



**Ben Rosenfield**  
Controller

**Monique Zmuda**  
Deputy Controller

## MEMORANDUM

**TO:** Luis Herrera, City Librarian  
Edward D. Reiskin, Director, Department of Public Works

**FROM:** Tonia Lediju, Director of Audits, City Services Auditor (CSA) 

**DATE:** 11/8/2010

**SUBJECT: Results of Follow-up Review of the Branch Library  
Improvement Program (BLIP) Audit**

---

### EXECUTIVE SUMMARY

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 in the audit report of September 2007 entitled: *Strengthened Program Management Required for Branch Library Improvement Program to Avoid Further Budget Increases*. Section 8.05 states that one of the goals of audit reporting is facilitating follow-up to determine whether appropriate corrective actions have been taken.

This follow-up is intended to determine whether the San Francisco Public Library (Library) and Department of Public Works (DPW) have taken the corrective actions needed to implement the audit report's recommendations, with the goal of improving BLIP business practices. CSA has completed the follow-up review on the status of the recommendations that were outlined in the 2007 audit report. CSA concludes that the controls implemented by BLIP management are adequate to ensure the accuracy of financial reporting as well as efficient and transparent project management.

Much of the benefit from audit work is not solely in the findings reported or the recommendations made, but the implementation of those recommendations.

### BACKGROUND & METHODOLOGY

The Branch Library Improvement Program (BLIP) is the result of voter approval of a bond issue in November 2000. Two city departments are responsible for the success of the program – the Library and DPW. The revised Memorandum of Understanding (MOU) states that DPW will manage the bond

program and provide technical design and engineering services. The Library is responsible for providing funding and reviewing and approving the financial reports that DPW produces. The current bond program budget as of September 2010 is \$188.9 million.

As approved by the voters, the BLIP includes the construction and renovation of 24 City branch libraries (16 renovations and 8 new buildings), of which 15 have been completed. The BLIP will provide the public with seismically safe, accessible, technologically updated, and code compliant branch libraries in every neighborhood.

As of September 2010, 8 projects are in construction, one is in bid award phase, and one is in design phase (pending environmental review).

To conduct the follow-up review, the audit team met with or otherwise contacted key Library and DPW personnel to discuss the status of the corrective actions taken to date, obtained documentary evidence, and verified the existence of processes that have been established, if any. The audit team also attended one Library Commission meeting.

## RESULTS

**Recommendation 1: Replace current MOU between the Library and Public Works with one that describes in detail both the general and specific activities necessary for each agency to meet its obligation to efficiently and effectively manage the bond program.**

Consistent with the recommendation, DPW and the Library have revised and updated the MOU that was developed in 2002 to reflect current and required new practices related to the BLIP schedule and budget management, decision-making and internal communications. The new MOU was presented to the Library Commission on May 15, 2008, and was signed and ratified by both departments on June 2, 2008.

**Conclusion:** Recommendation 1 has been implemented.

**Recommendation 2: Ensure that all agreements for professional services provided by Public Works and private sector consultants are documented upon inception, and establish procedures for periodic review of subsequent changes and actual costs incurred for each agreement.**

Consistent with the recommendation, DPW and the Library have developed specific procedures to ensure that the fee proposals for professional services are approved by the process outlined within the new MOU. They have developed reports to track and analyze expenditures to reduce the opportunity for costs to exceed budgeted amounts. To ensure transparency, changes to approved budget amounts are discussed with the Library Commission before work is authorized.

**Conclusion:** Recommendation 2 has been implemented.

**Recommendation 3: Public Works should create a standard set of escalation estimation practices, communicate those standards to cost estimators, and monitor each cost estimate for compliance.**

The BLIP program has developed a standard of cost escalation factors which utilize feedback from the City's Capital Planning Committee to ensure consistency with other City capital projects. To further ensure consistency in the cost estimating process, the BLIP has:

- 1) Conveyed standard escalation protocols to all consultants regarding cost escalation estimates for Library projects.
- 2) Instructed the consultant and internal engineers to adhere to diminishing contingency rates as percentage of completion increases.
- 3) Applied midpoint of construction assumption for all construction projects.
- 4) Used the latest local unit prices (not a national average).

