City & County of San Francisco

The Human Rights Commission Violated the City's Purchasing Rules, Circumventing Controls and Policies

Human Rights Commission

Why It Matters

The joint audit and investigation found that the Human Rights Commission (HRC), under the direction of former Executive Director Sheryl Davis, ignored city rules and policies intended to safeguard city funds. This resulted in HRC abusing millions of dollars in public funds and a lack of accountability for their use. Strengthening financial oversight and ethical standards is critical to restoring public trust and ensuring city resources are used as intended.

Prepared by

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

September 16, 2025

About the Controller's Office

The Controller is the chief financial officer and auditor for the City and County of San Francisco. We produce regular reports on the City's financial condition, economic condition, and the performance of City government. We strive to be a model for good government and to make the City a better place to live and work.

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that voters approved in 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

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AUDIT AUTHORITY

This audit was conducted under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives. The Audits Division is independent per GAGAS requirements for internal auditors.

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

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September 16, 2025

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Dear Commission Chair Pimentel, Commissioners, Acting Executive Director Tugbenyoh, Purchaser and Director Kurella, and Chief Accounting Officer and Director Quintos:

The Office of the Controller (Controller), City Services Auditor (CSA), Audits Division, presents its report summarizing the results of the audit and investigation it jointly conducted with the Office of the City Attorney. Our audit had as its objective to determine whether the Human Rights Commission (HRC) of the City and County of San Francisco (City) properly administered delegated departmental purchasing authority (known as Proposition Q or Prop Q) payments and other financial transactions during the audit period of July 2020 through September 2024.

The audit found that, under the leadership of its former executive director, Sheryl Davis, HRC demonstrated a pattern and practice of evading existing controls and avoiding scrutiny from city oversight agencies, raising serious concerns about transparency, accountability, and financial integrity. This created a workplace where misconduct went unchallenged and ethical norms were disregarded, even as the department worked to improve oversight. Under new leadership, the department has begun to implement some of our recommended changes, such as ensuring all purchasing and training staff been trained.

The report includes 9 recommendations for HRC to improve its internal controls and compliance with city purchasing rules and 2 recommendations for the Controller's Accounting Operations and Supplier Division and Office of Contract Administration to enhance their monitoring of city departments to ensure adherence to city policies. The responses of the departments are attached as an appendix. CSA will work with the departments to follow up every six months on the status of the open recommendations made in this report.

CSA appreciates the assistance and cooperation of all staff involved in this project. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-7574 or CSA at 415-554-7469.

Respectfully,

Mark de la Rosa
Director of Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
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Civil Grand Jury
Mayor
Public Library

Executive Summary

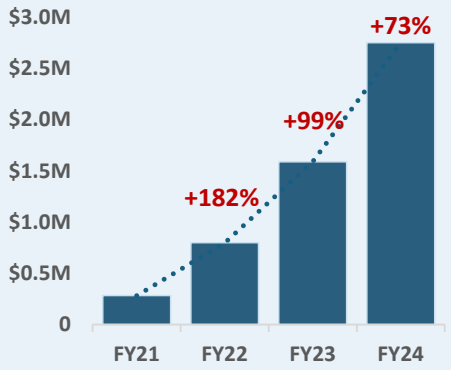
In response to Controller Greg Wagner's request, the Office of the Controller's City Services Auditor and City Attorney's Office of the City and County of San Francisco (City) launched a joint audit and investigation concerning the City's Human Rights Commission (HRC). This report focuses on HRC's compliance with city purchasing rules for $6.3 million of the department's noncontract payments. HRC's violation and circumvention of laws, rules, and policies wasted city money and broke public trust. Strengthening the department's ethical culture and improving departmental and citywide processes can help prevent future misuse of public funds.

WHAT WE FOUND

Under the leadership of Sheryl Davis (Davis), its former executive director, HRC made millions of dollars in ineligible and improper payments, demonstrating a pattern and practice of evading existing controls and avoiding scrutiny from city oversight agencies. Specifically, during the period covered by this audit (July 1, 2020, until Davis's resignation on September 13, 2024), HRC routinely disregarded city purchasing rules, raising concerns about transparency, accountability, and financial integrity.

$4.6M of $6.3M noncontract payments were ineligible.

Noncontract payments increased over each fiscal year.



Ineligible Payment Examples

- HRC spent at least $75,000 on Davis's **personal branding and endeavors**.
- HRC spent $53,000 on an individual, including rent payments with **misrepresented invoices**.
- HRC spent over $100,000 in **unauthorized** advance payments, of which $46,495 are **overpayments**.

How It Happened

- Davis knowingly violated city purchasing rules and created an **unethical tone at the top**.
- **Routine and pervasive disregard for city policies** undermined oversight intended to protect public funds.
- **Lack of financial leadership and competency** at HRC contributed to deficiencies and made the department more vulnerable to fraud, waste, and abuse.

WHAT WE RECOMMEND

The report includes 9 recommendations for HRC to improve its internal controls and compliance with city purchasing rules. Key recommendations include that HRC should:

- Ensure all employees responsible for initiating or approving payments get the required training on Prop Q payments, direct vouchers, single payments, non-purchasing payments, and employee reimbursements.
- Establish separate roles for employees who initiate, validate, and approve payments.
- Comply with eligible uses of Prop Q and proactively consult with the Office of Contract Administration on questions on the use of Prop Q.
- Finalize written departmental policies on paying for food and gift cards, and get the policies approved by the Accounting Operations and Supplier Division of the Controller's Office.
- Only pay invoices if they are in an acceptable format and contain actual amounts (not estimates). Verify that the invoiced commodity or service is sufficiently detailed before processing payment.

