



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

**Ben Rosenfield
Controller**

**Todd Rydstrom
Deputy Controller**

DATE: March 11, 2021
TO: Michael Carlin, Acting General Manager, Public Utilities Commission
FROM: Ben Rosenfield, Controller
SUBJECT: **Results of CY2019 Post Audit & Continuous Monitoring Program**

Thank you for your staff’s support of the Controller’s continuous monitoring and post audit program. This letter summarizes the audit work completed and explains observations that may have been found during that work. We recognize the extra work and resources required to collect the subject documentation, especially under these extraordinary circumstances, and we truly appreciate your department’s effort and assistance.

Department Financial Activity Highlights:

Financial Activity	Fiscal Year 2018		Fiscal Year 2019		Fiscal Year 2020	
	Count	Amount	Count	Amount	Count	Amount
Voucher	34,958	1,065,705,333.38	33,055	1,025,640,575.84	34,778	1,294,034,712.40
Expense Report	1,570	738,619.24	1,711	758,210.57	1,310	570,348.33
GL Journal Entries	4,690	154,532,024,619.74	5,034	41,104,889,409.62	5,038	29,443,732,999.71
KK Journal Entries	1,252	4,943,372,523.02	1,247	10,140,961,274.26	1,678	10,712,127,138.35
Purchase Order	9,444	128,919,210.99	8,406	98,544,505.99	11,075	181,812,100.90
Accounts Receivables	5,975	879,663,732.07	6,113	1,260,450,655.98	5,748	668,503,874.43
Totals	57,889	161,550,424,038.44	55,566	53,631,244,632.26	59,627	42,300,781,174.12

Program Overview

The continuous monitoring and post audit program are designed to help assess each department’s accounting and internal control practices and compliance with City laws, regulations, and policies. The monthly monitoring reports that we send you or your staff provide regular feedback about processing in your department. They can help identify areas that are working well and highlight those that may need immediate attention for change and improvement.

Post-Audit Approach

The post audit examines the effectiveness of the design and implementation of each department’s internal control. This year, a risk-based approach was used to determine the transaction cycles selected for testing. Each department was assigned a departmental risk level for each transaction cycle based on the materiality of the department’s operations to the City’s financial reporting objectives. This was done primarily on the magnitude, volume, and complexity of the department’s transactions, and adjusted for factors such as separate reporting funds and new systems, personnel, or management. Departments with more transactions, higher dollar amounts, more complex transactions, and separate financial statements were assigned a higher risk. The assessment of inherent risk is used to design audit procedures and is not a reflection on your department’s management or performance.

Financial transactions were selected for analysis and testing on a risk basis. Documentation provided by your department as well as preliminary inquiries of key personnel were used to evaluate the adequacy of the design of the controls on selected cycles. Subsequent testing was used to evaluate the adequacy of the implementation of the controls. In all cases, the existence of citywide controls and potential compensating controls are considered in the evaluation.

Procedures

Our audit team:

- Reviewed your response to our internal control questionnaire
- Reviewed your continuous monitoring results
- Reviewed your P-Card transactions in both US Bank Access Online and in PeopleSoft
- Reviewed your prior year's post audit results and your response
- Examined your written policies and procedures pertaining to the audit areas
- Interviewed key staff members to understand the design of controls

Strengths

The following areas are highlighted as your strengths. Your cooperation in timely preparation and organization of backup documentation contributed to an efficient post audit. The Controller's Office thanks you for your prompt response to our inquiries throughout the duration of the post audit.

1. **Compliance with Year-End Close Schedule.** Your department's fiscal staff is serious about meeting the year-end schedule and promptly responds to the Controller's request for information.
2. **Same Initiator & Approver of Financial Documents.** Your department complied fully with the City's requirement in the area.
3. **Budget Entry Documents.** Your Department has maintained performance with no findings in this area.
4. **Promptly Clearing Unidentified Receipts.** Your Department has maintained performance with no exception in this area.

