedures implemented by its acting director for projects addressing homelessness and emergency procurement. The City should implement similar procedures for such purchases citywide.</p>	<p><b>Partially Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p><i>Implemented by Public Works (2/3/2020):</i> Implemented revised procedures for professional service and construction contracts for shelter and transitional housing, as well as contracts under an emergency declaration.</p> <p><a href="#">BOS File 200734</a> <i>(Filed 10/5/2022 Pursuant to Rule 3.41):</i>  <i>(Sponsors: Haney, Peskin)</i> Amend the Administrative Code to require Public Works and the Department of Homelessness and Supportive Housing to competitively bid professional and other services related to people experiencing homelessness.</p>
<p>6. The Mayor, Board of Supervisors, and Office of Contract Administration should establish minimum requirements to ensure competitive solicitation of grants, similar to requirements for contracts, and formalize these requirements in code and policy.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2021)</i></p> <p><a href="#">Board- and Mayor- Approved Legislation</a> (8/4/2021):  <i>(Sponsors: Chan, Stefani)</i> Amended the Administrative Code to codify grant award processes, including by requiring competitive solicitation with certain exceptions. Sets forth criteria for administrative debarment procedures. Authorizes the Purchaser to promulgate rules and regulations to carry out the ordinance and to advertise rebate and incentive programs.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>7. To promote data-driven decisions and transparency, city departments should be required to use the City’s centralized systems throughout the purchasing life cycle, from planning through contract award. To enable this change, these systems should be improved to better meet department needs.</p>	<p><b>In Progress</b></p> <p>Use of the SF City Partner Portal’s functionality, from bid opportunity posting through bid submission, is left up to each department. That is, the citywide mandate to post all city revenue and expenditure contracting opportunities on this site is not legislated for Buy Events (City Expenditure Contract) or Sell Events (City Revenue Contract). Due to this limitation, the following updates have been made.</p> <p><u>Bid Opportunities, Outreach, and Contract Award</u>: The Systems Division used its SF Financials and SF Procurement advisory boards to promote use of the SF City Partner Portal to post Sell Events. The creation of Revenue Contracts in the City’s centralized financial and procurement system was also promoted during these advisory boards. Membership to these advisory boards consists of up to 15-20 departments citywide. The Systems Division is assessing the best approach to having a Sell Event posted in the SF City Partner Portal by December 31, 2024, and will reach out to primary candidate departments. If these departments are using third-party systems to post their Sell Events, the Systems Division will assess options on having those events also posted in the SF City Partner Portal.</p>
<p>8. The City should close gaps in centralized monitoring of all procurement activities by strengthening and resourcing the Office of Contract Administration (OCA) or some other city entity to expand its monitoring and oversight to all city procurement activities.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>OCA developed and launched a new citywide contract approvals management application via ServiceNow, which allows for full transparency and reportability on departments’ compliance with city contracting requirements for contracts established under the Administrative Code, Chapter 21. The system fully digitizes all contracting waiver approvals and memorializes into one central location all reviews and approvals required and obtained for every contract subject to Chapter 21, as well as compliance and insurance requirements. OCA has begun to staff its Contract Compliance, Oversight, and Reporting Team, which will provide centralized oversight of Chapter 21 contracts through citywide procurement audits and compliance reporting. With the implementation of Chapter 21G (Grants), the Purchaser issued the first round of rules and regulations covering the requirements for grant sole source contracting and waivers. The Purchaser will continue to update rules and regulations and continued to approve Public Works’ Chapter 6 public works agreements, providing additional oversight over the department’s contracting activities, through August 2022, when the Public Works Commission was established, taking on the responsibility.</p>