Contents

Executive Summary....5
Contents....7
Glossary....8
Introduction....9
Chapter 1 - HRC violated city law and disregarded policies meant to safeguard public funds....13
Finding 1.1 – HRC spent $2,447,660 on ineligible and likely ineligible Prop Q purchases....15
Finding 1.2 – HRC knowingly violated Prop Q rules to pay vendors it preferred and to avoid oversight....32
Finding 1.3 – HRC misused direct vouchers, which are intended for rare circumstances, to make inappropriate purchases, disregarding city procurement policies. Of the $3.4 million HRC spent via direct vouchers, $3.1 million was in the form of single payments, all of which were improper....36
Finding 1.4 – HRC made unauthorized advance payments that resulted in $46,495 overpayments and entered into an unofficial sponsorship agreement....49
Finding 1.5 – At least $25,467, or 22 percent of expenses for which four HRC employees were reimbursed, are ineligible....51
Chapter 2 – HRC's former executive director engaged in self-dealing and created an unethical tone at the top....53
Finding 2.1 – Davis misused HRC's purchasing authority to promote her personal projects and blurred the lines between her official city duties, personal businesses, and programs of her former employers....55
Finding 2.2 – Davis failed to disclose payments she received from Collective Impact and her personal relationship with its director....59
Chapter 3 – HRC leadership failures enabled ethical misconduct, fiscal mismanagement, and a disregard for oversight and transparency....61
Finding 3.1 – HRC did not have strong financial controls, and Davis ignored new safeguards meant to fix them....61
Finding 3.2 – HRC undermined oversight by disregarding findings from previous financial transaction reviews by the Controller....65
Appendix A – Controller's Letter to Mayor and Board of Supervisors....68
Appendix B - Department Responses....70
Recommendations and Responses....75

Glossary

AOSD	Accounting Operations and Supplier Division
CFO	Chief Financial Officer
City	City and County of San Francisco
City Attorney	Office of the City Attorney
Controller	Office of the Controller
CSA	City Services Auditor, Audits Division
DKI	Dream Keeper Initiative
Financial System	City's Financial and Procurement System
FTE	Full-Time Equivalent
IRS	U.S. Internal Revenue Service
IT	Information Technology
HRC	Human Rights Commission
OCA	Office of Contract Administration
Prop Q	Proposition Q, the local law that defines delegated departmental purchasing authority

Introduction

BACKGROUND

Human Rights Commission

The San Francisco Human Rights Commission (HRC) was established in 1964 by city ordinance. Since then, it has grown in response to San Francisco's mandate to address the causes of and problems resulting from prejudice, intolerance, bigotry, and discrimination. HRC operates under the Mayor's Office in the City and County of San Francisco (City)'s executive branch.

HRC's mission is to work in service of the City's anti-discrimination laws to further racial solidarity, equity, and healing. HRC aims to serve the community by investigating and mediating complaints of discrimination in housing, employment, and access to public spaces, providing restorative justice and mediation for community disputes, and managing other initiatives, as directed by the Mayor and Board of Supervisors.

Dream Keeper Initiative

In 2021, in the aftermath of nationwide protests over the murder of George Floyd, former Mayor London Breed announced the launch of San Francisco's Dream Keeper Initiative (DKI) Program to prioritize the redirection of resources from law enforcement to support the African American Community. Before the formal announcement, HRC, under the direction of former HRC Director Sheryl Davis (Davis), designed and facilitated the community engagement process, which reportedly included more than a dozen meetings with nearly 600 community stakeholders, for input on how to allocate DKI funding. In the fall of 2021 HRC hired a DKI director to oversee the DKI program. The DKI director reported directly to Davis.

The initiative originally committed $60 million per year to address racial injustices and inequities in San Francisco, to be administered by multiple city departments, including HRC. DKI funding was reduced to $45 million for fiscal year 2024-25.

HRC Budget

Largely due to the influx of DKI funding, HRC's budget increased significantly during the audit period. HRC's fiscal year 2024-25 budget

was $44.8 million, more than twice the prior year's amount. Exhibit 1 summarizes HRC's budget and annual percentage increase from fiscal years 2020-21 through 2024-25.

Exhibit 1: HRC's Budget, Fiscal Years 2020-21 Through 2024-25

Fiscal Year	Adopted Budget	Percentage Increase
2020-21	$11,205,068	--
2021-22	$14,543,732	30%
2022-23	$15,120,673	4%
2023-24	$21,523,406	42%
2024-25	$44,751,345	108%

Source: City's Budget and Appropriation Ordinance

Genesis of the Audit

Davis previously requested the Controller's Office (Controller) to conduct a full audit of the DKI program, including all DKI spending across city departments. However, the Controller decided an audit of HRC's payments was an immediate priority due to escalating concerns, including serious allegations around potential conflicts and HRC's ongoing issues from financial transactions reviewed by another division of the Controller.

Alleged Misuse of City Funds by Davis

In July 2024 local news outlets began reporting on allegations of impropriety involving Davis during her tenure as the HRC director and on misuse of DKI funding. The SF Standard[1] reported that nonprofit organizations (nonprofits) receiving DKI funding spent lavishly on events without transparency around expenses and that the decentralization of DKI funding across multiple city departments made it difficult for the public to track the use of DKI funds.

The SF Standard also cited a whistleblower report involving more than 20 allegations against Davis, including self-dealing and misuse of the department's delegated purchasing authority, which is referred to as Proposition Q authority, or simply "Prop Q."[2] Prop Q allows city departments to bypass a competitive bidding process—and removes the need for a city contract with the supplier—for purchases of goods that cost less than a stated amount. The cap for Prop Q purchases without a contract was originally $10,000 but, effective July 1, 2024, was raised to $20,000.

[1] The San Francisco Standard, "SF pledged $120M to help Black residents. The money's gone in some strange directions," July 22, 2024.
[2] San Francisco voters approved Proposition Q in 1993.

Alleged Conflict of Interest With Collective Impact Prompted Davis's Resignation

On September 12, 2024, the SF Standard reported that Davis approved at least $1.5 million in HRC funding to a nonprofit, Collective Impact, while she was living with the organization's executive director, James Spingola (Spingola). A day later, on September 13, 2024, Davis resigned as HRC director.

That day, Controller Wagner informed the Mayor and President of the Board of Supervisors that the Controller and Office of the City Attorney (City Attorney) were jointly investigating complaints regarding HRC and DKI. At the same time, the Controller announced several immediate steps to support the acting HRC director, including (1) an expedited audit of HRC's Prop Q purchases (which this report focuses on) and (2) an audit of city grant agreements with Collective Impact. Also, the Controller and the Office of Contract Administration (OCA) had suspended HRC's Prop Q purchasing authority until the audit is completed.

OBJECTIVE

The audit's objective was to determine whether HRC properly administered payments under delegated departmental purchasing authority (Prop Q) and other financial transactions.