Areas for Improvement

Based on the test work performed, there were certain areas that were found to need improvement or requested documentation was not received. Specific areas include:

1. **Seven invoices we reviewed were paid untimely.** Additionally, the department was not able to take advantage of discounts offered for prompt payment for seven invoices. The Department should ensure that all invoices are received and paid timely. Payments must be made within 30 days of the invoice receipt date and within the discount term. See Appendix A, Transaction Documentation for details.
2. **The department posted cash receipt document in an untimely manner.** Four cash receipts were recorded in PeopleSoft 6 to 13 days after the actual deposits were processed to the bank. We recommend the department post cash receipts about the same time the money is deposited to ensure that it is timely reflected in our financial system. While we acknowledge that department has a well-written procedure in Cash Management, we also recognize department's effort in meeting the closing deadlines and understand that SFPUC is a large department with various collection points and uses various systems for cash collection of revenues. See Appendix A, Transaction Documentation for details.

- 3. **One Journal entry was not included with cash balancing lines.** The departments are responsible for ensuring that each journal line has a corresponding, paired cash balancing line unless the transfer is within the same department, same fund, and same project. See Appendix A, Transaction Documentation for details.
- 4. **One reimbursement was submitted in an untimely manner.** Expenses were occurred in March 2019 and April 2019 while the expense report was submitted in June 2019. We recommend the department ensure employee to submit reimbursement request no more than 30 days from return of travel, or within 10 days if an advance was issued. See Appendix A, Transaction Documentation for details.
- 5. **Policies and Procedures.** We acknowledge the department’s proactive management on monitoring and responding to AOSD requests. While we recognize that the department provided well-written procedures in many areas as requested, we recommend your department update the procedure documentation on budget changes and grant cycles that can incorporate changes required due to PeopleSoft implementation. Good policies and procedures documentation are the cornerstone of good internal controls.
- 6. **Project Costing (PC) to Asset Management (AM) process was not adopted.** Department transactional data were not linked from PC to AM. The Department should implement express capitalization function for new projects to streamline and realign business processes related to capitalization and year end processes which also improve visibility to transactional data in the AM module.

Summaries of all higher risk findings are presented in **Appendix A: Fieldwork Test Results** on page 5, **Appendix B: Grant Administration** on page 9, and **Appendix C: P Card** on page 10.

Project Closeout

Among the many goals of FY21 is the project closeout process. Closing projects in a timely manner ensures financial data integrity and promotes accurate financial reporting. In December 2020, we sent your department a report listing projects that are potentially ready for closeout. Actions needed from your department include confirming if a project is ready for closeout; cleaning up pending transactions in submodules; and closing remaining balances in the general ledger and related active customer contracts. According to the report, the department has the following count of project codes:

Lead Dept	Status	Count of Project Code
PUC	Dept Confirmation Needed	1,055
PUC	Pending Submodule	7
PUC	Dept Action Needed	102
PUC Total		1,164

Follow-up

A detailed audit matrix that reflects test work for each area of the Post Audit was provided to the Department’s Controller and discussed at the exit conference. We have not removed findings which we believe are valid although your staff may disagree. In those cases, we have communicated our reasons for retaining the finding to your staff and included any comments in the appendices.

By May 20, 2021, please provide us with a response for the observations that were reported above. If you have any questions about the audit or this report, please call Jocelyn Quintos at 415-554-6609 or Jane Yuan at 415-554-7546.

Cc: Eric Sandler, Chief Financial Officer, Public Utilities Commission
Nancy Hom, Deputy Chief Financial Officer, Public Utilities Commission
Charles Perl, Deputy Chief Financial Officer, Public Utilities Commission
Vivian Chen, Accounting Services Director
Sailaja Kurella, Acting Director, Office of Contract Administration
Jocelyn Quintos, Director of Accounting Operations and Supplier, Controller's Office

Appendix A: Fieldwork Test Results

Overview

Communication, documentation, and monitoring of compliance are critical elements of every sound financial system, and policies and procedures are an essential part of establishing internal controls. For this year's post audit, departments were asked to respond to an internal control questionnaire and submit copies of their policies and procedures for the basic accounting cycles, submit selected transaction documentation for review and to conduct walkthroughs on accounting cycle procedures.