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

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

*Issued September 24, 2020*

## Findings Highlights

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

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

### Non-City Organizations Lack City Oversight

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The City should amend the San Francisco Campaign and Governmental Conduct Code to prohibit unelected department heads and employees from soliciting donations from interested parties (to be further defined in legislation) of their department, unless specifically authorized by the Board of Supervisors. Those authorized to solicit donations must file Form SFEC-3610(b) for behested payments. Consequences for failure to report should be enforced.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>In November 2020 the Ethics Commission proposed a ban on behested payments by department heads, board and commission members, and employees who are designated in their departmental Conflict of Interest Code to file a Statement of Economic Interests (Form 700) from persons who are defined as interested parties to them. The Board of Supervisors adopted the ban in legislation it unanimously approved on December 24, 2021. The law took effect on January 23, 2022.</p> <p>Following feedback they received that the new law was overly broad and challenging to implement, the Mayor and Board of Supervisors in June 2022 introduced separate legislation to amend the new City behested payment rules to clarify and narrow the scope of existing law.</p> <p>As approved by San Francisco voters in June 2022, Proposition E requires legislative amendments to the City's behested payments provisions to be approved by both a majority vote of the Ethics Commission and a two-thirds vote of the Board of Supervisors.</p> <p>Following its consideration and the subsequent revisions to the Mayor and Board's legislative proposals, in August 2022 the Ethics Commission voted to approve the revised amendments to balance the interests of improved clarity and workability while also retaining the core behested payments prohibitions. Under the amendments, which took effect on November 6, 2022, unelected department heads and employees still cannot solicit donations from interested parties.</p>
<p>2. The Ethics Commission should expand the definition of who is considered an "interested party" so that it includes all city contractors.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>In November 2020 the Ethics Commission proposed expansion of the definition of who is considered an "interested party" for purposes of the City's behested payments law. The Board of Supervisors adopted the expanded definition in legislation it approved unanimously on December 24, 2021. The ordinance took effect January 23, 2022.</p> <p>The Board of Supervisors later amended the behested payments ordinance to prohibit most city officials and employees from soliciting behested payments from contractors and prospective city contractors of the official's or employee's department. Under the ordinance, "contractor" is defined according to the Campaign and Governmental Conduct Code, Section 1.126, which includes most city contractors.</p> <p>The amended law, which took effect on November 6, 2022, shortens the length of time contractors are interested parties.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The City should require departments and non-city organizations to formalize their relationships through memorandums of understanding that are posted to departmental websites and include:</p> <ul style="list-style-type: none"> <li>a. A requirement to adhere to city law on the acceptance of gifts, including the Administrative Code, Section 10.100-305, or other sections that apply to the department.</li> <li>b. An agreement to comply with the Sunshine Ordinance, Section 67.29-6.</li> <li>c. A clause granting the Controller audit authority and access to the organization’s records.</li> <li>d. Regular public reporting on these funds to occur not less than annually, at the donor or payee recipient level, and posted on the recipient department’s website.</li> <li>e. A requirement to report donations, including grants, on the organization’s website</li> <li>f. Clearly defined roles regarding expenditures, including prohibitions against spending directed or controlled by the recipient.</li> </ul>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>On September 24, 2020, the Mayor issued <a href="#">Executive Directive 20-02</a>, which requires city departments to establish an MOU with any non-city organization that receives donations on behalf of the department. These MOUs must incorporate transparency provisions that include many of the requirements set forth under Recommendation 3. The City Attorney works with departments to draft and negotiate these MOUs.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. Departments should comply with the Administrative Code, Section 10.100-305, or other sections specifically related to the department, by uniformly obtaining advance acceptance of any gifts from outside sources greater than \$10,000 for the department through non-city organizations, including explicit authorization for uses of these funds for employee recognition or appreciation.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>The Mayor's <a href="#">Executive Directive 20-02</a> requires all departments to ensure compliance with the Administrative Code, Section 10.100-305, or other applicable sections of the Administrative Code, Chapter 10, Article XIII, and requires departments to certify in their annual reports that all gifts received by the department in the previous fiscal year were approved by the Board of Supervisors, if required by the Administrative Code, and reported in a timely manner.</p> <p>The Controller's Accounting Operations &amp; Suppliers Division updated the section of the Controller's Citywide Accounting Policies &amp; Procedures Manual on gifts and donations, Section 12.5.1.3, which includes the noted requirements and the process departments must follow to obtain authorization for all gifts and report them to their fund accountant, including gifts below \$10,000.</p> <p>The Controller's Systems Division enabled gift tracking and reporting in SF Financials, and job aides are available as well as departmental trainings. Donor-level gift revenue reporting will require departments to adopt the SF Financial's Billing module, to automate donor-level reports, absent continuing to do it manually outside of the system, or work with the Controller to interface departmental subsystems and/or uploads. An uploader for large-volume data is now available for city departments' use.</p>
<p>5. The City should require annual certification from department heads that all gifts of goods, services, and funds have been approved by the Board of Supervisors and reported on time, as required.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>The Mayor's <a href="#">Executive Directive 20-02</a> requires departments to certify in their annual reports to the Board of Supervisors that all gifts of cash and goods received by the department in the previous fiscal year were approved by the Board of Supervisors, if required under the Administrative Code, and timely reported. These reports, required by the Administrative Code, Section 10.100-305(c), are due each July. The Sunshine Ordinance also requires city departments to report on their websites any money, goods, or services worth more than \$100 in aggregate, for the purpose of carrying out or assisting any city function.</p> <p>Gifts of services must follow an Accept and Expend In-Kind Gift resolution process and must be considered at the Board of Supervisors for approval.</p> <p>The Controller's Audits Division and the Ethics Commission may consider various compliance reviews as part of their work plans. These reviews may use the data in the City's Financial and Procurement System, where all departments can load memorandums of understanding with non-city entities in SF Procurement's Supplier Contracts module. To help promote transparency, the reviews may also track and report Private Gifts (i.e., grant revenues), which are to be listed in SF Financials' Grants module.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. The City should make it easier for departments to use city funds for employee recognition and appreciation events and provide explicit (line-item) appropriations for this purpose.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>The Mayor's Consolidated Budget and Annual Appropriation Ordinance provides funding for employee appreciation events. The Controller's Budget and Analysis Division updated budget instructions for the fiscal year 2022-23 and 2023-24 cycles regarding employee recognition costs, and the Controller's Accounting Operations and Supplier Division finalized and published the Citywide Employee Recognition Policy and included it in the August 2022 Controller's Citywide Accounting Policies and Procedures Manual.</p>
<p>7. The Controller should, on a sample basis, annually audit organizations that both give gifts to the City and have a financial interest with the City, including a contract, grant, permit, permit application, or other entitlement.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>The Controller's Audits Division has developed a continuous audit program that ensures that non-city organizations are audited annually. This program will be initiated in fiscal year 2022-23.</p> <p>In fiscal year 2022-23, the division also plans to continue its risk assessment and audits of noncity organizations that give gifts to the City and that have a financial interest with the City.</p>
<p>8. Departments should comply with the Sunshine Ordinance, Section 67.29-6, for their non-city organizations by not accepting any donation through anonymous donors or for which they cannot identify the true source.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>In addition to the Mayor's Executive Directive mentioned above, the City Attorney continues to advise departments about compliance with this provision of the Sunshine Ordinance. For example, the Office's Good Government Guide provides guidance regarding the Section 67.29-6 reporting requirements. If policymakers wish to further implement this recommendation, the City Attorney can work with them to draft legislation, advise on legal issues, and approve legislation as to form.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>9. The City should amend the Sunshine Ordinance, Section 67.29-6, to clearly define “financial interest” so that it is aligned with the City’s updated “interested party” definition.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation.</p> <p>Proposition D, a measure San Francisco voters approved in March 2024 and which will become operative on October 12, 2024, creates a new disclosure requirement for gifts to city departments. Proposition D requires departments to disclose to the Ethics Commission gifts the department has accepted. The disclosure must include any contract the donor has with the department and any license, permit, or other entitlement the donor is seeking from the department or that the department has granted the donor in the past 12 months. Like the Sunshine Ordinance, the measure also requires the department to disclose any other financial interest the donor has with the City. If policymakers wish to further implement this recommendation, the City Attorney is available to work with them to draft legislation, advise on legal issues, and approve legislation as to form.</p>
<p>10. For all recommendations made as part of this assessment that require reporting, the City should review and strengthen its consequences for noncompliance.</p>	<p><b>Partially Implemented and Closed (2024)</b></p> <p>The Ethics Commission reports it has sought to strengthen disclosure requirements related to gifts to city departments as part of Proposition D, which creates a new requirement for departments to disclose any payments from non-city sources for which equal or greater consideration is not provided by the department. The disclosure must include details about what was provided to the department and information about the source of the payment, including whether the source has any financial interest involving the City. This disclosure will be made monthly, and the contents will be accessible via a dataset on DataSF.</p> <p>Reporting the payments will be the responsibility of city department heads, who may face discipline from their appointing authority for failing to report their department's gifts in a timely manner. The Ethics Commission’s original proposal would have made department heads subject to administrative penalties for failing to comply with this requirement, but that provision was removed from Proposition D after opposition by some department heads, managers, and their labor organization.</p> <p>The Ethics Commission is testing and finalizing a new disclosure form before Proposition D takes effect on October 12<sup>th</sup>. The disclosure will improve transparency regarding gifts to city departments and further the report’s recommendations, but its effectiveness may be diminished due to the consequence for non-compliance being limited to discipline.</p>

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

**San Francisco's Debarment Process**

*Issued November 5, 2020*



### Findings Highlights

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

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. To be consistent with what the federal and state governments require, and as proposed by the Office of the City Attorney, the Board of Supervisors should amend the San Francisco Administrative Code to add:</p> <ul style="list-style-type: none"> <li>a. Suspension to its debarment procedures.</li> <li>b. Minimum qualifications for debarment hearing officers, such as that a hearing officer must be a licensed attorney.</li> <li>c. A requirement for a public listing of suspended city contractors.</li> </ul>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2021)</i></p> <p><u><a href="#">Board- and Mayor- Approved Legislation (11/25/2020)</a></u>: <i>(Introduced by the City Attorney)</i> Amended the Administrative Code by adding prohibited gifts from a contractor to a public official as express grounds for debarment, revising debarment procedures, amending the definition of "contractor" to include grant applicants and grantees, adding provisions authorizing suspension of a contractor from participating in the procurement process for entering into city contracts or grants if the contractor is the subject of a criminal or civil charge brought by a government agency, and requiring that hearing officers be licensed California attorneys.</p> <p>The Controller has implemented updated procedures to record and track debarred and suspended bidders, suppliers, and contractors. It has also issued two semiannual reports and has enhanced its website to maintain a list of debarred or suspended suppliers/contractors. The Controller also updated its accounting policies to refer to the aforementioned procedures and website.</p>