SCOPE

The audit period was July 1, 2020, through September 13, 2024.[3] We considered all payments during this period not tied to a grant agreement or other contracts (noncontract payments), which total as follows:

Type of Payments	Amount
Prop Q	$2,628,055
Other Payments[4]	$3,630,414
Employee Reimbursements	$116,641
Total Reviewed	**$6,375,110**

[3] The audit reviewed payments made through September 13, 2024, the date Davis resigned from HRC.
[4] The audit did not review payments made directly to city-approved third-party travel vendors such as American Airlines, Clement Travel Service, and Orientex Travel because we determined them to have a low risk of abuse.

METHODOLOGY

To achieve the objective, we:

- Interviewed key HRC employees responsible for accounting and finance to understand their processes, adherence to city policies, and the internal control environment. Interviews were conducted with a City Attorney investigator.

- Interviewed key staff of the Office of Contract Administration and Controller's divisions (Accounting Operations and Supplier Division, Budget and Analysis Division, and Systems Division) to understand Prop Q rules, financial transaction reviews, budget and staffing, and process for obtaining Prop Q approver role access to identify potential issues in HRC's administration of payments. Interviews were conducted with a City Attorney investigator.

- In consultation with the City Attorney, assessed potential ethical and legal violations related to HRC's noncontract payments and Davis's alleged conflict of interest with Collective Impact.

- Reviewed citywide and departmental policies and procedures related to noncontract payments.

- Reviewed $6.3 million of payments made by HRC under Prop Q or other payments not tied to grant agreements or other contracts made from July 1, 2020, through September 13, 2024, to verify whether expenses were eligible under the relevant city rules and guidelines, and whether they had adequate supporting documentation documented in the City's Financial and Procurement System (financial system).

- Reviewed $116,641 in employee reimbursements, focusing on three employees with the highest amounts reimbursed from July 1, 2020, through September 13, 2024, and one employee flagged in post-audit findings to assess compliance with city rules around reimbursements and business-related employee travel.

Chapter 1 - HRC violated city law and disregarded policies meant to safeguard public funds

Under Davis's leadership, HRC demonstrated a pattern and practice of evading existing controls and avoiding scrutiny from city oversight agencies. Specifically, from July 1, 2020, through September 13, 2024, HRC disregarded city purchasing rules, raising concerns about transparency, accountability, and financial integrity.

This chapter delves into specific areas and examples of HRC's noncompliance, including its misuse of different types of noncontract payment methods, such as delegated departmental purchasing authority (known as Prop Q), direct payments, and employee reimbursements. The audit focused on determining whether HRC abided by the City's procurement rules and whether its procurement and payment actions appeared reasonable.

Given the broad scope of the audit and the wide variety of issues addressed, there may be significantly more issues—or, at least, examples of issues—than those reflected by the examples we highlight in this report. A comprehensive review to investigate and quantify every instance of potential noncompliance in a multiyear period would require more resources than this audit could bring to bear. This is especially true at HRC where, as we found, many documents supporting purchases lack sufficient information, so require follow-up with vendors to confirm what was purchased. Although payments may have been for real individuals or businesses in need of financial support, the process for selecting which needs to fund was not transparent.

Exhibit 2, on the next page, summarizes the payments reviewed and findings discussed in this chapter.

Exhibit 2: Summary of noncontract payments explored in Chapter 1

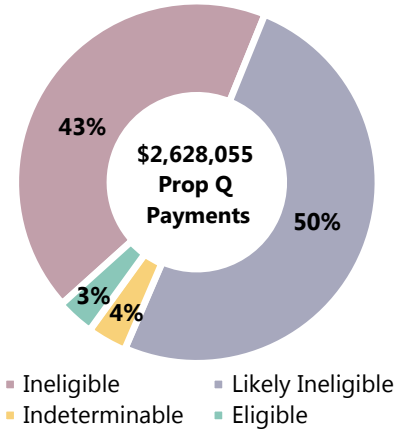
July 1, 2020, through September 13, 2024

Finding	Type of Noncontract Payment Reviewed	Summary	No. of Payments Reviewed	Payment Amount Reviewed[a]
Finding 1.1	Prop Q – Purchase Eligibility	Prop Q payments are for one-time, noncontractual purchases of goods and services under $10,000.[b] Of the $2.6 million in Prop Q payments reviewed, 93% were ineligible or likely ineligible due to the type of goods or services purchased or the availability of alternatives under citywide term contracts.	905	$2,628,055
Finding 1.2	Prop Q – Violation of Rules	HRC circumvented established controls on 68% of its Prop Q purchases, totaling $1,793,931. Specifically, HRC violated Prop Q rules by repeatedly using the same vendors despite Prop Q being intended for non-recurring purchases, splitting orders, and intentionally keeping purchases at or just below the $10,000 cap.[b]	905	$2,628,055
Finding 1.3	Single Payments	All single payments, a type of direct payment meant for suppliers not registered with the City, were deemed ineligible because they were either taxable income or involved unallowable items.	694	$3,133,332
	Other Direct Payments	57% of other direct payments made to city-registered suppliers were ineligible because of the type of goods or services purchased or they lacked the required justification to demonstrate exceptional circumstances.	154	$298,619
Finding 1.4	Non-Purchasing Payments	14 payments classified as non-purchasing were actually grant-related payments, and 5 of these were overpayments totaling $46,495.	18	$198,463
Finding 1.5	Employee Reimbursements	65% of employee expense reimbursements are ineligible, could not be verified for eligibility due to insufficient supporting information, or questionable.	326	$116,641

Notes:
[a] Amounts in Finding 1.1 and Finding 1.2 are not mutually exclusive. Thus, the amounts in this column should not be totaled.
[b] On July 1, 2024, the Prop Q cap was increased to $20,000.