Internal Control

While it was not within the scope of this audit to perform an extensive internal control review, the status of procedure documentation your department has submitted on requested cycles is below.

Cycle	Status
Cash Handling	Received
Revenue and Receivables	Received
Purchasing & Payables	Received
Payroll	Received
Grants	Not Received. Department follows Controller's Policies.
Journal Entries & Financial Closing	Received
Budget Changes	Not Received. Department follows Controller's Policies.
Debt	Received
Fixed Assets	Received
Inventory	Received
Trustee Accounts	Received
Claims	Received

Transaction Documentation

The following documents were selected for review, document numbers in bold indicate issues found. Please find our observations below.

Purchasing & Payables	Findings and Recommendation
00795202 01052181 00676068 00735298 00862264 01080801 00985098 00994161 00759036 00847123 00743351 00963592 00730156 00722882 00977790 00736804 00755834 00732977 00781593 01047965 00818249 01017778 01002972 00826828 00940501 00675711 01067386 01066837	Our review found eight higher risk items in this category. Seven invoices we reviewed were paid 30 days after the invoices were received. As a result of late payment, department was not able to take advantage of discounts offered for prompt payment for six invoices. Another voucher, although was paid within 30 days, missed the discount offered because the voucher was paid outside of the discount term. We recommend the department ensure that invoices are paid within the City's prompt payment rule of 30 days. Also, department shall pay within the discount term from the invoice receipt date to capture the prompt payment discount.
01052387 01006301	Other observations have been noted in the Fieldwork Summary presented to your Finance staff.

Cash Receipts	Findings and Recommendation
79198 86555 86102 68131 69545 63715 67973 66123 66771 66829	<p>Our review found four higher risk items in this category.</p> <p>Four cash receipts were recorded in PeopleSoft 6 to 13 days after the actual deposits were processed to the bank. We recommend the department post cash receipts about the same time the money is deposited to ensure that it is timely reflected in our financial system.</p> <p>While we acknowledge that department has a well-written procedure in Cash Management, we also recognize department's effort on meeting the closing deadlines and understand that SFPUC is a large department with various collection points and using various systems for cash collection of revenues.</p>

Journal Entry - Revenue & Receivable	Findings and Recommendation
0000180058 0000159521 0000159904 0000198225 0000191066	<p>Our review found one higher risk item in this category.</p> <p>One journal entry was not included with cash balancing lines. Per AOSD Flash#274, for journal entries impacting cash, departments are responsible for ensuring that each journal line has a corresponding, paired cash balancing line unless the transfer is within the same department, same fund, and same project.</p>

Journal Entry - Year end	Findings and Recommendation
0000207362 0000219871 0000219802 0000222440 0000223384	<p>Our review did not result in any findings for the documents selected.</p>

Budget – Non-Year End	Findings and Recommendation
0000183330 0000161959 0000249558 0000173368 0000193860	<p>Our review did not result in any findings for the documents selected.</p>

Budget - Financial Closing	Findings and Recommendation
0000212332 0000218162 0000216477 0000216498 0000219393	Our review did not result in any findings for the documents selected. Other observations have been noted in the Fieldwork Summary presented to your Finance staff.

Expense	Findings and Recommendation
0000033988 0000037508 0000037586 0000041396 0000033861 0000044766 0000034468 0000039746 0000037982 0000046276	Our review found one higher risk item in this category. One reimbursement was submitted in an untimely manner. Expenses were occurred in March 2019 and April 2019 while the expense report was submitted in June 2019. We recommend the department ensure employee to submit reimbursement request no more than 30 days from return of travel, or within 10 days if an advance was issued.

Appendix B: Grant Administration

The following grants were selected for review, below are our observations.

Grant Code & Title	Findings and Recommendation
CTR00001372 CNV10029775	Documentation was not available for review due to COVID shelter-in-place order.

Appendix C: P Card

Overview

The City Procurement Card (P-Card) program enables designated City employees to make authorized purchases during declared emergencies and for certain employee reimbursement items. All transactions should comply with both the citywide P-Card policy and your pre-approved departmental policy. P-Card purchases are monitored monthly and quarterly using reports available from PeopleSoft and US Bank. Departments must respond to all inquiries from the P-Card team and/or fund accountant to ensure that transactions are compliant and that any potential violations are reviewed and granted an exception.