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

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

*Issued January 11, 2021*

## Findings Highlights

### Concession Leases Are Awarded Based on Solicitation Results

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

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

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

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

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

### New Airport Contracting Policies and Procedures

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. City commissions and boards should revise their policies and procedures to include requirements to address members' involvement in contract award processes and prohibit communications during competitive selection.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>Of the city commissions and boards surveyed for this assessment, those of the Airport, Recreation and Park, Port, SFPUC, and Transbay Joint Powers Authority revised their policies and procedures to prohibit communications during competitive solicitation processes. The San Francisco Municipal Transportation Agency had an existing policy that fulfills this recommendation.</p>
<p>2. In consultation with the Ethics Commission, each city commission and board should annually train its members on the department's statement of incompatible activities. The training should state that if proposers request inappropriate assistance, commissioners should report this to the commission secretary on public record and consult with the City Attorney and the Ethics Commission for next steps.</p>	<p><b>Implemented and Closed (2024)</b></p> <p><a href="#">Proposition D</a>, approved by voters in March 2024, discontinues departmental Statements of Incompatible Activities (SIAs) and moves the core rules, such as those regarding selective assistance, from the SIAs into the City's Code. The Commission created a division that is focused on providing ethics training to city officials and has been in contact with each city department to discuss its training needs. Proposition D expands the annual ethics training requirements to all Form 700 filers. This annual training will cover rules against selective assistance.</p>
<p>3. City law should be amended to codify that city officials and employees shall not knowingly provide selective assistance to individuals or entities that confers a competitive advantage on a proposer or potential proposer for a city contract.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>Approved by San Francisco voters in March 2024, Proposition D replaces individual department SIAs with a citywide rule that prohibits employees from providing selective assistance during the contract award process.</p>
<p>4. The Ethics Commission should work with the City Attorney to consider codifying prohibitions in the statement of incompatible activities to ensure citywide consistency in their enforcement and increase the visibility of these prohibitions.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>See response above.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. City departments should include in their competitive solicitation documents the restrictions on communication by and with potential bidders and enforce the restrictions by requiring commissions and board members to affirm compliance in writing annually.</p>	<p><b>Partially Implemented and Closed (2024)</b></p> <p>The Office of Contract Administration and several other departments, including Airport, SFPUC, and Port, have added provisions to their solicitation templates restricting communications between bidders and commissioners. We have not assessed policies and procedures at other city commissions and boards. If policymakers wish to further implement this recommendation, the City Attorney can work with them to draft legislation, advise on legal issues, and approve legislation as to form.</p>
<p>6. The Airport should regularly issue reports to the Airport Commission listing published solicitation documents, so commissioners are aware of the pending restricted communications period for each solicitation, pursuant to the Airport's Competitive Selection Process Communications Policy.</p>	<p><b>Implemented and Closed (Last Reported Status in 2021)</b></p> <p>On December 15, 2020, by Resolution No. 20-0247, the Airport Commission adopted a Competitive Process Communications Policy to support the integrity of the competitive selection process for Airport contracts and leases. The policy commits members of the Airport Commission to not engage in communications regarding any specific business opportunity at the Airport at any time except in a public meeting. Under the policy, a restricted communications period commences at the issuance of any competitive solicitation for a contract or a lease and ends when the contract is awarded or the solicitation is terminated. The Commission also requested the Airport Director to implement the policy and to provide regular reports to the Airport Commission as to pending restricted communications periods. Accordingly, before each Airport Commission meeting, Commissioners receive in their meeting packet a Restricted Communications Period Report listing all open procurements subject to the Competitive Process Communications Policy, the date the commission approved the procurement, and the date the procurement document was published. And at each Commission meeting, the Airport Director references the Report. Additionally, on December 15, 2020, the Airport Director issued Executive Directive 20-10, to implement the policy to highlight the duties of Airport Commission employees in maintaining the integrity of the competitive process and to require that (1) every solicitation document include instructions for communications with the department during the pendency of the competitive process; (2) every solicitation document include a prohibition against communications in a manner other than as instructed; (3) bidders/proposers in submitting their proposals attest compliance with the restricted communications provisions of the solicitation document; and (4) selection panel members acknowledge and attest compliance with the restricted communications policy.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>7. The Airport should implement the remaining newly proposed aspects of the department's competitive solicitation process.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2021)</i></p> <p>The Airport has implemented its Competitive Selection Process Communications Policy as described in the status of Recommendation 6.</p>
<p>8. The City should consider whether it would be warranted to codify the roles of commission and board members, including the limitations thereon, in the contract award process.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>The City Attorney works with policymakers to draft legislation, advise on legal issues, and approve legislation as to form and will do so with respect to any proposal to address this recommendation.</p>
<p>9. To promote data-driven decisions and consistency and transparency in city contracting:</p> <ul style="list-style-type: none"> <li>a. City departments should work with the Controller to develop and implement plans for enhancing the City's financial system to accommodate management of departmental revenue contracts, including bid opportunities, outreach, contract award, revenue collection, and revenue recognition.</li> <li>b. The Controller should, to enable this change, improve the City's financial system to better meet departments' needs.</li> </ul>	<p><b>In Progress</b></p> <p><u>Revenue Collection &amp; Revenue Recognition:</u> An alternative to improve reporting and transparency in city contracting was explored and rejected due to data compatibility concerns. An alternative under consideration is to request that departments add customers to their PeopleSoft inbound deposit data if the deposits are associated with a Revenue Contract (Concession, Lease, etc.). The Systems Division will work with viable departments to accomplish a proof of concept of this alternative by December 31, 2024.</p> <p>The Systems Division made progress with departments using the automated billing feature for inter-department services (IDS) billing. While not an external revenue source, this internal proof of concept worked for one department and is being pursued by others. The Systems Division and Department of Technology (DT) plan to implement this functionality for external billing and revenue collection by December 31, 2024.</p> <p><u>Bid Opportunities, Outreach, and Contract Award:</u> The Systems Division used its SF Financials and SF Procurement advisory boards to promote use of the SF City Partner Portal to post Sell Events. The creation of Revenue Contracts in the City's centralized financial and procurement system was also promoted during these advisory boards. Membership to these advisory boards consists of up to 15-20 departments citywide. The Systems Division is assessing the best approach to having a Sell Event posted in the SF City Partner Portal by December 31, 2024, and will reach out to primary candidate departments. If these departments are using third-party systems to post their Sell Events, the Systems Division will request that the event is also posted in the SF City Partner Portal.</p> <p>The Systems division is collaborating with the Controller's Office Accounting Operations and Supplier Division (AOSD) to identify changes to the planned August 2024 update to the Citywide Accounting Policies and Procedures. Automation for the uploads or generation of a revenue contract from a Sell Contract Revenue event will require SF Financials to be customized, which may take up to two years to complete. The Systems Division continues to assess if a customization is merited given the effort and cost.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>10. The City should:</p> <ul style="list-style-type: none"> <li>a. Direct departments to require proposers to submit key information about their affiliates and subcontractors, including identification of owners, directors, and officers, for contracts subject to the Campaign and Governmental Conduct Code, Section 1.126(f)(4), in their response to the competitive solicitation process and enter this information in the City's financial system.</li> <li>b. Consider requiring departments to obtain this information for contracts not subject to Section 1.126(f)(4).</li> </ul>	<p><b>In Progress</b></p> <p>For bid opportunity and contracts subject to elected official approvals and associated ethics reporting, systems functionality could be added. This would take project funding and, absent required use of the SF City Partner portal and PeopleSoft Revenue Contract and Supplier Contract adoption by all departments, would have limited effectiveness toward centralizing a shared sightline and automating reporting. The system allows this information to be uploaded in an attachment. While intake data fields could be added at either the bidder or supplier award phase, this would be a complex initiative and would have to be phased in over 12-18 months.</p> <p>The Ethics Commission is in support of the Controller adding functionality to the City's financial system so that departments reporting information required of contracts subject to both Campaign and Governmental Conduct Code Section 1.126(f)(2) and 1.126(f)(4) could do so via the financial system in lieu of completing the Ethics Commission's current disclosure forms for these purposes if the revised submission method is made available to all departments, sufficient funding is appropriated to support the transition, the revised method is compatible with the legislative processes required of the Clerk of the Board's office and Mayor's office, and the reported information can be disclosed in a public dataset for use by candidates complying with the contractor contribution ban.</p> <p>The Ethics Commission has no position on requiring departments to obtain information that would otherwise be required by Campaign and Governmental Conduct Code Section 1.126(f)(4) for purposes other than compliance with the contractor contribution ban. This information is not needed for 1.126 compliance if a contract is not subject to 1.126, which is the rule administered by the Ethics Commission.</p>



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

Refuse Rate-Setting Process Lacks  
Transparency and Timely Safeguards

*Issued April 14, 2021*

## Findings Highlights

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

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

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

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

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

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Mayor and Board of Supervisors should consider whether the 1932 Refuse Collection and Disposal Initiative Ordinance and the City's arrangement with Recology continue to provide optimal benefits to ratepayers or whether another business model should be employed. Any change to the Refuse Ordinance will require voter approval.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>In June 2022 San Francisco Voters approved Proposition F, The Refuse Rate Reform Ordinance of 2022, which amended the Refuse Collection and Disposal Ordinance ("the Refuse Ordinance") to (1) restructure the refuse rate-setting process to replace hearings before Public Works with a requirement that the Controller, as Refuse Rate Administrator, regularly monitor the rates and appear before the Refuse Rate Board to recommend rate adjustments; (2) establish an appointed Ratepayer Representative to replace the Controller on the Refuse Rate Board; (3) authorize the Refuse Rate Board to set commercial rates; (4) require applicants for refuse collection permits to demonstrate their ability to avoid disruptions in service; (5) clarify existing law regarding refuse collection permits; (6) authorize the Board of Supervisors on recommendation of the Refuse Rate Administrator, Refuse Rate Board, and Mayor to amend the Refuse Ordinance by eight-vote supermajority; and (7) fully codify the Refuse Ordinance in the Health Code. With the passage of Proposition F, the three Rate Board members are now the General Manager of SFPUC, the City Administrator, and an appointed Ratepayer Representative.</p>
<p>2. The Mayor and Board of Supervisors should codify the extent and limitations of the roles, including oversight roles, in the refuse rate-setting process of the commission, director, and staff of the <i>new Department of Sanitation and Streets*</i> and any related contractors, including the ratepayer advocate, rate consultants, and auditors.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>With the passage of June 2022 voter-mandated Proposition F, voters created the Office of the Refuse Rates Administrator within the Controller's Office, restructured the Refuse Rate Board, and included additional reporting requirements such as hearings before the Sanitation and Streets Commission and Commission on the Environment.</p> <p>Since codification, a new process has been implemented, and as a result the Refuse Rate Board approved rate increases of only 1.33% in 2024 and 2.55% in 2025, which is 36% lower than Recology's proposed rate increases and results in \$8.7 million in ratepayer savings over two years.</p>

