



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

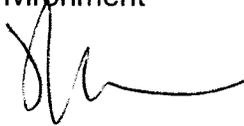
Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

AUDIT FOLLOW-UP MEMORANDUM

DATE: October 6, 2009

TO: David Assmann, Deputy Director, Department of the Environment

FROM: Tonia Lediju, Director of Audits, City Services Auditor 

SUBJECT: **Results of Follow-up Review for Audit of the Department of the Environment**

EXECUTIVE SUMMARY

The Controller's City Services Auditor (CSA) Division issued an audit report in January 2007, entitled, *Improve Business Practices to Advance Environmental Programs*, on which it followed up in 2009. CSA agrees with the Department of the Environment (department), which indicates that it fully implemented 20 of the 21 recommendations in the audit report and that one no longer applies. The department's actions to implement the recommendations are summarized on pages 2 and 3, and the recommendations themselves and the implementation status of each are presented in the attached table.

BACKGROUND & METHODOLOGY

The City's 1996 Charter created the current Commission on the Environment (commission), a seven-member body appointed by the mayor that sets policy for the department and advises the mayor and Board of Supervisors on environmental matters. The San Francisco Environment Code was adopted in July 2003 to consolidate various ordinances governing protection of the environment, natural resources, and sustainability that had been established by the City and County of San Francisco (City) in its Administrative Code. The commission develops and the department implements policies and programs in recycling, toxics reduction, environmental justice, energy efficiency, commute alternatives, climate change, and matters related to the City's urban forest.

In accordance with Government Auditing Standards, Section 8.05, promulgated by the United States Government Accountability Office (GAO), CSA conducted a follow-up review of the agreed-upon recommendations for the audit report of January 22, 2007, entitled, *Improve Business Practices to Advance Environmental Programs*. Section 8.05 states that the purposes of audit reports include facilitating follow-up to determine whether appropriate corrective actions have been taken. This follow-up determined whether the department has taken the corrective actions needed to implement the audit report's recommendations, with the goal of improving the department's business practices. In the case of recommendations calling for new procedures, CSA both verified that the procedures were created and considered examples of the department's compliance with them. In addition, future audits of the department will likely incorporate review of its compliance with the new procedures.

To conduct the follow-up, CSA met with key department personnel to discuss the status of the corrective actions taken to date, verified the existence of the procedures and processes that have been established, and documented the results of the fieldwork.

RESULTS

In response to this follow-up, the department in May 2009 reported that it had fully implemented 20 of the report's 21 recommendations, giving specific information for each recommendation (see attached table). CSA considered the information the department provided, reviewed documentation, and verified that 20 recommendations have, in fact, been implemented. In addition, CSA agrees with the department that the one recommendation that has not been implemented is no longer applicable.

The results are presented below by subject area.

Recommendation 1: Comply with or Change Mandates in Environment Code

Consistent with the recommendation, the department drafted an ordinance of proposed changes to the Environment Code, and the Office of the City Attorney is now reviewing the draft legislation. According to the department's acting deputy director, he expects the draft ordinance to be submitted to the Board of Supervisors by the end of September 2009. As recommended, the proposed legislation would remove the mandate in Section 406 of the Environment Code that the department develop a list of vendors of motor vehicles and motorized equipment that comply with Code requirements.

Conclusion: Recommendation 1 has been implemented.

Recommendations 2-6: Improve Management of Impound Account

Consistent with the recommendations, the department:

- Implemented a new timekeeping system, *Ontrac*, which enables it to fully track costs funded by the impound account and relate them to specific employees and functions.
- Analyzes costs attributed to the impound account quarterly, and compares them to administrative and program-related costs per the time-keeping system.
- Performs an annual reconciliation to adjust the impound account, if deemed necessary.
- Contracted with a public accounting firm to conduct agreed-upon procedures for the fiscal year ended June 30, 2008. The resulting report, issued in May 2009, was generally favorable.

Also consistent with the recommendations, the commission:

- At its meeting of May 22, 2007, reviewed and approved the department's new impound account guidelines, *Use of Impound Account Funds*. The guidelines were developed as a result of the audit.

- Held public hearings on the department's budget. Also, the commission's Operations Committee held a public hearing on both the 2007-08 grant process and the pending 2009-10 grant offering planned for November 2009.
- At its meeting of January 27, 2009, reviewed and approved the department's proposed budget plan for use of the impound account. However, because the department implemented a two-year grant cycle, there is no need for it to publish the recommended *annual* plan for the use of all impound account funds before the budget process.