Source: Analysis of all payments not tied to a grant agreement or other contract per the City's financial system

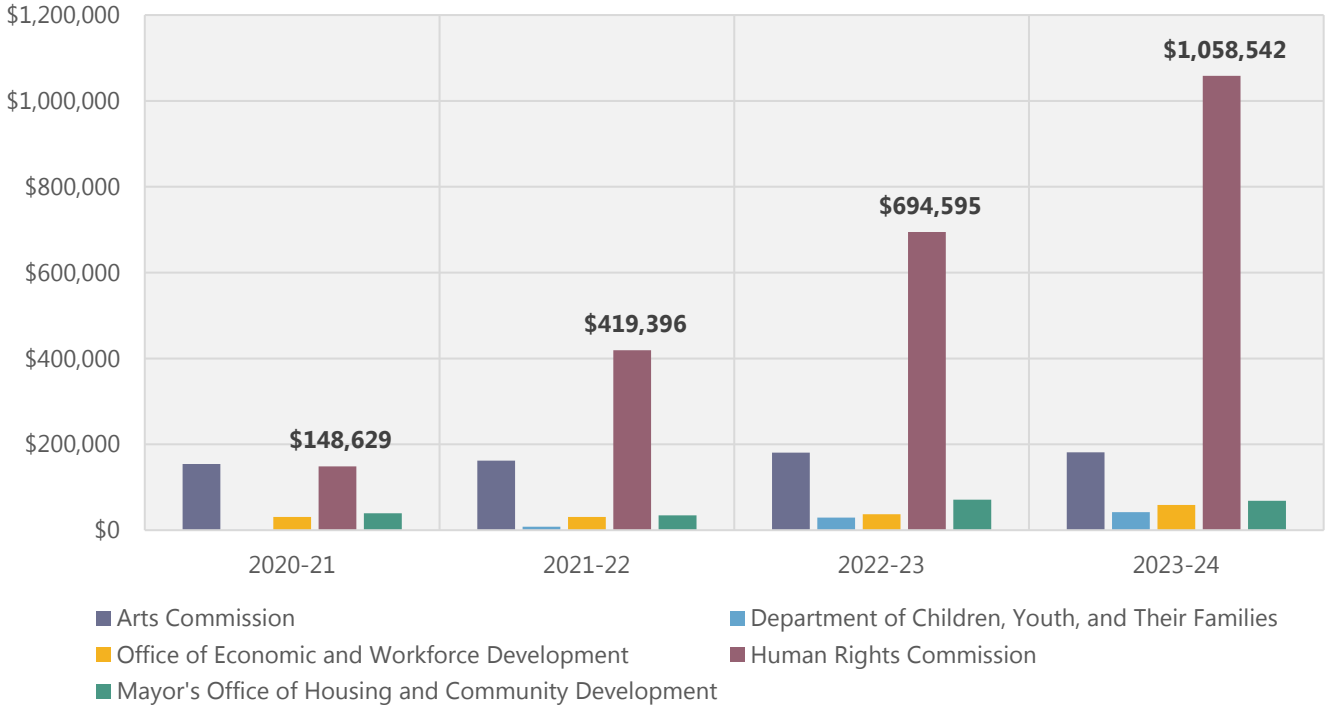
Finding 1.1 – HRC spent $2,447,660 on ineligible and likely ineligible Prop Q purchases.



Under the Delegated Departmental Purchasing Authority (Prop Q), city departments can make one-time purchases of goods and services under $10,000[5] without going through the Office of Contract Administration (OCA). OCA administers non-construction related procurement,[6] which includes establishing rules and regulations for Prop Q.

In a four-year span, HRC's Prop Q spending increased by over 600 percent, almost doubling each year. Exhibit 3 shows the annual Prop Q spending of HRC and other comparable departments during fiscal years 2020-21 through 2023-24.

Exhibit 3: HRC spent more with its Prop Q authority than similar departments,* and the gap increased to over 600% from fiscal year 2020-21 to 2023-24



* Comparison of departments based on DKI funding and budget size.

Source: Analysis of data in City's financial system

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[5] Effective July 1, 2024, the Prop Q cap was raised from $10,000 to $20,000.

[6] The San Francisco Administrative Code, Chapter 21, governs the purchase of non-construction commodities, professional services, and general services.

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

Over the past four years, HRC's Prop Q spending has increased substantially, outpacing the spending trajectory of other departments. City departments such as the Arts Commission, Department of Children, Youth, and Their Families, Office of Economic and Workforce Development, and Mayor's Office of Housing and Community Development also experienced significant budget growth primarily due to the launch of the DKI in 2021. However, their annual Prop Q spending consistently remained far below HRC's although each of them has a larger budget than HRC.

From July 1, 2020, through September 13, 2024, HRC spent $2,628,055 under Prop Q. Of this amount:

- The majority was spent on events, professional services, and food.
- 43 percent is ineligible for Prop Q
- 50 percent is likely ineligible for Prop Q
- 4 percent is unclear if eligible for Prop Q (indeterminable)
- 3 percent is for eligible purposes

Exhibit 4 shows the eligibility categories and their totals.

Exhibit 4: 93 Percent of HRC's Prop Q spending from July 2020 to September 2024 was ineligible or likely ineligible under Prop Q

Category	Category Description	Amount*	Percentage
Ineligible	Purchases that are on OCA's list of prohibited items and/or should not be made with public funds.	$1,124,795	43%
Likely Ineligible	Purchases that appear excessive or improper, fail to demonstrate necessity or reasonableness, should be processed under a grant agreement or other contract, or involve funds provided to members of the public for purposes or services not typically performed by HRC employees.	$1,322,865	50%
Indeterminable	Purchases that lack sufficient description and/or supporting documents, which prevent the audit team from determining eligibility and/or reasonableness.	$91,918	4%
Eligible	Purchases that are clearly allowable under Prop Q.	$88,477	3%
	Total	**$2,628,055**	

* Analysis includes only purchased items or services indicated as Prop Q, based on supporting documentation uploaded to the City's financial system. HRC's other ineligible uses of Prop Q, such as splitting orders to avoid the $10,000 cap, recurring purchases, and exceeding the cap, are discussed in Finding 1.2.

Source: Analysis of data in City's financial system

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

Over $1.1 Million of Prop Q Expenses Are Ineligible

HRC spent $1,124,795, representing 43 percent of its Prop Q purchases, on ineligible expenses. OCA prohibits departments from using Prop Q to independently purchase items that are not classified as one-time commodities or general services. Examples of prohibited items include, but are not limited to:

- Commodities and general services available through OCA-established term contracts
- Information Technology (IT) and related products
- Gift cards
- Professional services

Exhibit 5 summarizes HRC's ineligible payments organized by category.