**Conclusion:** Recommendation 3 has been implemented.

**Recommendation 4: Ensure that all program reports are easy to read and contain all relevant information.**

DPW and the Library have revised the format for regular reporting of financial and construction schedule information. The packets of reports presented monthly to the Library Commission include:

1. Budget Report
2. Branch Library Summary Schedule
3. Construction Report
4. Bond Program Managers Report

**Conclusion:** Recommendation 4 has been implemented.

**Recommendation 5: Increase program controls and promote more effective project oversight by developing and implementing detailed procedures for design, update, and review of budgets for all budget spreadsheets.**

The Library and BLIP project management has adopted the 2008 MOU procedures, which delineated responsibilities and expectations related to financial reporting. The BLIP manager (a DPW employee) prepares the monthly financial reporting package. This package is then presented to the Library Commission and the public for comment. Proposed changes and or recommendations for the program or project budgets are then approved by the Library Commission.

**Conclusion:** Recommendation 5 has been implemented.

**Recommendation 6: As a team, the Library and Public Works should adopt any best practices for increasing the number of bids received on projects that it deems are practicable.**

The actions both departments have taken include:

1. Distribution of bid advertisement fliers highlighting project scope, budget and key dates.
2. Calling general contractors to remind them of pre-bid conferences.
3. E-mailing bid advertisements to general contractors who have bid on previous library projects,
4. Making construction bid specifications available for review so contractors do not have to purchase the specifications.
5. Distributing information about the BLIP and future projects at annual general contractors conventions.

**Conclusion:** Recommendation 6 has been implemented.

CSA extends our appreciation to you and your staff who assisted with this follow-up review. If you have any questions or concerns, please call or e-mail Randolph Minnis at (415) 554-4920 or [Randolph.Minnis@sfgov.org](mailto:Randolph.Minnis@sfgov.org).

cc: Lena Chen, Branch Library Improvement Program Manager  
Ben Rosenfield, Controller

---

## ATTACHMENT A: FINDINGS AND RECOMMENDATIONS

	<b>Library and DPW Response to Audit</b>	<b>Status per the Library and DPW</b>	<b>Auditor's Follow-up Work</b>	<b>Results</b>
<b>1</b>	<p>Replace current Memorandum Of Understanding (MOU) between the Library and Public Works with one that describes in detail both the general and specific activities necessary for each agency to meet its obligation to efficiently and effectively manage the bond program.</p>	<p>The departments have initiated efforts to revise and update the MOU that was developed in 2002 to reflect current and required new practices related to the Branch Library Improvement Program (BLIP) schedule and budget management, decision-making, and internal communications. The Library and DPW will work collaboratively to finalize and implement this revised MOU to address each issue raised in the review.</p>	<p>Obtained and reviewed the revised 2008 MOU.</p> <p>Reviewed Library Commission meeting minutes to ensure adoption of the new MOU.</p> <p>Verified signature approval by both city departments' representatives.</p>	<p><b>Implemented</b></p> <ul style="list-style-type: none"> <li>The BLIP manager uses the new MOU to ensure that agreed procedures are in accordance to the MOU.</li> </ul>
<b>2</b>	<p>Ensure that all agreements for professional services provided by Public Works and private sector consultants are documented upon inception, and establish procedures for periodic review of subsequent changes and actual costs incurred for each agreement.</p>	<p>As part of the updates to the MOU between the Library and DPW, the departments have developed specific procedures to ensure that the fee proposals for professional services are approved by the Library before they are approved by DPW. They have developed reports to track expenditures ensuring that the costs remain within budget. To ensure transparency, changes to the budget are discussed with the Library Commission and the public before work is authorized.</p>	<p>Reviewed the revised MOU, in particular pages 5-9 detailing roles and responsibilities for the departments involved.</p> <p>Reviewed the BLIP managers' monthly reports to the Library Commission.</p> <p>Attended a Library Commission meeting.</p>	<p><b>Implemented</b></p> <ul style="list-style-type: none"> <li>The BLIP manager uses the new MOU to ensure that agreed procedures are in accordance to the MOU.</li> </ul>

