



GO BOND EXPENDITURE AUDIT

Cumming Construction Management

CUMMING
Building Value Through Expertise

AGENDA *Page 2*

GO Bond Expenditure Audit

- Overview
- Objectives
- Methodology
- Findings
- Recommendations

GO Bond Expenditure Audit

SAN FRANCISCO GENERAL OBLIGATION BOND PROJECTS

Bond Program Name	Amount	Bond Program Purpose	CSA Audit Status
2010 Earthquake Safety and Emergency Response Bond	\$412.3M	Proposition B: to finance the construction, acquisition, improvement, and retrofitting of neighborhood fire and police stations, the Auxiliary Water Supply System, a Public Safety Building, and other critical infrastructure and facilities for earthquake safety and related costs necessary or convenient for the foregoing purposes.	Issued July 12, 2016
2011 Road Repaving and Street Safety Bond	\$248.0M	Proposition B: to finance the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks, the installation and renovation of curb ramps, the redesign of streetscapes to include pedestrian and bicycle safety improvements, and the construction, rehabilitation and renovation of traffic infrastructure and related costs necessary or convenient for the foregoing purposes.	Issued July 25, 2016
2008 General Hospital and Trauma Center Earthquake Safety Bonds	\$887.4M	Proposition A: to finance construction of a new facility consisting of a 284-bed, acute care facility of 453,495 square feet and nine levels (two levels below grade). Additional OSHPD-permitted projects have been initiated including: <ul style="list-style-type: none"> Existing hospital (Building 5) remodels, where the second floor bridge and basement level tunnel tie-in to the new hospital (Building 25) Service Building NPC4 Seismic Upgrade Project and various other follow-on projects supporting the licensing of the new hospital. 	Ongoing

San Francisco Proposition F – Adopted March 5, 2002

- Established the Citizens' General Obligation Bond Oversight Committee (CGOBOC) to inform the public about the expenditure of GO bond proceeds.
- Provided oversight for ensuring that:
 - (1) General obligation bond revenues are spent only in accordance with the ballot measure.
 - (2) No general obligation bond funds are used for any administrative salaries or other general governmental operating expenses, unless specifically authorized in the ballot measure for such general obligation bonds.

- CGOBOC Bylaws, Article I, Section 3

Issued reports focused on answering whether funds were spent in accordance with the ballot measure, including whether funds were used for any administrative salaries or other general governmental operating expenses, which is impermissible unless specifically authorized in the ballot measure for such bonds.

METHODOLOGY *Page 5*

GO Bond Expenditure Audit

Task 1 - Pre-Audit Information Request

Task 2 - Audit Planning and Survey

Task 3 - Audit Fieldwork

Task 4 - Draft Report

Task 5 - Final Report

Task 1

Task 2

Task 3

Task 4

Task 5

Pre-Audit Information Request

Description of Services:

- To achieve the objective, Cumming requested the following documents:
 - Construction agreements and change orders
 - Design agreements and amendments
 - Work authorizations to city departments
 - DPW direct labor and nonlabor costs
 - Vendors invoices with citywide contracts for which project-specific contracts do not exist

Task 1

Task 2

Task 3

Task 4

Task 5

Audit Planning and Survey

Description of Services:

- Submit definition for audit scope
- Review bond documentation and main entities contracts
- Held discovery meeting with DPW Finance & Accounting regarding cost & labor reporting
- Initial review of DPW cost records

Task 1

Task 2

Task 3

Task 4

Task 5

Audit Fieldwork

Description of Services:

- Submit detailed field work plan
- Gather & analyze project data
 - Budgets, commitments, costs, and forecasts
 - Agreements, purchase orders, change orders, amendments
 - Cost support
 - Previous DPW audits

Task 1

Task 2

Task 3

Task 4

Task 5

Draft Report

Description of Services:

- Submit Exception Charges Memorandum and supporting documentation to DPW
- Conduct exit conference with City/DPW to present the findings
- Review and document City/DPW responses to exit conference
- Submit comprehensive draft report

Task 1

Task 2

Task 3

Task 4

Task 5

Final Report

Description of Services:

- Submit final work papers
- Submit final report

CSA-Audits' Issued Memoranda

- Developed Audit Memorandum based on Cumming's final report
- Issued Management Letter to DPW on matters outside the audit scope

GO Bond Expenditure Audit

CUMMING FINDINGS

Bond Program	Expenditures Reviewed	% of Total Bond Expenditures	Final Exception Charges
2010 ESER	\$248,591,745	95.7%	\$7,622*
2011 RRSS	\$86,632,601	64.2%	-

*\$7,622 was expended for Xtech/21Tech to provide expert consulting services to implement Microsoft’s Enterprise Project Management Solution program for the entirety of DPW. The contract amount was \$97,920, and it appeared that a portion of the cost was expended from the 2010 ESER bond funds. This expenditure should have been considered as an indirect cost and was transferred to DPW’s overhead costs.

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CUMMING FINDINGS

AUDIT FINDINGS	2010 ESER	2011 RRSS
1. Bond expenditures were expended in accordance with the ballot measure, and funds were not used for any administrative salaries or other general governmental operating expenses other than those specifically authorized in the ballot measure for such bonds.	99.9%	100%
2. The pre-bond reimbursement approval process allows pre-bond costs to be reimbursed with bond funds based on the estimated construction cost rather than the scope of work performed.	\$550,000	\$1,160,000

Management Letter (Outside the Audit Scope):

- Process for Budgeting and Documenting Internal Labor and Nonlabor Costs
- Project Management, Construction Management, and Design Costs Benchmarking

2010 Earthquake Safety and Emergency Response Bond and 2011 Road Repaving and Street Safety Bonds

- DPW should finalize and implement pre-bond reimbursement guidelines for all current and future general obligation bond programs to ensure that pre-bond expenditures and related scopes of work are clearly and appropriately described and assigned.

QUESTIONS?

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Emergency Firefighting
Water System



Public Safety Building



Neighborhood Fire
Station Program

