BOARD OF SUPERVISORS:

Reviews of Department Head Transitions at Seven City Departments

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SAN FRANCISCO PUBLIC LIBRARY

FINANCIAL AUDITS

July 13, 2006
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FINANCIAL AUDITS
July 13, 2006

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94111

President and Members:

The Office of the Controller (Controller) presents its report concerning the department head transitions at seven city departments: the Municipal Transportation Agency, Office of the Assessor-Recorder, Office of the City Administrator, Office of the Treasurer & Tax Collector, Public Utilities Commission, Recreation and Park Department, and the San Francisco Public Library.

Each department properly transferred authority and funds upon the transition of its department head. The departments also properly executed other procedures in the transition of its department heads, including processing payroll transactions. However, the departments did not properly account for all assets assigned to their former and/or current department heads. Most departments could not produce a written, comprehensive list of assets initially assigned to the outgoing department head, which showed the return of the same assets, and most did not have a comprehensive list of assets assigned to the new department head. The departments did provide other evidence to assure us that all assets have been accounted for and returned.

The departments’ responses are attached to this report. The Controller’s Financial Audits will be working with the departments to follow up on the status of the recommendations made in this report.

Respectfully submitted,

Ed Harrington
Controller
INTRODUCTION

BACKGROUND

As part of the responsibilities of the Office of the Controller (Controller) to ensure that the City and County of San Francisco (City) properly safeguards its assets, the Controller's Financial Audits conducted reviews of the department head transitions at seven city departments. The following table lists the transitions:

| TABLE 1 |
|-------------------|-----------------------------|
| **Department**    | **Summary**                 |
| Municipal         | Nathaniel Ford Sr. was appointed Executive Director effective January 17, 2006, to replace Michael Burns, who resigned effective close of business on August 22, 2005. During the interim, Stuart Sunshine served as acting Executive Director. |
| Transportation Agency | Philip Ting was appointed Assessor-Recorder effective July 21, 2005, to replace Mabel Teng, who resigned effective close of business on May 13, 2005. |
| Office of the Assessor-Recorder | Edwin Lee was appointed City Administrator effective January 1, 2006, to replace William Lee, whose term ended effective close of business on June 27, 2005. |
| Office of the City Administrator | Jose Cisneros was appointed Treasurer effective September 8, 2004, to replace Susan Leal, who resigned effective close of business on August 22, 2004. |
| Office of the Treasurer & Tax Collector | Susan Leal was appointed General Manager effective August 23, 2004, to replace Patricia Martel, who resigned effective close of business on July 1, 2004. |
| Public Utilities Commission | Rasheed (Yomi) Agunbiade was appointed General Manager effective July 28, 2005, to replace Elizabeth Goldstein, who resigned effective close of business on June 11, 2004. During the interim, Mr. Agunbiade served as acting General Manager. |
| Recreation and Park Department | Luis Herrera was appointed City Librarian effective April 11, 2005, to replace Susan Hildreth, who resigned effective close of business on June 30, 2004. During the interim, Paul Underwood served as acting City Librarian. |
SCOPE AND METHODOLOGY

The purpose of our audit was to determine whether the departments followed proper procedures in the transitions from the former department heads to the current department heads. We determined whether the departments properly computed pay transactions during the transition periods. We also determined whether all city assets under the former department head’s control were returned. Finally, we determined whether all of the former department heads’ travel advances and personal expenses were liquidated. In conducting the audit, we interviewed pertinent staff at the departments and other city departments and obtained supporting documents when appropriate.
THE DEPARTMENTS PROPERLY EXECUTED SOME PROCEDURES IN THE TRANSITION OF ITS DEPARTMENT HEADS

The departments properly canceled the former department heads’ authority to sign city documents and established the new department heads’ signatory authority. In addition, the departments correctly computed payroll transactions for both the former and the current department heads.

However, the departments did not properly account for all assets assigned to their former and/or current department heads. Most of the departments we audited could not provide a comprehensive list of assets initially assigned to the outgoing department head showing the return of the same assets. Moreover, only 2 out of the 7 departments we reviewed had a comprehensive list of assets assigned to the new department head, as follows:

<table>
<thead>
<tr>
<th>Department</th>
<th>Formal List of Assets for Former Head</th>
<th>Return of Assets Verified on Initial Formal List</th>
<th>Formal List of Assets for Current Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Transportation Agency</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
</tr>
<tr>
<td>Office of the Assessor-Recorder</td>
<td>Yes</td>
<td>No*</td>
<td>No</td>
</tr>
<tr>
<td>Office of the City Administrator</td>
<td>No</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>Office of the Treasurer &amp; Tax Collector</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
</tr>
<tr>
<td>Public Utilities Commission</td>
<td>No</td>
<td>N/A</td>
<td>Yes</td>
</tr>
<tr>
<td>Recreation and Park Department</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
</tr>
<tr>
<td>San Francisco Public Library</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

*However, the department did provide evidence to ensure all assets have been accounted for and returned.
Although most of the departments did not maintain a comprehensive list of assets assigned to their former department heads, these departments did provide us assurance that the former department heads returned all assigned assets.