	<b>Library and DPW Response to Audit</b>	<b>Status per the Library and DPW</b>	<b>Auditor's Follow-up Work</b>	<b>Results</b>
3	Public Works should create a standard set of escalation estimation practices, communicate those standards to cost estimators, and monitor each cost estimate for compliance.	<p>DPW has developed a standard cost escalation factor and has solicited feedback from the City's Capital Planning Committee to ensure consistency with other capital projects.</p> <p>In addition, DPW has taken the following steps to ensure consistency in cost estimating.</p> <ol style="list-style-type: none"> <li>1) Hired a consultant who prepares all estimates for future library projects.</li> <li>2) Uses the same escalation rate for all projects.</li> <li>3) Applies escalation rate to the mid-point of construction.</li> <li>4) Uses the latest local unit prices (not a national average).</li> <li>5) Applies a sliding scale design contingency based on the phase of design.</li> </ol>	<p>Verified the calculations and factors used in the monthly reporting package to the Library Commission.</p> <p>Reviewed calculations submitted by the consulting company.</p> <p>Verified the use of local pricing in the case analysis.</p>	<p><b>Implemented</b></p> <ul style="list-style-type: none"> <li>• The BLIP manager uses the new MOU to ensure that agreed procedures are in accordance to the MOU.</li> </ul>
4	Ensure that all program reports are easy to read and contain all relevant information.	<p>DPW and the Library have revised the format for regular reporting of financial and construction schedule information. The base package of reports presented to the commission are:</p> <ol style="list-style-type: none"> <li>1) BLIP expenditures summary by character and project.</li> <li>2) BLIP expenditure summary by branch and funding source.</li> <li>3) Electronic copies of monthly financial plan reports are submitted to the Library Commission showing variances between budgets, expenditures.</li> </ol>	<p>Reviewed two months of monthly reports prepared by the BLIP manager used to report to the Library Commission.</p> <p>Verified that the information reported to the Library Commission includes the project schedule charts, current activities and forecasts.</p> <p>Verified that each project status is presented before the Library Commission.</p>	<p><b>Implemented</b></p> <ul style="list-style-type: none"> <li>• The BLIP manager uses the new MOU to ensure that agreed procedures are in accordance to the MOU.</li> </ul>

	<b>Library and DPW Response to Audit</b>	<b>Status per the Library and DPW</b>	<b>Auditor's Follow-up Work</b>	<b>Results</b>
5	Increase program controls and promote more effective project oversight by developing and implementing detailed procedures for design, update, and review of budgets for all budget spreadsheets.	The Library and DPW's finance divisions have finalized procedures which delineate responsibilities and expectations related to financial reporting. These procedures are integrated into the 2008 MOU.	Reviewed a sample of budget revisions to ensure that each revision was properly authorized and reviewed prior to implementation.  Determined whether the revisions were discussed at the commission meeting.	<b>Implemented</b> <ul style="list-style-type: none"> <li>Noted that in the four instances reviewed, the Library Commission discussed and approved the proposed change, as well as allowed public comment.</li> </ul>
6	As a team, the Library and Public Works should adopt any best practices for increasing the number of bids received on projects that it deems are practicable.	The actions that both departments have taken include: <ol style="list-style-type: none"> <li>1) Distribution of bid advertisement fliers highlighting project scope, budget and key dates.</li> <li>2) Calling general contractors to remind them of pre-bid conferences.</li> <li>3) E-mailing bid advertisements general contractors who have bid previous library projects.</li> <li>4) Making construction bid documents available for review so contractors do not have to buy them.</li> <li>5) Distributing information about the bond program at annual general contractor's conventions.</li> </ol> <p>In addition, DPW will be sending a letter to prospective bidders announcing future projects.</p>	Determined the outreach program BLIP has been developed and adopted.  Verified that the components detailed in the outreach program are being utilized.	<b>Implemented</b> <ul style="list-style-type: none"> <li>Reviewed the BLIP outreach program.</li> <li>Reviewed the general correspondence sent to contractors to bid on two projects.</li> <li>Reviewed the contractors' email group listing in which emails are distributed to contractors.</li> </ul>