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

## Status of Recommendation Implementation

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

## Status of Recommendation Implementation

Recommendation	Status
<p>5. Regarding the refuse rate adjustment process, the City should assess whether the operating ratio or another methodology should be used and should require that:</p> <ul style="list-style-type: none"> <li>a. The refuse company submits documents supporting its rate application, such as: audited financial statements; quarterly and annual rate reports that include all sources (including reserves and special accounts) and costs by ratepayer class, operating ratios, and balancing accounts; and a reconciliation between the audited financial statements and annual rate reports.</li> <li>b. Any quarterly or annual rate report submitted shows the date it was issued and includes a summary of any revisions made if later versions are published. All such reports should be posted to website of Public Works or the <i>Department of Sanitation and Streets*</i> (when it begins operations) and filed with the Rate Board in a timely manner.</li> <li>c. Cost of Living Adjustment factors are analyzed based on actual results over the preceding four years.</li> <li>d. Public Works report to the refuse company and file a report with the Rate Board when an error in documentation that had been submitted is identified.</li> <li>e. The refuse company ensures an independent rate analysis is performed that includes a study of comparable jurisdictions' refuse collection rates to support the accuracy and reasonableness of the proposed rate adjustment. This analysis should be considered by the Public Works director, Rate Board, and/or <i>Sanitation and Streets Director*</i> and Commission as part of each rate-setting process.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>In spring 2023 the Refuse Rates Administrator evaluated the operating ratio methodology and contracted with an independent refuse rates consultant to review and evaluate the operating ratio methodology and the appropriate allowable operating ratio level. The Refuse Rates Administrator presented recommendations to the Refuse Rate Board, which decided that an operating ratio will be used and reported along with the reporting of profit margins.</p> <ul style="list-style-type: none"> <li>a. As a part of the rate-setting process in 2023, Recology submitted its audited financial statements, quarterly and annual rate reports which included all sources such as reserves and special accounts, operating ratios, balancing accounts and a reconciliation between audited financials and the annual rate report conducted by a third-party firm through Agreed Upon Procedures. Certain costs by ratepayer class were submitted, and the Refuse Rates Administrator has again contracted with an independent refuse rates consultant in 2024 to evaluate methods for allocating costs between residential and commercial, rate versus non-rate costs, and corporate allocations.</li> <li>b. Quarterly rate reports beginning Q1 of rate year 2022 now include dates of issue and summaries of revisions. All reports are being posted to the Refuse Rates Administrator's website as the Controller assumed this responsibility after the passage of Proposition F in June 2022. This includes all reports and related documentation from rate year 2018 onward. The Public Works website continues to include information and records prior to the 2018 rate year.</li> <li>c. As part of the rate-setting process in 2023, the Consumer Price Index for the preceding four years was analyzed when determining projected Cost of Living Adjustments for any applicable line-item costs in the two-year Rate Order. Automatic Cost of Living Adjustment escalators beyond the two-year Rate Order were not approved.</li> <li>d. This responsibility for Public Works shifted to the Refuse Rates Administrator after voters approved Proposition F in June 2022. The Refuse Rates Administrator posts all material mistakes and error reports on its website, which are also submitted to the Refuse Rate Board inbox.</li> <li>e. In the spring and summer of 2023, the Refuse Rates Administrator conducted jurisdictional comparisons and contracted with refuse rate consultants to conduct independent analyses as a component of the new refuse rate-setting process. The analysis was considered by the Refuse Rates Administrator rather than the Public Works director since the Controller has assumed refuse rate administration responsibility under June 2022 Proposition F. The analysis was presented to the Refuse Rate Board as well as the Sanitation and Streets Commission and the Commission on the Environment. No presentation was made to the Sanitation and Streets Director due to voters passing Proposition B (Nov. 2022), which eliminated the Department of Sanitation and Streets and transferred its duties to the Department of Public Works along with retaining both the Public Works and Sanitation and Streets Commissions.</li> </ul>

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

# Findings of 6th Public Integrity Assessment

Department of Building Inspection's  
Permitting and Inspections Processes

*Issued September 16, 2021*

## Findings Highlights

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

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

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

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

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

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

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

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

### Findings Highlights *(continued)*

#### Negative "Tone at the Top"

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



## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Building Inspection Commission should work with the Department of Building Inspection to ensure it sets a good ethical tone at the top and reiterates the importance of compliance with ethics laws and rules.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>The Building Inspection Commission (BIC) works closely with the Department of Building Inspection (DBI) to ensure it sets a good ethical tone at the top. The BIC regularly supports and ensures that DBI is fulfilling its goal to be transparent and accountable. Commissioners complete annual and biannual Sunshine Ordinance and ethics trainings. Commissioners adhere to the same Code of Conduct and Statement of Incompatible Activities as does DBI staff. At a recent meeting, the BIC invited the Ethics Commission to give a presentation on the importance of compliance with ethics laws and rules.</p> <p>The BIC regularly seeks supplemental information (i.e., reports and details) from staff to provide better public visibility to inform the department's operations. The BIC raises questions regarding policies and procedures at its monthly meetings, and BIC President Raquel Bito regularly meets with Director O'Riordan and the Executive Management Team to review the status of ongoing initiatives.</p> <p>DBI's compliance manager is new to the department, but in future the Commission plans to seek feedback from the compliance manager on the following items:</p> <ul style="list-style-type: none"> <li>• Quarterly updates on reforms, addressing the Controller's recommendations and the Mayor's directive.</li> <li>• The compliance manager's regular work with DBI leadership to ensure it sets ethical rules and regulations, leads by example, and emphasizes compliance.</li> </ul>
<p>2. The Department of Building Inspection should remind its employees of the availability of the Whistleblower Program to report allegations of deficiencies in the quality and delivery of government services, wasteful and inefficient government practices, misuse of city funds, or improper activities by city government officers and employees.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>DBI has reminded employees through posted flyers and e-mail communications regarding the Whistleblower Program, DBI's internal Unethical Reporting tool, and the City's gift rules and reporting requirements. DBI plans to continue reminding employees through quarterly e-mail communications.</p> <p>DBI implemented an Internal Unethical Behavior Reporting Program for employees to report inappropriate or unethical behavior anonymously. All reports submitted through this internal reporting tool are investigated and escalated appropriately.</p>