Conclusion: Recommendations 2 through 6 have been implemented.

Recommendations 7-18: Create Grant Procedures Manual and Hire Grant Coordinator

The department instituted a new *Grants Procedures Manual* on May 30, 2007. The manual fulfills all but one of the grant-related recommendations in the audit report. CSA agrees with the department that the remaining grant-related recommendation, to hire a grant coordinator, was made unnecessary by the department's implementation of a two-year grant cycle.

Conclusion: Recommendations 7 through 17 have been implemented. Recommendation 18 is no longer applicable.

Recommendation 19: Port to Approve Living Classroom Project Subcontract

As recommended, the Port of San Francisco reviewed and approved the proposed contract between Literacy for Environmental Justice and the general contractor selected to construct the Living Classroom project. Now known as *The Eco Center at Heron's Head Park*, the project was reported by the department to be 80 percent complete as of August 31, 2009. The department expects construction to be completed by mid-November 2009.

Conclusion: Recommendation 19 has been implemented

Recommendations 20 and 21: Improve Professional Services Contracts Procedures

As recommended, the department developed and incorporated procedures for professional services contracts in its contract procedures manual. These procedures include a requirement that both the City Attorney's Office and the department's senior administrative analyst review all contracts before they are signed.

Conclusion: Recommendations 20 and 21 have been implemented

CSA extends its appreciation to you and the department staff who assisted with this follow-up. If you have any questions or concerns, please call or e-mail Audit Manager Mark Tipton at (415) 554-7660 or ***Mark.Tipton@sfgov.org***.

cc: Ben Rosenfield, Controller
Robert Tarsia, Deputy Audit Director
Mark Tipton, Audit Manager
Edvida Moore, Associate Auditor

ATTACHMENT A: FINDINGS AND RECOMMENDATIONS

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
1	The Department should either comply with the Environment Code mandates to develop vendor lists and submit the required annual report, or draft and submit to the Board an ordinance to change the Environment Code requirements.	Revised ordinance has been drafted and should be presented by the Mayor to the Board of Supervisors by the end of May 2009.	Obtained the proposed revised ordinance. Confirmed that City Attorney was reviewing the draft ordinance. The expected completion date is now the end of September 2009.	Implemented
2	Develop and implement procedures to track costs properly fundable by the impound account, including regular, full-time timekeeping for administrative staff and exception basis timekeeping for program staff, at a minimum.	Controller's timekeeping system was implemented in July 2007. In August 2008, the <i>Ontrac</i> timekeeping system was implemented. This more versatile system incorporates numerous enhancements, including email reminders to staff and a better reporting capability.	Observed on the department's computer system, that it now uses the <i>Ontrac</i> timekeeping software.	Implemented
3	Adjust impound account funding for personnel and administrative costs to actual, impound account-related costs on a quarterly or other periodic basis, based on the results of the recommended timekeeping.	This was implemented in the 2007-2008 fiscal year and continues on an annual basis.	Observed documentation of the reconciliation of the impound account that had been prepared for FY 2007-2008.	Implemented
4	Implement impound account guidelines that provide more complete and specific guidance regarding what activities can properly be funded from the impound account.	New guidelines were drafted and were approved by the Environment Commission on May 22, 2007.	Obtained the department's revised impound account guidelines. Confirmed that the commission discussed and approved the guidelines at its meeting of May 22, 2007.	Implemented

