



**CITY AND COUNTY OF SAN FRANCISCO**

**OFFICE OF THE CONTROLLER**

**Ben Rosenfield  
Controller**

**Todd Rydstrom  
Deputy Controller**

DATE: August 1, 2022  
TO: Dennis Herrera, General Manager, Public Utilities Commission  
FROM: Ben Rosenfield, Controller  
SUBJECT: **Results of CY2021 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 2019		Fiscal Year 2020		Fiscal Year 2021	
	Count	Amount	Count	Amount	Count	Amount
Voucher	33,055	1,025,640,575.84	34,778	1,294,034,712.40	33,409	1,588,215,434.88
Expense Report	1,711	758,210.57	1,310	570,348.33	994	184,424.25
GL Journal	5,034	41,104,889,409.62	5,038	29,443,732,999.71	5,074	23,145,784,893.40
KK Journal	1,247	10,140,961,274.26	1,678	10,712,127,138.35	1,717	11,736,739,230.79
Purchase Order	8,406	98,544,505.99	11,075	181,812,100.90	8,303	160,968,291.09
Accounts Receivable	6,113	1,260,450,655.98	5,748	668,503,874.43	5,147	1,965,463,122.99
<b>Totals</b>	<b>55,566</b>	<b>53,631,244,632.26</b>	<b>59,627</b>	<b>42,300,781,174.12</b>	<b>54,644</b>	<b>38,597,355,397.41</b>

**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 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. **Budget Entry Documents.** Your department has maintained performance with no findings in this area.
3. **Promptly Clearing Unidentified Receipts.** Your department has maintained performance with no exception in this area.
4. **Journal Entry Documents.** Your department has improved performance with no findings in these areas for this post audit.
5. **Cash Receipt Documents.** Your department has improved performance with no findings in these areas for this post audit.

## 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. **Purchasing & Payables Processing.** Four invoices we reviewed were paid untimely. Additionally, the department was not able to take advantage of discounts offered for prompt payment for three invoices. The department should ensure that all invoices are paid timely, within 30 days of the invoice receipt date, and within the discount term. One invoice was inappropriately paid as a Single Payment voucher. The department should update their procedures to ensure Single Payment vouchers are used appropriately. See Appendix A, Transaction Documentation for details.
2. **Grants Processing.** For one grant we reviewed, the grant award period in the financial system did not match the grant obligation letter. The department should periodically review and update Grant Award Profiles to ensure the proper grant period, as well as other grant terms, are accurately reflected in the financial system. See Appendix A, Transaction Documentation for details.

Summaries of all higher risk findings are presented in **Appendix A: Fieldwork Test Results** on page 4, **Appendix B: Grant Administration** on page 8, and **Appendix C: P Card** on page 9.

## **Year-End Close**

An ongoing goal of the Controller's office is to have a well-managed process for CCSF's Year-End Close. To accomplish this goal, departments must meet the year-end schedule, respond promptly to Controller's request for information and required actions. This ensures that the processes for the issuance of our Annual Comprehensive Financial Report (ACFR) provides financial data integrity, accuracy, and timeliness. Departments' year-end statistics will be included in next year's audit letter. The statistics will include but not be limited to number of PO closed, incomplete vouchers deleted by Controller's office, outstanding and incomplete expense reports and cash advance denied by Controller's office. Year-end workshops will be scheduled for debrief for areas of improvement.

## **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 September 30, 2022, 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 Lilly Ting at 415-554-7567.

Cc: 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, 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.

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

## 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
01536972 01606037 01652892 01662648 01703924 01705036 01723620 01753541 01791374 01629952 01654998 01745607 01917147 <b>01826391</b> 01606776 01533278 01739625 01746191 <b>01815208</b> 01591042 01626345 01658609 01662648 01687219 01772464 <b>01794025</b> 01823474 <b>01831940</b> 01914240 01634346 01546173 01144788 <b>01649808</b> 01844908 01786533 01586706 01652195 01867235 <b>01627165</b> 01750033	<p>Our review found six higher risk items in this category.</p> <p>Four vouchers we reviewed were paid 30 days after the invoices were received. As a result of late payment, the department was not able to take advantage of discounts offered for prompt payment for two invoices.</p> <p>Another voucher, although it was paid within 30 days of invoice receipt, missed the discount offered because the voucher was paid outside of the discount term. We recommend that the department ensure that invoices are paid within the City's prompt payment rule of 30 days. We also recommend that the department pay within the discount term from the invoice receipt date to capture the prompt payment discount.</p> <p>One voucher we reviewed was inappropriately processed as a Single Payment voucher. Single Payment vouchers should only be used for non-recurring and non-1099 reportable payments to one-time suppliers not set up in PeopleSoft. We recommend that the department update their procedures to ensure Single Payment vouchers are used appropriately.</p> <p>Other minor findings related to these transactions were discussed with your staff.</p>

<b>Cash Receipts</b>	<b>Findings and Recommendation</b>
157040 194303 204150 176450 195771 203550 160667 176910 199639 177279	Our review did not result in any findings for the documents selected.