Transaction Documentation

The following documents were selected for review. Document numbers in bold indicate exceptions found. Please find our observations below.

Voucher#	Observations	Recommendations
00896611 01077813	Field expense forms were not found for either voucher.	Per ruling department policy at the time (dated 2015), expense forms must be completed, even for emergency purchases. Exceptions must be justified and documented in the PUC P-card policy and approved by CON.

Table A: Audit Criteria

The following table summarizes the criteria considered for the audit.

Audit Criteria Fulfilled		Exceptions Found
Authorization and Pre-Authorization	<ul style="list-style-type: none"> All requests for business travel require approval in advance by the Department Head or an Authorized Travel Signatory Purchases must be made after P-Card Request Authorization form was signed 	None
Supporting Documents	<ul style="list-style-type: none"> Supporting documents such as receipts and registration must be retained and match pre-approvals Travel expense form must be completed to be used for travel, training, or other employee reimbursement items 	00896611 01077813
Items That Should be Procured through Purchase Orders	Recurring purchases that should be obtained through a purchase order or requisition are strictly prohibited	None
Purchases Made by Non-Cardholder Employees	Purchases must be made by the person whose name is on the card. P-Cards must be properly stored and handled	None
Sales Tax Accrual	The department must accrue sales tax when shopping online where sales tax is not charged	None

Food Policy	Department must have a food policy before purchasing food for employees, guests, and/or clients	None
Prohibited Items	Prohibited purchases include, but are not limited to: <ul style="list-style-type: none"> • Personal purchases of any kind (personal purchases are defined as purchases of goods or services intended for non-work-related use or use other than for official business) • Donations or gifts to a charity, a gift to an entity, or a political contribution. • Fuel for personal cars since the personal vehicle expenses will be compensated through mileage reimbursement • Refer to the P-Card Policies & Procedures for additional prohibited items 	None
IT Related Items	Departments should utilize the Technology Marketplace and not use P-Cards to circumvent City procurement policies	None
Payments for Recurring Subscriptions	Purchases of recurring subscriptions must be pre-approved and documented in the Departmental policy	None
> \$200 Non-Travel	Purchases should follow non-travel expense reimbursement guidelines when applicable	None
Payment of Existing Invoices for After-the-fact Purchases	P-Card should not be used to pay for after-the-fact purchases	None
Segregation of Duties	An employee cannot be both the Authorized Cardholder and the Purchase Approver	None
Timely Payment	Payment (Scheduled Due Date) must be made within fourteen (14) days of the statement date	None
Voucher amount matches US Bank transactions	Voucher should match transaction receipts and cardholder/managing statements	None

Table B: Strengths and Improvements Needed

Strengths	Needs Improvement
Clear communication and outreach prior to making any purchases that may go against policy.	Recommend collecting additional supporting documentation for emergency purchases, including declarations and field expense forms. If these are unavailable, PUC should include comparable documents that provide details on the nature and amount of purchase.
Timely responses to the CON P-Card team and fund accountants on inquiries and potential risks.	

In July 2018, the Controller's City Services Auditor Division (CSA) conducted a departmental audit of your P-Card program. Excerpts of their review have been included below as an additional source of reference. While their audit is unrelated to this subject post-audit, your department should revisit the CSA findings to confirm that prior recommendations have been implemented and remain in place.

City Services Auditor Division Review

Background

CSA conducted this audit under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive, financial and performance audits of city departments, services, and activities. CSA also conducted this audit pursuant to its annual audit plan. CSA has developed a continuous auditing program that will monitor city departments' P-Card use.

Summary

The San Francisco Public Utilities Commission (SFPUC) used its Procurement Card (P-Cards) for three purchases totaling \$436 in 2016. The City Services Auditor (CSA) of the Office of the Controller (Controller) reviewed the three transactions and found that all of them complied with the P-Card policies and procedures of the City and County of San Francisco (City).