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
5	Continue to implement our interim report recommendation to prepare and publish an annual plan for the use of all impound account funds in advance of the budget process, including sufficient details regarding all proposed costs and anticipated grants. This plan should be subject to public hearings before approval by the Commission on the Environment.	<p>Public hearings for the 2007-08 budget were held in January 2007, and one hearing was held in April for the 2007-08 grant process. The budget is now presented annually to the Operations Committee and the full Environment Commission.</p> <p>The department is planning another grant offering in November 2009.</p>	<p>As evidence of the two-year grant cycle, obtained the grant solicitation for the department's grant program for 2007-09.</p> <p>Obtained minutes of the commission's January 23, 2007, meeting, at which both the 2007-08 budget and the impound five-year plan overview were approved.</p> <p>Obtained minutes of the January 27, 2009, commission meeting at which was approved a plan for use of the impound account that had been the subject of earlier public hearings.</p>	Implemented
6	Procure accounting services to conduct periodic audits of the Department's impound account usage. Request assistance from the Controller's Office to determine a cost-effective audit scope and frequency.	Contract with Macias, Gini, & O'Connell, LLP was signed in December 2008, and the audit of impound funds is currently being performed. This will be performed on an annual basis.	<p>Obtained department's contract with the CPA firm showing department contracted for an agreed-upon procedures engagement for fiscal year 2007-08.</p> <p>Obtained and reviewed the resulting report of May 5, 2009.</p>	Implemented
7	Devise and implement cost-effective ways to measure and independently verify the waste diversion impact of specific activities, such as the Recycling grant program, including reporting on the cost per ton diverted.	Guidelines have been drafted and reviewed and implemented for the 2007-08 grant cycle.	Verified that these guidelines are addressed in department's <i>Out-going Grant Procedures</i> (grant manual). Section four of the manual contains an <i>Impound Grant Matrix</i> . That section of the manual also has an addendum entitled, "Measurement of Waste Diversion."	Implemented

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
8	<p>Develop a set of grant application scoring criteria that are related to overall departmental goals and additional criteria that reflect program goals for each program. Assign weights to the departmental criteria that are appropriate in relation to the rest of the scoring system and that are applicable across every program area. The departmental scoring criteria should include factors such as:</p> <ul style="list-style-type: none"> • Grantee qualifications • Completeness of the applications • Level of detail in the proposed grant work plans and budgets. 	<p>These criteria have been developed, reviewed and implemented for the 2007-2008 grant cycle. They will be used on an on-going basis.</p>	<p>Confirmed that chapters 6 and 7 of department's grant manual contain sample <i>grant application score sheets</i> for Environmental Justice and Zero Waste grant programs. The scoring sheets include such factors as grantee qualifications, completeness, and level of detail.</p>	<p>Implemented</p>
9	<p>Convene a single evaluation panel for all programs' grant applications which includes grant managers, staff who are independent from the Department's grant management processes, and staff from other City Departments or outside organizations who have specialized expertise related to the purposes of the grants.</p>	<p>The single panel was in place in time to evaluate grant proposals for the 2007-2008 grant cycle. A single panel will be used for grant cycles in the future.</p>	<p>Confirmed that use of a single panel is a procedure called for in Chapter 1 of the department's grant manual.</p> <p>Obtained minutes of the commission's May 29, 2008, meeting during which a department manager described the selection process for grant recipients. That description refers to the use of such a panel.</p>	<p>Implemented</p>
10	<p>Write and adopt a grant procedures manual or set of detailed policies and procedures covering grant applicant solicitation, scoring and evaluation of proposals, award, grantee reporting and monitoring, the preparation of grant agreements, and related areas.</p>	<p>The grant manual has been drafted, shared with the Controller's Office, was completed at the end of June 2007. It is currently in use, and has periodic revisions.</p>	<p>Confirmed by reviewing the department's grant manual.</p>	<p>Implemented</p>

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
11	Streamline both the process of issuing RFPs and the scoring of grant applications by issuing RFPs to the same lists and scoring applications for different programs at the same time.	This has been implemented for the 2007-2008 grant cycle and will be on-going.	Confirmed that Chapter 1 of the grant manual requires the use of a single panel. During its next audit of the department, CSA will confirm whether the details of this recommendation were implemented.	Implemented
12	Implement internal controls, such as a review process for all grants, to ensure that grant procedures are not overridden.	These procedures have been incorporated into the guidelines in the grant procedures manual.	Confirmed that Chapter 5, Grantees' Operating Procedures, of the grant manual establishes internal control guidelines to ensure that grant procedures are not overridden.	Implemented
13	Develop a process for awarding fewer but larger grants that span multiple years in lieu of spending through the grant budget if the applicant pool is not sufficiently robust or able to fulfill the goals of the program for a given year.	Procedures for this have been incorporated into the grant procedures manual.	Confirmed that the department has implemented a two-year grant cycle (see information at recommendation 11 above). However, did not assess whether the process has resulted in fewer, larger grants, whether the entire grant budget was spent, or if the applicant pool was sufficiently robust. These will be addressed in CSA's next audit of the department.	Implemented
14	Write clear grants with work plans and budgets that are consistent with each another, and that clearly detail the work to be completed by the grantee.	These procedures have been incorporated into the guidelines in the grant procedures manual.	Confirmed that procedures to implement this recommendation have been incorporated into the grant manual. However, did not assess the clarity, consistency or detail of recent grants' work plans or budgets.	Implemented.
15	Require all grantees to submit regular, periodic reports according to grant agreement terms. Review the reports to ensure they adequately address all items in grant work plans, and document the review and approval of all reports.	These procedures have been incorporated into the guidelines in the grant procedures manual.	Confirmed that these procedures have been incorporated into the grant manual.	Implemented