## Status of Recommendation Implementation

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

## Status of Recommendation Implementation

Recommendation	Status
<p>4. The Department of Building Inspection should ensure its Permit Tracking System (PTS) has complete and accurate data, and has adequate controls to deter unauthorized modification of PTS records that conceal wrongdoing by DBI employees by:</p> <ul style="list-style-type: none"> <li>a. Requiring that all inspections are complete and recorded in PTS before a final permit sign-off is completed.</li> <li>b. Electronically locking inspection records in PTS so they cannot be edited after a certain period, such as 24 or 48 hours after initial entry.</li> <li>c. Creating an audit log for PTS, in addition to the technical log, to summarize who entered what information into PTS and when. It should be readily understandable and largely accessible to the public and subject to the department's record retention policy.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>DBI reminds staff utilizing the Permit Tracking System (PTS) of the importance of recording accurate data in the system. DBI trains all PTS users to ensure comprehensive notes are logged and records are complete.</p> <ul style="list-style-type: none"> <li>a. DBI requires that all inspections are complete and recorded in PTS before final permit sign-off is completed. Senior inspectors are required to review all Certificates of Final Completion for accuracy prior to final sign-off. PTS also has a system logic in place that prevents the scheduling of a final inspection unless all special inspections are complete and recorded in PTS.</li> <li>b. DBI implemented a 48-hour inspection records electronic lock to prevent edits to inspection records after initial entry. A process requiring approval by management is in place for any modification to a locked record and modifications are tracked by the department's Management Information Systems (MIS) unit.</li> <li>c. DBI implemented an audit log for PTS and only designated staff in the department's MIS unit can modify data or make system-wide changes. The MIS unit is only able to do so by obtaining approval following the department's internal change management policy. All changes are tracked in the department's internal request-tracking and change-auditing infrastructures. The audit logs will be subject to the departments' records retention policy and made accessible to the public upon request. DBI intends to make the audit log more understandable for the public as the department plans to upgrade systems which currently limit its ability to produce a less technical log.</li> </ul>
<p>5. The Department of Building Inspection should require supervisory quality assurance reviews of senior plan reviewers and senior inspectors' work, as well as for permits and inspections for projects that may warrant additional review, such as those that are larger or more complex.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>DBI now requires quality assurance reviews of senior plan reviewers and senior inspectors' work. Senior inspectors review daily inspection activity of inspectors, and the chief inspector reviews the inspection activity of senior inspectors.</p> <p>The department added criteria to quantify projects by size which allows for more equitable distribution of plan review projects. The department is also implementing tracking functionality in PTS to enable plan reviewers to monitor all projects that receive a quality assurance review.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. The Department of Building Inspection should consider whether plan reviewers and inspectors should be required to certify biannually that they comply with city conflict-of-interest rules, the department's Statement of Incompatible Activities, and the department's Code of Conduct, to remind them of the City's ethics rules and help prevent future conflicts of interest.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>DBI plans to send an e-mail reminder to all staff every March and September with links to the City's conflict-of-interest rules, additional employment rules, policy on family and romantic relationships at work, Whistleblower Program, policies and reporting requirements on gifts and attending parties, along with DBI's Statement of Incompatible Activities, Code of Professional Conduct, and internal unethical behavior reporting program. All staff will need to sign and return the DBI biannual certification form to its Human Resources unit for filing and retention.</p>
<p>7. The Department of Building Inspection should review the fees and penalties the department is authorized to levy for non-compliant construction (documented in Notices of Violation) to determine whether they are severe enough to effectively deter misconduct. If the department determines the fees and penalties are insufficient, it should recommend to the Building Inspection Commission that they be increased within legal constraints.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>DBI updated its Valuation Cost Schedule, initiated a fee study to inform a fee adjustment after eight years, and is considering fee increases.</p> <p>Ordinance No. 040-23 passed by the Board of Supervisors to increase fines and penalties for violations of Planning and Building Code clarifies that violations affecting multiple units in a building constitute multiple violations for purposes of assessing penalties, establishes penalties for residential units merged, constructed, or divided without required permits or approvals, establishes penalties for violations involving demolition, and increases fee amounts for certain penalties.</p>
<p>8. The Department of Building Inspection should conduct more outreach to educate the public on the City's permit and inspections process. For example, a checklist for permit sponsors listing the required types and order of inspections needed to construct or renovate a residential structure could be beneficial.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>DBI has continued to update its website to provide more information and educate the public on its permit and inspections processes. Various customer checklists and clearer guidelines on what is required have been provided.</p>

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

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

*Issued December 9, 2021*

## Findings Highlights

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

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

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

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

### Findings Highlights *(continued)*

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

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

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

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

## Status of Recommendation Implementation

In December 2023, CSA completed a [field follow-up](#) to determine the corrective actions that the SFPUC has taken in response to the report. The report contains seven recommendations, all of which have been implemented and closed.

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



## Status of Recommendation Implementation

Recommendation	Status
<p>2. The Public Utilities Commission should move forward with plans to obtain Board of Supervisors approval of a SIP Program policy that includes requirements to standardize processes and practices and provide clear, consistent guidance for the program's contractors.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>On September 27, 2022, the Board of Supervisors passed <a href="#">BOS #220539</a> concerning behested payment solicitations, excepting solicitations made under certain types of City programs to solicit, request, and contractually obligate charitable donations through competitively procured contracts. The law, approved by the Mayor on October 6, 2022, authorized the SIP Program through January 31, 2023, and requires that the Board of Supervisors adopt an ordinance authorizing the program for it to apply to new solicitations after January 31, 2023.</p> <p>Following the approval of the above law, SFPUC proceeded to obtain the Board of Supervisors' approval of the program. On October 24, 2022, by Resolution No. 22-0183, the SFPUC Commission adopted and authorized the Social Impact Partnership program and requested the General Manager to seek formal authorization of the SIP program from the Board of Supervisors.</p> <p><a href="#">Proposed legislation (BOS 221126)</a> (11/1/2022):  <i>(Sponsors: Chan, Dorsey, Mar, Melgar, Peskin, Preston, Ronen, Safai, Stefani, Walton)</i> Amend the Administrative Code to authorize the SFPUC to include Social Impact Commitment criteria as a qualitatively scored element in solicitations for certain contracts at designated thresholds.</p>
<p>3. The San Francisco Public Utilities Commission should develop formal, written SIP Program policies and procedures on:</p> <ol style="list-style-type: none"> <li>The oversight and management of the program and guidance provided to external parties.</li> <li>Roles and responsibilities of staff and management assigned to the program.</li> <li>Standardized contract provisions and protocols for monitoring and reporting on contractor compliance.</li> <li>Access and usage of information systems used for program management.</li> </ol>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>SFPUC has developed formal, written SIP Program policies and procedures. Specifically, SFPUC has:</p> <ol style="list-style-type: none"> <li>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.</li> <li>Conducted a staff assessment to produce the SIP Staff Roles &amp; Responsibilities, which reflects the current staffing model by outlining the roles and key responsibilities of staff.</li> <li>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.</li> <li>Provided contractors access to the public dashboard to confirm their recorded performance and the progress of their Social Impact Commitments.</li> </ol>

## Status of Recommendation Implementation

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

## Status of Recommendation Implementation

Recommendation	Status
<p>6. Assess SIP Program staffing levels to ensure sufficient resources are available to provide oversight and controls necessary to ensure the integrity of the program and accuracy of information reported.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></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 available SIP Performance Dashboard and implement internal controls to ensure the dashboard presents data that is accurate, reliable, and updated in a timely manner.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>SFPUC has added to the SIP website an interactive SIP dashboard to ensure transparent reporting to the public regarding contractors' performance, accountability, and delivery of SIP commitments. SFPUC completed the comprehensive data validation (referenced under Recommendation 5) before publishing the dashboard, which will be refreshed regularly to ensure the data reported is accurate and up-to-date.</p>