P-Card Use in 2016

In 2016 SFPUC executed three P-Card transactions totaling \$439, yielding an average transaction amount of \$146.

RESULTS

Finding: SFPUC complied with the City's P-Card Policies and Procedures.

In 2016 SFPUC made three P-Card purchases, all of which were allowable under the City's P-Card policies and procedures. Thus, CSA concludes that SFPUC uses department-issued P-Cards satisfactorily




San Francisco Water Power Sewer


Services of the San Francisco Public Utilities Commission

Financial Services Bureau
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102

Date: May 20, 2021

To: Ben Rosenfield, Controller

Through: Eric Sandler, AGM Business Services and Chief Financial Officer
Nancy L. Hom, Deputy Chief Financial Officer 

From: Vivian Chen, Accounting Services Director 

Subject: **Management Response to CY 2019 Post Audit Findings**

Thank you for your Post Audit Report, dated 3/11/21, detailing results of the Calendar Year 2019 Post Audit & Continuous Monitoring Program. The Controller's Office monitoring and review program is beneficial and supports SFPUC's enforcement of adherence and compliance to your citywide policies and procedures. We appreciate your highlight of our department's strengths, in addition to the observations noted in the report. SFPUC staff will continue to evaluate opportunities to promote and improve compliance in the monitored areas, with specific focus upon areas with noted findings from the recent review.

SFPUC's detailed responses and work plans are as follows:

A. Purchasing & Payables

Findings	Response/Action Plan
Seven invoices we reviewed were paid 30 days after the invoices were received. As a result of late payment, department was not able to take advantage of discounts offered for prompt payment for six invoices. Another voucher, although was paid within 30 days, missed the discount offered because the voucher was paid outside of the discount term. We recommend the department ensure that invoices are paid within the City's prompt payment rule of 30 days. Also, department shall pay within the discount term from the invoice receipt date to capture the prompt payment discount.	SFPUC continues to improve business processes and upgrading local systems to ensure timely payment to suppliers and discount is taken. Accounting Services will continue to provide at least twice yearly trainings to personnel with divisional purchasing staff and accounts payable of City payment policies.

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

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B. Cash Receipts

Findings	Response/Action Plan
Four cash receipts were recorded in PeopleSoft 6 to 13 days after the actual deposits were processed to the bank. We recommend the department post cash receipts about the same time the money is deposited to ensure that it is timely reflected in our financial system. While we acknowledge that department has a well-written procedure in Cash Management, we also recognize department's effort on meeting the closing deadlines and understand that SFPUC is a large department with various collection points and using various systems for cash collection of revenues.	SFPUC has multiple collection locations. As a result, our departmental policy to record cash receipt entries in PeopleSoft is within 5 business days upon receipt of collection reports from SFPUC's Customer Services Bureau. The findings were attributed to a staffing shortage in 2019. We will continue to ensure compliance of this policy.

C. Journal Entry - Revenue & Receivable

Findings	Response/Action Plan
One journal entry was not included with cash balancing lines. Per AOSD Flash#274, for journal entries impacting cash, departments are responsible for ensuring that each journal line has a corresponding, paired cash balancing line unless the transfer is within the same department, same fund, and same project.	Cash Receipt staff have been notified and made aware of this of this policy to ensure the cash balancing line is included in entries impacting cash.

D. Expense

Findings	Response/Action Plan
One reimbursement was submitted in an untimely manner. Expenses were occurred in March 2019 and April 2019 while the expense report was submitted in June 2019. We recommend the department ensure employee to submit reimbursement request no more than 30 days from return of travel, or within 10 days if an advance was issued.	Accounting Services will continue to notify and train SFPUC employees of the City policy.

SFPUC staff will also consider other suggestions for improvement discussed or reported by the Controller's staff in connection with the current post-audit.

We appreciate your team's commitment to excellence and thank you for the time the team spent on completing this important audit. If you have any questions, please don't hesitate to contact me.

cc: Jocelyn Quintos, Director of Accounting Operations and Systems, Controller's Office
Sailaja Kurella, Acting Director, Office of Contract Administration
Charles Perl, Deputy Chief Financial Officer