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
16	Link grantee performance monitoring to payments by establishing thresholds for performance reporting that must be met before grant invoices are approved for payment, and consider withholding a portion of grants until the final reports are submitted and approved.	These procedures have been incorporated into the guidelines in the grant procedures manual. The grant agreement has been modified to provide that invoices cannot be paid unless performance thresholds are met.	Confirmed that these procedures have been incorporated into the grant manual.	Implemented
17	Develop standardized site visit documentation and establish minimum thresholds for required site visit (and grantee event) observations and results that must be met before grant invoices are approved for payment. Conduct final reviews to evaluate grantee performance and the relative effectiveness of funded grant activities in achieving program goals.	These procedures have been incorporated into the guidelines in the grant procedures manual.	Confirmed that these procedures have been incorporated into the grant manual.	Implemented
18	Hire a grant coordinator who would be responsible for establishing and overseeing a monitoring process for the Department's grant programs.	The Department has determined that the two year grant cycle makes this position unnecessary.	Department has implemented a two-year grant cycle, negating the need for a grant coordinator CSA concurs with the department that a grant coordinator is no longer necessary.	Not Applicable

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
19	Request the Port or DPW to review the proposed contract between Literacy for Environmental Justice and the selected general contractor, including the cost and schedule components of the contract.	The Port has reviewed and approved the proposed contract between Literacy for Environmental Justice and the selected general contractor, including the cost and schedule components of the contract.	<p>Obtained evidence that the Port reviewed and approved this contract.</p> <p>Obtained status report on the project showing that, as of August 31, 2009, it was:</p> <ul style="list-style-type: none"> • Named <i>the Eco Center at Heron's Head Park</i>. • 80% complete. • Expected to be completely built by mid-November 2009. 	Implemented

Audit Report Rec #	Recommendation	May 2009 Status per the Department	Auditor's Follow-up Work	Results
20	<p>Continue to develop a comprehensive set of policies and procedures for procurement and administration of professional services contracts. The policies and procedures should describe the specific tasks and forms required and include sample documents and should describe the requirements for:</p> <ul style="list-style-type: none"> • Issuing RFPs that adequately define the scope of work and billable costs. • Selecting finalists and negotiating contract terms, including specific salary and payroll burden rates and specific types of nonpersonnel costs. • Finalizing contract documents. • Monitoring contractor performance, including requirements for contractors to routinely submit periodic reports with sufficient details to assist staff in monitoring contractor activities. • Approving invoices and processing payments. 	<p>These procedures have been developed and incorporated in the contract procedures manual</p>	<p>Confirmed that the department's guidelines for professional services contracts include procedures intended to achieve these goals.</p>	<p>Implemented</p>
21	<p>Write professional services contracts that clearly define the scope of work and billable costs, including specific salary and payroll burden rates and specific types of nonpersonnel costs and related prices.</p>	<p>All contracts are reviewed before signature both by the deputy city attorney and by the department's senior administrative analyst.</p>	<p>Confirmed that the department's guidelines for professional services contracts include procedures intended to achieve these goals. However, did not determine the clarity of recent contracts.</p>	

ATTACHMENT B: DEPARTMENT RESPONSE



SFEnvironment

Our home. Our city. Our planet.



GAVIN NEWSOM
Mayor

JARED BLUMENFELD
Director

Memo

To: Mark Tipton, Audit Manager, City Services Audit Division, Office of the Controller
From: David Assmann, Deputy Director
CC: Jared Blumenfeld, Director
Date: October 1, 2009
Re: Audit Follow-up Report

The Department of the Environment is in complete agreement with the Audit Follow-Up Memorandum.

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