Exhibit 5: HRC spent $1,124,795 on expenses that were ineligible for Prop Q, most of which were for professional services

Type	Amount	Examples	Why It Is Ineligible
Professional Services	$471,745	Economic advisor to reparations committee, website design and development, documentary film projects, strategic alignment retreat	Payments for professional services are prohibited under Prop Q.
Items Available Through Term Contracts	$411,237	Office supplies, merchandise (t-shirts, tote bags), copy machine maintenance, printing services, bus services, translation services	Departments must use available term contracts before using Prop Q.
Sponsorships, Memberships, or Financial Support	$196,089	Annual gala events, donations, membership fees, community financial assistance, funeral service, tuition reimbursements, emergency housing	Sponsorships, donations, and memberships are not commodities or services.
IT-Related	$25,217	Apple products, AppleCare+, laptop computers, computer monitors, cloud licenses, software subscriptions	IT-related products and services are prohibited under Prop Q.
Gift Cards	$20,507	Visa and Target gift cards, gift certificates, Extreme Pizza gift cards	Gift cards are prohibited under Prop Q.
Total	**$1,124,795**		

Source: Analysis of data in City's financial system

Professional Services Are Defined As:

Those services which require extended analysis, exercise of discretion and independent judgment, and/or the application of an advanced, specialized type of knowledge, expertise, or training.

Source: Chapter 21 of the San Francisco Administrative Code

$471,745 for Professional Services

Most of HRC's ineligible expenses were for professional services, which are strictly prohibited under Prop Q. Purchases for professional services, software licenses, or online content, regardless of amount, generally require a contract because they can pose more risk and liability to the City than the purchase of simple commodities and general services.

Exhibit 6 shows an example of professional services HRC purchased.

Exhibit 6: Without using the City's contracting process, HRC paid over $150,000 to a former employee who continued to do work for the department

Purchase Description: HRC paid $151,250 for professional services to a former senior policy advisor at the Office of Racial Equity, a unit of HRC.

Sample Invoice:

Overview of Services: Support key Office of Racial Equity (ORE) objectives and deliverables, including project management, facilitation, training, technical assistance, strategic direction and analysis.

Hourly Rate: $200

Period: December 14 – 23, 2021

Date	Description of Work	Hours	Amount
12/14/21	RE Index; Justice Cohort preparation; mtg with Director on Dec deliverables; ORE huddle and FUP	7	$ 1,400.00
12/15/21	Justice Cohort preparation and convening; RE Index design and data visualizations	4.25	$ 850.00
12/16/21	RE Index visualizations and analysis; RE consultant pool; ORE work planning; DHR mtg re workflows	5	$ 1,000.00
12/17/21	RE Index: chart review, CON coordination, content strategist briefing; RE consultant pool project meeting	5.75	$ 1,150.00
12/18/21	RE Evaluations: finalize	2.25	$ 450.00
12/20/21	RE Index: Adobe huddle, data visualization work, CON coordination	3.25	$ 650.00
12/21/21	RE Index: transmittal memo and refine indicator deck	5	$ 1,000.00
12/22/21	RE Index: refine indicator deck, review charts	4.75	$ 950.00
12/23/21	RE Index transmittal memo and indicator deck; RE Evaluations: complete remaining sections	6.25	$ 1,250.00
		Balance Due:	**$ 8,700.00**

Issues Identified:

- From September 2017 through 2021, the former employee held a Class 0922 (Manager I) position with the City. HRC paid her using Prop Q for eleven months after she left this position.
- Professional services over $10,000 must be obtained through a competitive solicitation process.
- HRC split its payments for the monthly invoices that exceeded $10,000 so they would be under the Prop Q cap. These payments ranged from $2,850 to $9,800.

Source: Analysis of invoices

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

In another example of a professional service for which HRC improperly used Prop Q to pay, the department paid a total of $114,844 to PJS Consultants from 2020 through 2022 for multiple services including communications consulting, website design and development, and executive brand development. As discussed in **Chapter 2,** this vendor also performed work related to Davis's personal projects and branding.

$411,237 for Items Available Through Term Contracts

Departments cannot use Prop Q to purchase commodities or services available under an existing citywide term contract. Term contracts, which are established by OCA, are competitively solicited by OCA and come with greater assurances that the contractor is complying with all city requirements. Therefore, departments should always find out what term contracts exist to determine if they can buy the item or service they require under a term contract. A department may initiate a Prop Q purchase only if its need cannot be met by a term contract.

Further, departments must purchase technology products and services through OCA, including OCA's Technology Marketplace contracts.[7] Using the Technology Marketplace ensures compatibility with existing city systems and infrastructure, protection of data and privacy, and compliance with the City's policies around the use of technology.

However, HRC failed to use term contracts altogether, undermining OCA's efforts to help departments purchase goods and services efficiently and cost-effectively. In total, HRC paid $411,237 to suppliers for merchandise, printing services, translation services, office supplies, and other general services, and $25,217 for IT-related products, all of which are available under term contracts and should not be purchased using Prop Q.

Exhibit 7 shows an example of HRC improperly purchasing technology products using Prop Q.

[7] The Technology Marketplace consists of a pool of suppliers from whom city departments can purchase technology products and services on an as-needed basis.

Exhibit 7: By using Prop Q, HRC did not buy technology products at city-negotiated prices, so may have overpaid

Purchase Description:	On March 13, 2023, HRC used Prop Q to pay $8,617 to Ameritech Computer Services, Inc., for Apple and Samsung technology products.
Invoice:	

Ameritech Computer Services, Inc.
5999 3rd Street
San Francisco, CA 94124
Phone (415) 282-6500
Fax (415) 282-7788

Invoice

Date	Invoice #
3/7/2023	56169

Bill To	Ship To
CCSF Human Rights Commission 25 Van Ness Avenue, Suite 800 San Francisco. CA 94102 Attn: Amelia Martinez-Bankhead	CCSF Human Rights Commission 25 Van Ness Avenue, Suite 800 San Francisco, CA 94102 Attn: Amelia Martinez-Bankhead PO#690446

P.O. Number	Terms	Due Date	Rep	Order Date	Via	F.O.B.
690446	Net 30	4/6/2023	LT	2/18/2023		