<b>Journal Entry - Revenue &amp; Receivable</b>	<b>Findings and Recommendation</b>
0000362242 0000349191 0000424409 0000355343 0000401674	Our review did not result in any findings for the documents selected.

<b>Journal Entry - Year end</b>	<b>Findings and Recommendation</b>
0000389176 0000395105 0000394032 0000395735 0000395426	Our review did not result in any findings for the documents selected.  Other minor findings related to these transactions were discussed with your staff.

<b>Budget – Non-Year End</b>	<b>Findings and Recommendation</b>
0000370967 0000342473 0000371956 0000361409 0000390715	Our review did not result in any findings for the documents selected.

<b>Budget - Financial Closing</b>	<b>Findings and Recommendation</b>
0000390221 0000384834 0000394134 0000395509 0000390858	Our review did not result in any findings for the documents selected.

<b>Expense</b>	<b>Findings and Recommendation</b>
0000073335 0000075444 0000066474 0000065430 0000070417 0000067998 0000065239 0000064730 0000074300 0000072789	Our review did not result in any findings for the documents selected.  Other minor findings related to these transactions were discussed with your staff.

## Appendix B: Grant Administration

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

Grant Code & Title	Findings and Recommendation
CTR00002322 - SRF - OSP Digester Gas Utilization Upgrade - 10029737	Our review did not result in any findings for the documents selected.
<b>CTR00002490 - Disaster #4558DR Culvert</b>	Our review found one higher risk item in this category.  For one grant, the grant period in PeopleSoft Grant Award Profile does not match with the grant obligation letter. We recommend that the department periodically review all grants in the financial system and work with the Controller's Office to reflect the proper grant period in the financial system. This is to ensure prompt closure of the grant and to prevent unallowed costs beyond the grant period from being charged to the grant.



## **Appendix C: Procurement Card (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.

Your department did not have any P Card process during our post audit period.

Date: August 25, 2022

To: Ben Rosenfield, Controller

Through: Dennis Herrera, General Manager *(DJH)*

From: Nancy L. Hom, Co-acting Chief Financial Officer, Deputy CFO *(Signature)*

Subject: **Management Response to CY 2021 Post Audit Findings**

---

Thank you for your Post Audit Report, dated 8/01/22, detailing results of the Calendar Year 2021 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 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
<p>Four vouchers we reviewed were paid 30 days after the invoices were received. As a result of late payment, the department was not able to take advantage of discounts offered for prompt payment for two invoices.</p> <p>Another voucher, although it was paid within 30 days of invoice receipt, missed the discount offered because the voucher was paid outside of the discount term. We recommend that the department ensure that invoices are paid within the City's prompt payment rule of 30 days. We also recommend that the department pay within the discount term from the invoice receipt date to capture the prompt payment discount.</p> <p>One voucher we reviewed was inappropriately processed as a Single Payment voucher. Single Payment vouchers should only be used for non-recurring and non-1099 reportable payments to one-time suppliers not set up in</p>	<p>SFPUC continues to improve business processes and upgrading local systems to ensure timely payment to suppliers and discount is taken.</p> <p>Accounting Services will continue to provide trainings to divisional purchasing and accounts payable staff of City purchasing and payment policies and procedures.</p>

**London N. Breed**  
Mayor

**Anson Moran**  
President

**Newsha Ajami**  
Vice President

**Sophie Maxwell**  
Commissioner

**Tim Paulson**  
Commissioner

**Dennis J. Herrera**  
General Manager



PeopleSoft. We recommend that the department update their procedures to ensure Single Payment vouchers are used appropriately.	
--	--

**B. Grant Administration**

<b>Findings</b>	<b>Response/Action Plan</b>
For one grant, the grant period in PeopleSoft Grant Award Profile does not match with the grant obligation letter. We recommend that the department periodically review all grants in the financial system and work with the Controller's Office to reflect the proper grant period in the financial system. This is to ensure prompt closure of the grant and to prevent unallowed costs beyond the grant period from being charged to the grant.	Accounting Services will continue to review grants in PeopleSoft at least quarterly to ensure proper grant period is set up correctly in PeopleSoft.

SFPUC staff will consider other observations and recommendations for improvement, as discussed or reported by the Controller's staff in relation to 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  
 Ronald P. Flynn, Deputy General Manager  
 Irella C. Blackwood, Audit Director  
 Vivian Aiyi Chen, Accounting Services Director