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

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

*Issued April 8, 2022*

## Findings Highlights

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

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

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

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

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

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

## Findings Highlights *(continued)*

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

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

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

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

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

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

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Commission on the Environment should ensure that SF Environment establishes a strong, ethical tone at the top, modeling the importance of compliance with ethics laws.</p>	<p><b>Implemented and Closed</b> (<i>Last Reported Status in 2022</i>)</p> <p>For the near-term, the Commission on the Environment's meeting agendas have a standing discussion item to track the department's progress in implementing the Controller's recommendations. On May 10, 2022, the commission met to review and provide feedback on the department's proposed action plan in response to the recommendations. On July 26, 2022, the commission: (1) heard a progress report from the department's acting director on the implementation of the Controller's recommendations; (2) discussed a review of the department's contract and grant processes, including commission deliberation on the potential levels of commission oversight and approvals; and (3) adopted a resolution that makes the Mayor's Executive Directive 20-02 commission policy, requiring a memorandum of understanding with any new or potential <i>Friends of organization</i> that must be fully reviewed by the commission, City Attorney, and Controller.</p> <p>In response to commissioners' requests and feedback on the Controller's report, SF Environment, through the recurring Director's Report will: (1) engage and inform the commission about any relevant future city audits and provide a six-month follow up on the implementation of the audit recommendations; (2) notify the commission on ethics updates and milestones in the Director's Report, including, but not limited to, completion of Form 700s, gift report submission, and completion of ethics trainings; and (3) update the commission on any new awarded or received contracts or grants since its last meeting.</p>
<p>2. Policymakers should revise the refuse rate-setting process and procedures to clearly define SF Environment's roles, responsibilities, and involvement in the refuse rate-setting process.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>The Office of Refuse Rates Administration reviewed SF Environment's role during the rate-setting process in 2023 and determined that the department's responsibilities fall under three main areas: (1) Provide input into refuse-related operations and the rate-setting process around Zero Waste goals and related City and State policies. (2) Monitor environmental performance including collection, processing, and disposal tons, and mandatory adequate service compliance. (3) Manage the landfill disposal contract. These roles are defined in the most recent Refuse Rate Order, which was approved by the Refuse Rate Board in August 2023.</p>
<p>3. Policymakers should consider codifying the Mayor's Executive Directive 20-02, requiring departments to formalize their relationships with their <i>Friends of/non-city organization</i> and defining key components of those agreements.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>The City Attorney and Controller drafted and published an agreement template, including required disclosure and transparency requirements, for departments to use in consultation with their respective Deputy City Attorneys. The Controller's Systems Division has also published a job aid and provides departments training on how to load their proposed and executed agreement with non-city organizations to help ensure centralized sightline and reporting transparency. To date, no proposed amendment to the Administrative Code has been introduced and this recommendation is effectively closed.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>4. SF Environment and all city departments should proactively seek advice from the City Attorney and the Ethics Commission when questions arise about city ethics rules and ensure full disclosure of relevant facts to facilitate accurate advice.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>SF Environment has reviewed its ethics policies and protocols and plans to develop additional formal written policies as necessary, including when to seek advice from the City Attorney and/or Ethics Commission. The acting director and department staff meet weekly with the department's assigned deputy city attorney and now invite staff to ask questions on city ethics rules and related policies that may arise.</p> <p>In May 2022 the department reviewed with all staff the process for obtaining advice from the City Attorney and Ethics Commission. The department states that it will review this process annually.</p> <p>SF Environment updated its employee intranet with current city and department ethics guidance, an updated list of organizations or companies with financial relationships to the department, and processes for seeking approval and advice from the City Attorney and/or Ethics Commission about city ethics rules. This information will be added to the department employee manual by June 2023.</p>
<p>5. SF Environment and all city departments should comply with the Mayor's Executive Directive 20-01 and ensure it timely and proactively discloses information to both the City Attorney and Controller.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>SF Environment's acting director has met with the Controller and City Attorney to ensure no outstanding items exist and to clarify that the acting director will be the primary point of contact for all future information requests. He has repeatedly reminded staff of the importance of—and publicly committed the department to—fully complying with the Mayor's Executive Directive 20-01. This requires being open and proactive with the City Attorney and Controller during audits and investigations, which in turn will help ensure compliance with city policies and applicable laws.</p>
<p>6. SF Environment and all city departments should work with the City Attorney to comply with Mayor's Executive Directive 20-02 and create a memorandum of understanding or ensure the closure of the Friends of SF Environment organization and appropriate disbursement of its remaining funds.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>On April 29, 2022, the department severed its ties with the Friends of SF Environment. Any future decision by the department to reestablish a <i>Friends of</i> organization will require full adherence with the Mayor's Executive Directive 20-02 and all applicable city laws and rules.</p>



## Status of Recommendation Implementation

Recommendation	Status
<p>7. SF Environment and all city departments should work with the Office of Contract Administration and the Department of Human Resources to designate employees who have contracting/purchasing responsibilities, including those who participate in contract negotiations and revisions, and to ensure all training requirements, including mandatory ethics training, are met.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>Since 2021 all staff of the department must take the biannual online city ethics training. Ethics training is now also part of the onboarding process for new employees. In the summer of 2022, the department scheduled a staff training with the City Attorney's Ethics Team to review the City's behested payment rules and ask questions. As a follow-up, employees were invited to fill out a form to have their ethics questions answered by senior department staff or the City Attorney.</p> <p>The department significantly increased the required number of Form 700 filers after a review to determine which positions have substantial contracting or purchasing responsibilities. In August 2022, the department submitted the updated filing list to the Clerk of the Board and City Attorney.</p> <p>Individuals with contracting or purchasing responsibilities have completed required training(s) hosted by the Office of Contract Administration and required by DHR. The department's contract and grants manager is the central point of contact for all outgoing contracts and grants and received Proposition Q Delegated Departmental Purchasing Certification in April 2020, which is valid for 1,095 days (three years).</p> <p>At the department's request, in May 2022 the City Attorney provided a behested payment training to staff who have a decision-making, contracting, or purchasing role, and answered questions from the trainees.</p>
<p>8. SF Environment and all city departments should seek approval from the Board of Supervisors if the department wishes to charge fees for tours and ensure that this fee revenue is deposited and recorded in the City's financial system.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2022)</i></p> <p>SF Environment plans to include any fee (for tours or other services) in its budget submission by filling out Form 2B/2C. The commission approves the budget before it goes to the Mayor and Board of Supervisors. The department stated that it will not charge any fee for tours or any other activity before the Board approves the department's budget.</p> <p>SF Environment updated its employee intranet with ethics rules and instructions for setting new fees using Form 2B/2C. The department is also updating its employee manual with similar information and department policies and procedures.</p>
<p>9. The Department of Human Resources should consider requiring interview panelists to confirm that they have no conflicts of interest before participating in hiring panels and develop policies regarding these matters.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>DHR issued a citywide Evaluator Selection Policy in February 2024. The policy requires interview panelists to complete a Subject Matter Expert Background and Confidentiality Form, which includes a confirmation that the panelist has no conflicts of interest, prior to participating in hiring panels.</p>

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

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

*Issued May 16, 2022*

## Findings Highlights

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

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

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

- These variances often led to profits exceeding targets.

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

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

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

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

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

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

## Status of Recommendation Implementation

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

## Status of Recommendation Implementation

Recommendation	Status
<p>2. The City should require the SF Companies to establish a balancing account to true-up excess profit (or shortfall), and as part of that process:</p> <ul style="list-style-type: none"> <li>a. Recommend the SF Companies to establish the balancing account, or a comparable mechanism, before the beginning of the next rate year with a beginning balance of \$23.4 million—the amount beyond allowable profit for rate years 2018 through 2021—which should be used to offset the upcoming COLA increase. Excess profits identified in prior periods could also be included in the balancing account.</li> <li>b. Develop a process to methodically check for errors and omissions in the rate calculation that should have otherwise been available during the rate-setting process, determine the impact of any mistakes on refuse rates, and true up differences with the balancing account.</li> <li>c. Require that the SF Companies request and receive approval from the City before substituting or swapping expenses within and among line items within a predetermined threshold. If an expenditure is made before being approved, such as expenditures for exigent circumstances, and later found to be ineligible, require that it be trued up with the balancing account.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>The City required that Recology establish two balancing accounts – the first was established pursuant to the December 2022 settlement, and the second was established pursuant to the most recent Refuse Rate Board-approved 2-Year Refuse Rate Order in August 2023, which covers the period from 10/1/2023 through 9/30/2025.</p> <ul style="list-style-type: none"> <li>a. Recology established a balancing account based on the terms of the December 2022 settlement. The balance will be used to offset rates over five rate years beginning with Rate Year 2024-25.</li> <li>b. The 2-Year Refuse Rate Order includes reporting requirements and audit and assessment safeguards based on established Agreed Upon Procedures (AUPs) including errors and omissions reviews and a process to timely reflect true-up differences in the balancing account.</li> <li>c. The most recent 2-Year Rate Order (adopted in August 2023) requires that any elective cost or expense type recovered from San Francisco Ratepayers with a variance or greater than \$500,000, that has not been previously publicly presented and approved pursuant to the most recent Refuse Rate Board’s 2023 Rate Order, shall be subject to transparent, established procedures in the rate order and cannot be included in the Balancing Account calculation.</li> </ul>