Quantity	Item Code	Description	Price Each	Amount
1	MNY03LL/A	Apple - 12.9-Inch iPad Pro (Latest Model) with Wi-Fi - 2TB - Silver FedEx 625346577417 Delivered on 2/16/2023	2,374.99	2,374.99T
1	SGGY2LL/A	AppleCare+ for iPad Pro 12.9-inch (6th generation)	164.99	164.99
1	Z1770019N	APPLE CTO MBP 16 M2M 12C 38G 64GB 2TB S DHL Tracking ID 00195949284817133 4 Delivered on 3/2/2023	4,643.99	4,643.99T
1	SGCT2LL/A	APPLECARE AC+ FOR 16-INCH MACBOOK PRO M2	430.99	430.99
1	MU8F2AM/A	APPLE PENCIL 2ND GEN USPS 9400108205497580581398 Delivered on 1/30/23	142.90	142.90T
1	LC27F398FWNX...	SAMSUNG 27-Inch CF39 Series FHD 1080p Curved Computer Monitor, Ultra Slim Design, AMD FreeSync, 4ms response, HDMI, DisplayPort, VESA Compatible, Wide Viewing Angle Black SERIAL NUMBER: 0925HCPW101843 UPS Trackingr: 1Z0R99350300117300 Delivered on 1/25/2023	208.99	208.99T

PAYMENT MADE AFTER DUE DATE WILL BE SUBJECT TO 10% LATE CHARGE PENALTY + 1.5% INTEREST PER MONTH.

Subtotal	
Sales Tax (8.625%)	

Ameritech Computer Services, Inc.
5999 3rd Street
San Francisco, CA 94124
Phone (415) 282-6500
Fax (415) 282-7788

Invoice

Date	Invoice #
3/7/2023	56169

Bill To	Ship To
CCSF Human Rights Commission 25 Van Ness Avenue, Suite 800 San Francisco. CA 94102 Attn: Amelia Martinez-Bankhead	CCSF Human Rights Commission 25 Van Ness Avenue, Suite 800 San Francisco, CA 94102 Attn: Amelia Martinez-Bankhead PO#690446

P.O. Number	Terms	Due Date	Rep	Order Date	Via	F.O.B.
690446	Net 30	4/6/2023	LT	2/18/2023		

Quantity	Item Code	Description	Price Each	Amount
2	M6100001	California LCD Recycling Fee $4 For Monitor/LCD > 4" and < 15	4.00	8.00
1	M6100003	California LCD Recycling Fee $6 For Monitor/LCD 35" or More	6.00	6.00

PAYMENT MADE AFTER DUE DATE WILL BE SUBJECT TO 10% LATE CHARGE PENALTY + 1.5% INTEREST PER MONTH.

Subtotal	$7,980.85
Sales Tax (8.625%)	$635.74
Total	$8,616.59
Payments/Credits	$0.00
Balance Due	$8,616.59

Page 2

Issues Identified:	• Prop Q cannot be used to purchase IT-related products or services. • IT-related items are available through term contracts, and Ameritech Computer Services, Inc., is a city-registered technology marketplace vendor, but instead HRC made the purchase using Prop Q. • HRC's need and purpose for acquiring these devices is unclear.

Source: Analysis of invoice

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

$196,089 in Sponsorships, Memberships, and Financial Support

HRC spent $196,089 under Prop Q for sponsorships, memberships, and financial assistance to individuals and organizations, including gala tickets and sponsoring tables at events. These are considered non-purchasing payments in the City's Accounting Policies and Procedures, issued by the Controller, and are not commodities or services that Prop Q is intended to cover.

In one example, an organization requested support from Davis (and the former DKI director) for a women's weekend retreat it was going to host. In an email, the organization wrote that it wanted to support its participants with self-care activities, invited Davis and the former DKI director to participate in the retreat, and asked HRC to cover a funding shortfall of $8,000. HRC approved the $8,000 expenditure, the invoice for which is shown in Exhibit 8.

Exhibit 8: HRC paid $8,000 toward a nonpofit's wellness retreat in response to an email request

Purchase Description: On September 19, 2023, HRC paid $8,000 to Total Women Empowerment Inc. to fund its "Queen's Weekend Retreat," which had the stated purpose of allowing the participants to "take time to exclusively serve themselves to continue to service their community."

Invoice:

Invoice Number: 05

Invoice Date: 08/30/23

Description Budget item/position to Be hired/ participants/wages/salary/stipend	Quantity #Of employees-participants	Unit Cost Cost per unit or Stipends/wages	Subtotal Per unit or Total cost in Stipends-wages
Retreat Facilitators/Coordinators	4	3,500.00	3.500.00
Self-Care/education materials	18	2.500.00	2.500.00
Transportation	N/A	800.00	800.00
Therapeutic Massages	18	1,000.00	1,000.00
Retreat Miscellaneous (marketing/outreach)	N/A	200.00	200.00
Total Amount Due:			$8,000

Issues Identified:

- None of the expenses on the invoice are considered commodities or services (received by the City) and are an ineligible use of Prop Q.
- HRC did not follow a city-approved process in its decision to make this expenditure. Rather, it resulted from a nonprofit emailing Davis to request city money to pay for the cost of a wellness retreat for unknown attendees.
- HRC paid this organization without using a transparent process to ensure legal compliance, accountability, or proper use of public funds.

Source: Analysis of invoice

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

This expenditure raises concerns about whether the department used a full, transparent process to ensure accountability, legal compliance, and proper use of public funds. In fact, other than the invoice, HRC likely had no way to verify on what the nonprofit spent the $8,000.

$20,507 in Gift Cards

HRC paid a total of $20,507 to two nonprofit organizations and a pizza restaurant for at least 700 gift cards and gift certificates,[8] each of which had a value of between $25 and $500 for unknown programs and purposes. HRC did this without a departmental gift card policy.

Gift cards are equivalent to cash and should be treated accordingly, including in how they are stored, distributed, and accounted for. The Controller requires departments to develop strict protocols to avoid mishandling, misuse, abuse, and theft of gift cards. Departments may not buy gift cards without a Controller-approved gift card policy for a specific program. HRC did not have an approved gift card policy for any of its programs before making these payments.

According to HRC, it used gift cards as incentives to encourage clients to participate in a variety of programs. Even if HRC had adopted a gift card policy, Prop Q is not the correct way to pay for these purchases, which should be related to a specific program.

Exhibit 9 shows an example of HRC paying for gift cards.

[8] This report collectively refers to gift cards and gift certificates as gift cards.

Exhibit 9: HRC reimbursed a nonprofit's purchases of Visa and Target gift cards without receipts

Purchase Description: On June 7 and August 31, 2023, HRC paid a total of $10,407 for three invoices from the Homeless Children's Network for Visa, Target, and other unknown gift cards. One of the three invoices is shown below.