Department Instruction No. 1050, issued by the Controller on September 20, 1995, states that upon appointment of a new department head, the department should complete a comprehensive listing of all assets and equipment assigned to the new department head. The listing should include such items as keys, building passes, pagers, cell phones, credit cards, computers, and automobiles. Upon the departure of a department head, the department should account for all assets and equipment assigned to the outgoing department head by a physical inventory. It further states that the department should compare items returned to the comprehensive listing prepared when assets were initially assigned to the individual.

RECOMMENDATIONS

To ensure that the departments properly account for all assets and equipment assigned to its department heads, we recommend the following:

- Each department should prepare a comprehensive list of inventory assigned to its department head and update the list of inventory whenever it assigns additional items to its department head.

- Each department should compare its original list of inventory, together with any additional items issued, to the inventory of items returned by its departing department head and account for all discrepancies.

We conducted this review according to standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Elisa Sullivan, Audit Manager
       Houman Boussina
       Lorita Chung
       Helen Vo
June 20, 2006

Mr. Ed Harrington, Controller
Office of the Controller, Financial Audits
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Ms. Sullivan:

Thank you for the opportunity to respond to the draft audit report. The MTA concurs with the findings and will make the necessary changes in order to provide tighter controls on the assets assigned to all senior staff.

We are currently in the process of developing a form that would be used to assign electronic equipment and other City assets to staff. These forms will be kept on file and upon the separation of the senior staff person from the Agency this form will become part of the formal process for completing the individual’s separation from the position and/or Agency.

Again, thank you for the opportunity to respond to this draft audit report.

Respectfully,

Debra Ward
Deputy Director Finance
San Francisco Municipal Transportation Agency

cc: Nathaniel P. Ford, Sr.
Stuart Sunshine
Wallace Tang
Elena Chiong
Deb Denison
June 30, 2006

Ed Harrington, Controller
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Dear Mr. Harrington:

In response to the recommendation from the Office of the Controller's report titled "Reviews of Department Head Transitions at Seven City Departments," the Assessor-Recorder's Office will prepare a comprehensive list of inventory assigned to its department head and update the list of inventory whenever it assigns additional items to the department head.

If you have additional questions, or if I could be of further assistance, please contact me at (415) 554-5516, or my Deputy Recorder and Acting CFO, Zoon Nguyen at 415-554-4734.

Sincerely,

Phil Ting
Assessor-Recorder
To: Ed Harrington  
Controller  

From: Ara Minasian  
Deputy Director  

Date: June 30, 2006  

Subject: Response to Department Head Transition Audit Report  

Staff of the City Administrator’s Office have reviewed the draft audit report for the Reviews of Department Head Transitions at Seven City Departments. We concur with the report’s results and recommendations.  

C: Ed Lee  
Steve Nakajima
June 30, 2006

Mr. Edward Harrington, Controller
Controller’s Office
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102

Dear Mr. Harrington:

The Office of the Treasurer and Tax Collector regrets the department did not maintain an inventory list of city property returned and assigned in a timely manner at the time of the Department Head transition in 2004.

An inventory list was submitted during the audit in January 2006. The Office of the Treasurer and Tax Collector concurs with the audit and would like to thank the Controller’s Office for its recommendations. The Department appreciates that there will be a reminder sent regarding Department Instruction No. 1050 when there is a change of Department Head.

Thank you.

Sincerely yours,

[Signature]

Pauline Marx
Chief Assistant Treasurer

cc: José Cisneros, Treasurer
DATE: June 15, 2006
TO: Ed Harrington, Controller
FROM: Susan Leal, General Manager
San Francisco Public Utilities Commission

SUBJECT: Audit Report – Reviews of Department Head Transitions at Seven City Departments

Thank you for the results of the department head transitions audit. The San Francisco Public Utilities Commission (SFPUC) appreciates your assistance and will use this information to strengthen further our department head transition process.
June 16, 2006

Mr. Ed Harrington, Controller
Office of the Controller
City and County of San Francisco
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Harrington:

The Recreation and Park Department has reviewed the Controller’s draft audit report to the Board of Supervisors regarding the reviews of department head transitions at seven city departments. The Department agrees with the recommendations of the report, and we have begun to modify our Personnel Finance System (PFS) so that by the end of July 2006, we will be able to enter the data necessary to track assets assigned to Department personnel. In addition to the assets you recommend (keys, building passes, pagers, cell phones, credit cards, computers, and automobiles), we will also track ID badges, alarm codes, lap tops, and personal digital systems devices.

Thank you for providing us with the draft report. Please feel free to call me at 831-2703 if you have any questions or concerns.

Sincerely,

Katharine Petrucione
Director of Administration and Finance

KP:nj

cc: Elisa Sullivan
San Francisco Public Library
100 Larkin Street, San Francisco, CA 94102 - 4733

July 13, 2006

Elisa Sullivan
Financial Audit Manager
Office of the Controller, Audit Division
San Francisco, CA 94102

Dear Ms. Sullivan:

On behalf of the San Francisco Public Library I would like to ensure you that in the future the Controller's Department Instruction No. 1050 will be thoroughly followed.

Sincerely,

Donna Marion
Library Human Resources Director
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cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library