## Status of Recommendation Implementation

Recommendation	Status
<p>3. The City should require the SF Companies to submit audited financial statements for each rate year and, in addition:</p> <ul style="list-style-type: none"> <li>a. Provide a schedule of reconciliation between audited financial statements and the annual rate reports.</li> <li>b. Align the rate year with the SF Companies’ fiscal year to enable traceability and reconciliation.</li> <li>c. Require the balancing account be specifically included in the independent auditors’ review of the annually audited financials statements, including a reconciliation that should be published as part of those statements.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>The City now requires that the SF Companies submit audited financial statements for each rate year.</p> <ul style="list-style-type: none"> <li>a. The SF Companies provided a reconciliation schedule during the most recent rate-setting process and are required under the 2023 Refuse Rate Order to continue submitting reconciliation schedules annually.</li> <li>b. The Refuse Rate Administrator (RRA) and Refuse Rate Board (RRB) have now aligned the rate years with the SF Companies’ fiscal year and its audited financial statements.</li> <li>c. The recent 2-Year Rate Order requires that balancing account footnote disclosures are included in the annual audited financials and both the quarterly and annual rate reports. Agreed Upon Procedures (AUPs) for the balancing account have been established and are to be performed by Recology’s external auditors).</li> </ul>
<p>4. The City should require the SF Companies to develop and document a consistent methodology to fairly charge ratepayers for real property and equipment, and ensure that:</p> <ul style="list-style-type: none"> <li>a. Recovery from ratepayers never exceeds the historical purchase price plus cost of capital used to purchase the property, including any capital improvements thereon.</li> <li>b. Upon sale of the property, a credit equivalent to the proportional gain is credited to the ratepayers.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>The Controller’s Office and City Attorney’s Office developed methodology to document real property and equipment in the December 2022 settlement with Recology, which was included and expanded upon through the 2-Year Rate Order.</p> <ul style="list-style-type: none"> <li>a. A requirement that recovery from ratepayers never exceeds the historical purchase price plus cost of capital used to purchase the property, including any capital improvements thereon, was included in the settlement agreement and Rate Order and is validated through AUPs to be performed by Recology’s external auditors.</li> <li>b. A requirement that, upon sale of real property and equipment, a credit equivalent to the proportional gain is credited to the ratepayers was included in the 2021 settlement agreement and Rate Order and is validated through AUPs to be performed by Recology’s external auditors.</li> </ul>

## Status of Recommendation Implementation

Recommendation	Status
<p>5. The City should formally capture lessons learned from the rate-setting process and subsequent monitoring and ensure they are applied in future rate-setting, and should consider:</p> <ul style="list-style-type: none"> <li>a. Documenting publicly the adjustments resulting from the City's review of the rate application, including how the adjustment was derived, the impact on the rate calculation, and whether the adjustment item needs to be revisited in future rate setting.</li> <li>b. Documenting publicly any significant issues or concerns with the overall rate-setting process, including whether there was timely access to accurate information from the SF Companies and whether public outreach to ratepayers was effective.</li> <li>c. Having an annual follow-up process to ensure that recommendations are implemented timely and that the results are published.</li> </ul>	<p><b>Implemented and Closed (2024)</b></p> <p>Lessons learned informed the drafting of the June 2022 Proposition F, the RRA's new rate application templates and schedules, as well as the most recent Rate Order approved by the Refuse Rate Board in August 2023.</p> <ul style="list-style-type: none"> <li>a. All adjustments and adjustment items to be revisited in future rate-setting are documented in the 2-Year Rate Order, which is posted on the Refuse Rate Administrator's website. During the rate-setting process the Refuse Rate Administrator also posted the questions and responses from its interrogatory process. All documents related to the most recent rate-setting process are preserved on the Refuse Rate Administrator's website. All public hearing and Refuse Rate Board hearing presentations are also posted on the website.</li> <li>b. Discussions around significant issues and concerns, as well as the effectiveness of public outreach, were documented through the interrogatory process and through Rate Board Hearings, Refuse Rates Administrator's hearings, Commission on Environment hearings, and Sanitation and Streets Commission hearings. These recorded hearings and related documents are available to the public on the Refuse Rates Administrator's website.</li> <li>c. Per Proposition F, the Refuse Rate Board is required to meet at least once per year after the rate order takes effect to ensure recommendations are implemented timely and results are published. The Rate Board met March 25th, 2024 for its first meeting since they approved the inaugural Rate Order in August 2023 pursuant the voter-mandates in Prop F. The Rate Board will also meet again in September 2024.</li> </ul>
<p>6. The City should require Recology to submit a new rate application that complies with the recommendations made in this assessment.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>In 2023 the Refuse Rates Administrator published and required the use of new rate application templates and schedules which complied with the recommendations made in this assessment.</p>

## Findings of 10<sup>th</sup> Public Integrity Audit

**Recology San Francisco Generally  
Managed the Landfill Disposal Fees  
Appropriately but Did Not Always  
Comply With Its City Contract**

*Issued July 13, 2023*



## Findings Highlights

### **Recology SF and Recology Hay Road Generally Managed Disposal Fees Appropriately, but Recology Hay Road Should Strengthen Its Daily Tonnage Validation Process and Recology SF Should Exclude Its Cost to Dispose of Non-City Waste From the Costs Used in the Rate-Setting Process**

- Recology Hay Road accurately assessed and distributed fees for solid waste disposal but assessed lower fees than the City's agreement permits for beneficial use material disposal. Recology SF included a small amount of non-city waste in its calculation of disposal tonnage.

### **Recology SF Did Not Comply With Certain Contract Provisions, Including Required Reporting and Seeking the City's Input on Landfill Gas Recovery Plans**

- Recology SF did not consult with SF Environment when Recology Hay Road Landfill renewed its recovered gas agreement. The City may have benefitted from being included in ongoing gas recovery discussions, plans, and in developing the agreement.

### **SF Environment Did Not Comprehensively Monitor the Landfill Disposal Agreement**

- SF Environment did not assign monitoring duties within the department, establish adequate procedures for check-ins with Recology SF on its deliverables, comprehensively track applicable waste and related fees, or confirm the waste tonnage data that is included in the total tonnage of solid waste disposed of, which is a measure that can trigger the agreement's termination.

### **Comparable Entities' Agreements Include Provisions the City Should Consider**

- The City should consider provisions such as duration term limits, refuse rate index adjustments, noncompliance penalties, performance standards, and detailed reporting requirements that the City should consider implementing.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. SF Environment should ensure that Recology SF strengthens the daily tonnage validation process by requiring that Recology Hay Road compare departure and arrival weights and document reasons for discrepancies.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>Since October 2023 SF Recology has included departure and arrival weights, and reasons for discrepancies, in its reporting to SF Environment.</p>
<p>2. SF Environment should ensure that Recology SF reports landfill disposal fees and tonnage for city waste separately from non-city waste, particularly as it relates to the City’s refuse rate-setting process.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>Since February 2023 Recology has separately reported monthly city and non-city landfill disposal fees and waste tonnage.</p>
<p>3. SF Environment should ensure that Recology SF includes accurate data in all required reports and submit them to designated recipients in a timely manner.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>Recology reports to SF Environment have included accurate data and have been submitted to designated recipients in a timely manner since February 2023.</p>
<p>4. SF Environment should ensure that Recology SF seeks SF Environment’s cooperation and consultation as required by the Agreement, including obtaining SF Environment’s input on landfill gas plans before sub-agreements are executed or amended.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>Recology SF briefed SF Environment in December 2023 on proposed updates to landfill gas plans and obtained SF Environment input. SF Environment reports that Recology will continue to seek the department’s cooperation and consultation as required by the Agreement.</p>
<p>5. SF environment should refine agreement language in applicable sections to ensure stated metrics align with the City’s intentions and goals such as, but not limited to, the transportation truck trips limit.</p>	<p><b>Will Not Be Implemented and Closed (2024)</b></p> <p>SF Environment determined that agreement language changes are not needed to ensure stated metrics align with the City’s meet city’s intentions and goals. The department also determined that the current truck trips limit is adequate.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>6. SF Environment should establish better internal protocols and processes to comprehensively manage and monitor the contractor's compliance with all Agreement provisions. Such processes should include:</p> <ul style="list-style-type: none"> <li>a. designating a contract manager with specific roles and responsibilities.</li> <li>b. developing a procedure that uses underlying data to validate and track the detailed fee schedule, monthly tonnage, and intercompany fees submitted by Recology SF.</li> <li>c. establishing better internal schedules for checking in on the status of contract deliverables.</li> <li>d. communicating noncompliance or other issues to other city bodies that may need information for the City's refuse rate-setting process.</li> </ul>	<p><b>In Progress</b></p> <p>SF Environment requested and received approval from the Refuse Rate Board on March 25, 2024, to hire a landfill contract administrator to be designated as the contract manager for the landfill agreement to institute optimal protocols to manage and monitor the agreement provision. This position will also conduct the solicitation of a new landfill agreement to replace the current landfill agreement once the term ends that is expected as early as late 2028 based on an amended extended tonnage term limit and recent disposal rates. The new contract manager position is expected to be filled by September 2024.</p>
<p>7. SF Environment should revise the Agreement to clarify which waste counts toward the waste disposal tonnage limit that can trigger the Agreement's termination.</p>	<p><b>Will Not Be Implemented and Closed (2024)</b></p> <p>SF Environment and Recology mutually agreed to only count City Waste and not the broader Solid Waste, toward the disposal limit that can trigger Agreement termination, which is consistent with the Agreement's designation of the Hay Road landfill as the exclusive site for the disposal of City Waste. Therefore, the parties agreed that amending the agreement is not necessary to clarify which waste counts toward disposal limit.</p>