Invoice:

Quantity	Description	Unit Price	Discount	Line Total
5	$100 Visa Gift Cards	100.00		500.00
5	Fees for Visa gift cards	5.95		29.75
300	$15 Target Gift Cards	15.00		4500.00
1	Fees for Target gift cards	8.00		8.00

Issues Identified:

- Gift cards are specifically prohibited as Prop Q purchases.
- HRC did not have an approved departmental gift card policy, which should outline controls over how gift cards are to be purchased, tracked/inventoried, and distributed.
- HRC has no proof of payment to verify that the payee bought the gift cards invoiced.
- HRC did not have the list of recipients, description of the program, eligibility criteria for receiving gift cards, or explanation of their purpose in the context of the program, as part of the supporting documentation to support the payment.

Source: Analysis of invoices

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

Over $1.3 Million of Prop Q Expenses Are Likely Ineligible

At least $1,322,865 (50 percent) of the HRC Prop Q expenses we audited are likely ineligible. These are expenditures that may not be explicitly prohibited by city rules but appear excessive or improper, fail to demonstrate necessity or reasonableness, should be processed through a grant agreement or other contract, or involve funds provided to members of the public for a public purpose or service not typically performed by HRC staff, and thus, that should be contracted.

Exhibit 10 summarizes the likely ineligible expenses.

Exhibit 10: HRC paid $1,322,865 for expenses that are likely ineligible for purchase under Prop Q

Purchase Type	Amount	Examples	Reason Purchase Is Likely Ineligible for Prop Q
Expense for a public purpose or service not typically performed by HRC staff	$685,123	500 tickets to an SF Giants game, Golden State Warriors venue rental, airfare and hotel charges for speakers and unknown individuals (up to four-week stay), tuition payments	Expenses for public events and community programs should go through a proper procurement process. Payment documentation does not demonstrate that the expense is a Prop Q-eligible commodity or service the department needs.
Unauthorized food expenses	$353,113	Full restaurant buyouts, food delivery and catering for program and unknown participants (including up to 300 people)	No written food policy approved by the Controller, which is required by the City's Accounting Policies and Procedures, at the time of expense.
Expenses that should be processed through grants/contracts	$204,679	Youth stipends, housing supplies for an individual, office rental, services rendered for grant programs	Payments for existing grants or services that should adhere to the City's grant process should not be paid under Prop Q.
Invoices not billed/shipped directly to HRC	$79,950	House rental at Martha's Vineyard, Massachusetts; advertisements, food, rental furniture, speaker fees	Organizations other than HRC were billed or had the purchased goods shipped to them or purchases were made on HRC's behalf, raising concerns about transparency and the eligibility of payments.
Total	**$1,322,865**		

Source: Analysis of data in the City's financial system

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

$646,684 for Public or Program-Related Expenses

HRC spent $646,684 intended for the public and for services not typically performed by HRC staff. These expenses should have followed the City's procurement process, as they did not demonstrate that they were a commodity or service for the department's needs under Prop Q. By using Prop Q, HRC bypassed OCA's oversight, increasing the City's risk of liability and overpayment, both of which a proper grant or contract process is designed to prevent.

In one example shown in Exhibit 11, HRC paid more than $6,800 for an individual's four week-long stay at a luxury hotel in San Francisco. According to HRC staff, Antoine Phillips (Phillips) may have served as a lecturer for HRC's Black 2 San Francisco (B2SF) initiative in the summer of 2024.

Exhibit 11: HRC paid for an instructor's 30-night stay at a luxury hotel

Purchase Description: On August 26, 2024, HRC paid $6,829.20 to InterContinental San Francisco for Phillips's four-week stay, from June 26 through July 25, 2024. Only the last page of the document, with total paid by HRC, is shown below.

Last Page of the Invoices:

INTERCONTINENTAL.
SAN FRANCISCO

276 07-29-24

Antoine Phillips **888 Howard Street** **San-Francisco 94103** **United States**	Folio No. : **1478707** A/R Number : Group Code : Company : Membership No. : **PC 242783996** Invoice No. :	Room No. : **PX0906** Arrival : **06-28-24** Departure : **07-29-24** Conf. No. : **28655053** Rate Code : **INCMP** Page No. : **5 of 5**	

Date	Description	Charges	Credits
07-23-24	* Accommodation	209.00	
07-23-24	Occupancy Tax	29.26	
07-23-24	Business District Assessment	5.23	
07-23-24	California Tourism Assessment	0.41	
07-24-24	* Accommodation	209.00	
07-24-24	Occupancy Tax	29.26	
07-24-24	Business District Assessment	5.23	
07-24-24	California Tourism Assessment	0.41	
07-25-24	* Accommodation	209.00	
07-25-24	Occupancy Tax	29.26	
07-25-24	Business District Assessment	5.23	
07-25-24	California Tourism Assessment	0.41	
07-29-24	Direct Billing/City Ledger		6,829.20
	Total	**6,829.20**	**6,829.20**
	Balance	**0.00**	

Thank you for staying with us! Qualifying points for this stay will automatically be credited to your account. Please tell us about your stay by writing a review here - www.ihg.com/reviews. We look forward to welcoming you back soon.

Issue Identified: HRC has no documentation to explain why Phillips's four-week hotel stay should have been paid for with public funds.

Source: Analysis of invoices

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

HRC also paid for two week-long stays by Phillips at the same hotel in the year before (Fall 2023), including to pay for a hotel stay after Phillips "recently lost their job and trying to find a place to stay while they get new employment,"[9] at the direction of Davis. Thus, HRC paid for Phillips to stay at this hotel for a total of at least six weeks. In addition to its payments of $11,792 directly to the hotel, HRC paid Phillips nearly $12,000 for travel, lodging, and professional services. This included payment of an invoice from Phillips for $9,999 ($1 less than the Prop Q cap) for what is vaguely described as "consultation and strategic planning meetings." Phillips and two unknown passengers also benefited from a town car service for two days that cost nearly $3,500.

Another example of public or program-related expenses is that HRC paid nearly $10,000 to a nonprofit for another nonprofit's community event, as shown in Exhibit 12.

