



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
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Deputy Controller

MEMORANDUM

TO: Nancy Hom, Deputy CFO
Public Utilities Commission

CC: Vivian Chen, Accounting Services Director
Public Utilities Commission

FROM: Beatrice Leung, Financial Systems Supervisor

DATE: October 25, 2021

SUBJECT: **2018-20 Audit on City's Use Tax Account - Recapitulation for Public Utilities Commission Funds**

The California Department of Tax and Fee Administration (CDTFA) conducted an audit on the City's use tax account for the period from January 2018 to December 2020 which was completed in September 2021.

The auditor reviewed the City's payment data, invoice payment process, use tax accrual and filing procedures; and determined that there were no material changes since the last audit. CDTFA suggested to apply the Prior Audit Percentage of Error (PAPE) derived from the error rate of the 2014-17 audit to the related audit population of the current period for the computation of tax liability. Since the use of the PAPE would provide substantial time-savings, the City agreed to this approach.

Separate test was conducted on payments for automotive and other vehicles which are excluded from the PAPE computation and no errors were found.

CDTFA also selected some sales transactions of tangible properties to test the City's compliance in sales tax remittance and filing requirement. Documentation such as receipts, invoices and communication with vendors were provided for review and no material exceptions were noted.

The final tax and interest liability computed by using the PAPE rate on the City's total taxable measure was \$169,802. The share allocated to PUC was \$24,400 and details can be found in the Appendix.

Please feel free to let us know if you have any questions regarding the audit.

APPENDIX

CCSF 2018-2020 Use Tax Audit - Recapitulation of Tax Assessment and Interest Charge for PUC

2014-2017 Audit Results on Taxable Transactions	2014-2017 Allocation of Tax and Interest Liabilities by Dept.	2018-20 Liab at Prior Audit % of Error
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\$	Type				Grand Total	Tax Measures (Extrapolated & Actuals)						Total Tax Measures	Allocation of Tax and Interest	Allocated tax and interest \$
	AP Sampling			Specific Testing (S.O. 06029)*		S1- Extrapolated	S2- Extrapolated	S3-Actuals	Subtotal for AP Samping	AP Sampling %	S.O. 06029 Actuals			
Department:	S1	S2	S3											
PUC:														
PUC-CWP	185.00				185.00	10,221	-	-	10,221	0.70%	-	10,221	971	1,189
PUC-HHP		11,710.47	100.00	590.17	12,400.64	-	116,097	100	116,197	7.96%	590	116,787	11,091	13,519
PUC-PUC			3,750.00		3,750.00	-	-	3,750	3,750	0.26%	-	3,750	356	436
PUC-WTR	1,440.00				1,440.00	79,556	-	-	79,556	5.45%	-	79,556	7,555	9,256
Grand Total	1,625.00	11,710.47	3,850.00	590.17	17,775.64	89,777	116,097	3,850	209,724	14.37%	590	210,314	19,973	24,400

* S.O. 06029 Automotive and Other Vehicles

2018-2020 Taxable Measures using 2014-2017 Audit % of error (excl S.O. 02704, 03596, 04972 & 06029) Citywide:	
Total AOI GL population	1,785,371,908
Apply 2014-2017 use tax audit overall % of error in AP sampling	<u>0.0978%</u>
Total Citywide taxable measure	1,746,227
Tax liabilities computed by CDTFA on the Citywide taxable measure	148,431.00
Interest charges	<u>21,370.95</u>
City's Total Liabilities	<u><u>169,801.95</u></u>