## Status of Recommendation Implementation

Recommendation	Status
<p>8. To improve the tracking of the waste disposal limit, SF Environment should require Recology SF to provide reports that break down the waste tonnage data that is included in the tonnages that may trigger the Agreement's termination.</p>	<p><b>Implemented and Closed</b> <i>(Last Reported Status in 2023)</i></p> <p>Recology reports to SF Environment since February 2023 have included a break down of the waste tonnage data that is included in the tonnages that may trigger the Agreement's termination.</p>
<p>9. Determine whether the City should adopt other public entities' landfill agreement provisions by assessing the costs and benefits of doing so. Potentially beneficial changes to the City's agreement include revising the fee adjustment basis, adding penalties for noncompliance, adopting new performance standards, and requiring more detailed reporting and submission of underlying data.</p>	<p><b>In Progress</b></p> <p>SF Environment will evaluate other public entities' landfill agreement provisions utilizing the required staff resources of an analyst position approved by the Refuse Rate Board on March 25, 2024. New provisions will be considered as an amendment to the current landfill agreement or for a new agreement solicitation to replace the current agreement. The current agreement was amended to extend its term and this extended term may reach its tonnage limit as early as late 2028 at current disposal rates that will require a new agreement.</p>

# Findings of 11<sup>th</sup> Public Integrity Assessment

The Community Challenge Grant Program's 2023 Solicitation Process Was Deeply Flawed and Needs to Be Redone Properly

*Issued October 17, 2023*

## Findings Highlights

### **The Scoring Panel for the 2023 Grant Cycle Was Completely Inadequate and Not What Community Challenge Grant Program Director Lanita Henriquez Stated It Was**

- The participation of one of the three panelists could not be confirmed, and one of the panelists had a conflict of interest that should have disqualified them from participation in the panel. Many of the recorded scores appear fabricated or invalid due to the participation of a panelist with a conflict of interest.

### **Final Scores for the 2023 Grantees Were Unreliable**

- For reasons stated above, the final scores submitted by Henriquez are unreliable.

### **One of the Five Letters of Support for the Top-Scoring Application Was Falsified**

- A letter of support from the Housing Authority of the City and County of San Francisco (Housing Authority) appears to be forged. The Housing Authority confirmed it never provided such a letter although it identified that Henriquez asked for one.

### **The Solicitation Process Had Weak Internal Controls, Including a Lack of Segregation of Duties, and Henriquez Provided No Documentation of Her Review of the Process**

- The program director's responsibilities as laid out in the guidelines are inconsistent with industry best practices because they ignore the need to segregate duties between or among different employees. The award process's transparency and fairness were undermined by a lack of documentation, misrepresentation about the number of scorers, and one of the panelist's conflict of interest.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The Office of the City Administrator should select new panelists to reevaluate the Community Challenge Grant applications received for the 2023 grant cycle.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>A new panel review for the 2023 grant cycle was completed on November 6, 2023, with a Notice of Intent to Award issued on November 9, 2023.</p>
<p>2. The Office of the City Administrator should develop written procedures to document the role of the program’s staff related to the grant solicitation process and ensure that all required steps taken during a solicitation process are adequately documented. These procedures should be communicated to staff and stored in a centralized location accessible to staff.</p>	<p><b>In Progress</b></p> <p>A new grant manager was hired in October 2023 and they are documenting the grant solicitation process and creating a handbook to be stored in a centralized location accessible to staff.</p>
<p>3. The Office of the City Administrator should create standardized confidentiality and conflict-of-interest forms and require staff and scoring panelists to complete, sign, and retain such forms consistent with the retention requirements in the San Francisco Administrative Code, Chapter 21G, or in City Administrator policy.</p>	<p><b>Implemented and Closed (2024)</b></p> <p>All staff and panelists involved with CCG’s solicitation process reviewed and signed a standardized confidentiality and conflict-of-interest form for the reevaluation of the 2023 grant cycle. The City Administrator’s Office Ethics and Conflicts of Interest in Grantmaking Policy was adopted in January 2024 and trainings were held with staff in February 2024.</p>

# Findings of 12<sup>th</sup> Public Integrity Assessment

Criminal Conduct by Former San Francisco Public Utilities Commission General Manager Harlan Kelly Undermined the Integrity of City Procurements Despite Existing Rules Governing Gifts, Disclosures, and Sole Source Waivers

*Issued March 28, 2024*



## Findings Highlights

**Despite the numerous citywide and departmental ethics rules former SFPUC General Manager (GM) Harlan Kelly was bound to uphold, he abused his official position as GM of the SFPUC to provide selective assistance in exchange for bribes or in consideration of his undisclosed personal and business relationships.**

- Kelly provided insider knowledge and selective assistance regarding the SFPUC procurement process to bidders Melanie Lok of Mlok Consulting and Walter Wong with whom he had undisclosed business and personal relationships. Furthermore, Kelly received a personal financial gain in exchange for his assistance to Wong.

**Former GM Kelly, as a department head, was responsible for setting an ethical climate at SFPUC. Instead, he accepted gifts without reporting them and, worse, accepted gifts from restricted sources.**

- Kelly accepted gifts despite the fact that he provided annual reminders to SFPUC staff regarding mandatory compliance with the department's Statement of Incompatible Activities as well as annual reporting requirements related to the Form 700.

**SFPUC must better adhere to sole source contracting rules to ensure its requests meet the intent of OCA's regulations.**

- In August 2019 SFPUC submitted a sole source request to waive competitive solicitation requirements to procure 77 holiday light fixtures however SFPUC's reasoning for the sole source designation implies that it did not properly plan for this procurement.

## Status of Recommendation Implementation

Recommendation	Status
<p>1. The San Francisco Public Utilities Commission and its oversight Commission should:</p> <ul style="list-style-type: none"> <li>• Foster an ethical organizational culture of transparency in which policy compliance is valued and create controls to restrict the ability of senior management to override departmental and city policies.</li> <li>• Remind employees of the availability of the Controller’s Whistleblower Program and stress the need to protect the anonymity of whistleblowers.</li> </ul>	<p><b>In Progress</b></p> <p><i>CSA follows up on Public Integrity report recommendations every year after original issuance; we will obtain status updates on this report next year.</i></p>
<p>2. The San Francisco Public Utilities Commission should reinforce the importance of departmentwide compliance with the following city laws and rules:</p> <ul style="list-style-type: none"> <li>• Campaign and Governmental Conduct Code, Section 3.214, as it requires city employees to disclose relationships with individuals who have a financial interest in a governmental decision being made by the employee.</li> <li>• Campaign and Governmental Conduct Code, Section 3.216, as it addresses acceptance of gifts from restricted sources.</li> <li>• Campaign and Governmental Conduct Code, Section 3.218, which prohibit affording competitive advantages to one supplier.</li> <li>• City contracting regulations around competitive solicitation waivers and delegated departmental purchasing authority restrictions, including the prohibition of order splitting.</li> </ul>	<p><b>In Progress</b></p> <p><i>CSA follows up on Public Integrity report recommendations every year after original issuance; we will obtain status updates on this report next year.</i></p>
<p>3. The Office of Contract Administration should update its guidance to clarify what may or may not constitute justification for a sole source waiver. This guidance should include that poor planning for procurements is not an appropriate justification.</p>	<p><b>In Progress</b></p> <p><i>CSA follows up on Public Integrity report recommendations every year after original issuance; we will obtain status updates on this report next year.</i></p>

# Any questions or comments?

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