Exhibit 12: HRC donated to a nonprofit for another nonprofit's event

Purchase Description:	On October 11, 2022, HRC paid $9,995 to Renaissance Parents of Success for a community event for seniors hosted by The Village Project.
Invoice:	**The Village Project** **DATE:** Friday, September 30, 2022 **EVENT DATE:** Saturaday, October 29, 2022 **INVOICE #** 73821 **TIME:** 7:00 PM **Bill To:** The Human Rights Commission 25 Van Nwss, #800 San Francisco, CA 94102 **Number:** 415-424-2980

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
1	**A Senior Moment, 2022** **Hotel Nikko Deposit**	$9,995.00	$ 9,995.00
		SUBTOTAL	$9,995.00
		DISCOUNT	
		TOTAL	**$9,995.00**

Issues Identified:	• The invoice is from The Village Project, but HRC paid the billed amount to Renaissance Parents of Success. • The Village Project hosted an event called "A Senior Moment, A Senior Prom for the 50+," where Davis was an honoree in 2022, suggesting that HRC may have sponsored the event. If it did, sponsorships should not be paid under Prop Q. • The invoiced amount is just below the cap of $10,000.

Source: Analysis of invoice

[9] Based on email communication between Davis and the Intercontinental San Francisco.

Formal invoices should have the following:

- Supplier name
- Unique invoice number
- Invoice date
- Description of items billed
- Service period
- Shipped/delivered to address
- Supplier remittance address
- Total amount due
- Purchase Order number generated by the City's financial system
- Actuals, not estimates

Source: City's Accounting Policies and Procedures

Food Purchases

While Prop Q is commonly used by departments to purchase food for staff meetings and other operational needs, the City requires departments to have a written food policy approved by the Controller before making such purchases. However, HRC did not have an approved food policy in place during the audit period, rendering these expenses likely ineligible.

HRC spent at least $353,113 on food-related purchases, paying several invoices with amounts as much as $10,000, the Prop Q cap, through order splitting. Some of the expenses are especially problematic because they were not billed directly to HRC or were paid based on invoices that lack a breakdown of the services rendered and/or were submitted in the form of skeletal invoices or quotes instead of formal invoices. Also, some of HRC's food-related purchases include sugar-sweetened beverages or bottled water, both of which the City strictly prohibits. Exhibit 13 shows an example of food-related purchase.

Exhibit 13: HRC paid a caterer over $20,000 without having an approved food policy

Purchase Description: On March 13, 2023, HRC paid a total of $21,821.35 to En2action, Inc., for catering services for "Dreaming Forward," an event hosted by HRC at the Commonwealth Club.

Invoice:

From: En2action
To: Human Rights CommissionDream Keeper Initiative
Invoice Number: DKI_Invoice001
Subject: Invoice for Catering Services Rendered for Dreaming Forward Event - 2.9.2023
FEIN: 84-1882090

Invoice

Date	Description	Notes	Amount
2.28.2023	Catering Services Lunch by Gumbo Social		$10,350.00
	Reception Catering by Vegan Hood Chefs		$2,840.53
	Reception Catering by Terenga		$2,991.82
	Reception Catering by Rome's Kitchen		$4,200.00
	Reception Catering by Yes Pudding		$1,439.00

Issues Identified:

- HRC split the $21,821.35 invoice into three payments, circumventing the $10,000 Prop Q cap in effect at the time.
- HRC lacked a written food policy approved by the Controller when payment was made.
- The invoice does not break down the cost of the services rendered. Such invoices should show the number of meals or drinks served and the price per person and/or the number of staff used and their hourly rates.

Source: Analysis of invoice

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

Expenses That Should Have Been Under a Grant Agreement or Other Contract

HRC made $204,679 in Prop Q payments for expenses that should be tied to an existing grant or should have gone through a formal contracting process based on the nature of the purchase. Almost half of these payments were for advance payments, which are not allowed without advance approval from the Controller. Payments to grantees that are not tied to the appropriate grant can lead to inaccurate financial balances and the risk of overpayments. This issue is further discussed in **Finding 1.4**. Exhibit 14 shows an example invoice for an advance payment.

Exhibit 14: HRC made an unapproved advance payment to a grantee outside of its existing grant

Purchase Description: On February 25, 2022, HRC paid a $9,500 advance to The Good Rural, a nonprofit that had a grant with HRC at the time.

Invoice:

Invoice

To:

San Francisco Human Rights Commission

25 Van Ness Avenue, Suite 800

San Francisco, CA 94102

Attn: Leila Vega

HRC Grant Number: DKI-BF-006

Invoice Number: 1

Invoice Date: 2/2/2022

Description	Quantity	Unit Cost	Subtotal
Advance		$9,500.00	$9,500.00
		Total Amount Due:	$9,500.00

Issues Identified:

- In general, departments may make advance payments (also known as pre-payments) only if the grant agreement explicitly allows them.
- Prop Q should not be used for grant-related payments. The invoice does not indicate the purpose of the advance payment or why the recipient needed the amount paid.

Source: Analysis of invoice

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Ineligible Payments

Likely Ineligible Payments

Indeterminable Payments

Invoices Paid on Behalf of Other Organizations

HRC may have covered expenses for other organizations without approval or justification. During the audit period, it made at least $79,950 in Prop Q payments for costs that were not billed directly to the department. The invoices are primarily for events and often lack event names and/or program details. The fact that HRC paid invoices not addressed to it raises concerns that it may have covered other organizations' costs without using a grant agreement or other contract. In these instances, HRC cannot demonstrate it had an operational or administrative need to use Prop Q.

HRC also reimbursed some organizations and individuals for expenses they incurred on HRC's behalf, presumably at HRC's request. In one example, HRC had an organization pay for a rental house in Massachusetts and HRC later reimbursed the organization through a memorandum/invoice created by the organization, as shown in Exhibit 15.

Exhibit 15: HRC paid a nonprofit over $9,000 that was invoiced as a reimbursement for a one-week house rental payment the nonprofit stated it had made on HRC's behalf

Purchase Description:	On July 10, 2024, HRC paid $9,070.17 to Westside Community Services (Westside), ostensibly to reimburse Westside for rent it had paid on HRC's behalf. According to Westside, HRC's payment to Westside was initially intended to cover the cost of one week's rental of a house to be used by HRC interns in Oak Bluffs, Massachusetts, but the rental did not occur, so Westside later used the money to cover the cost of other bills that HRC is obligated to cover under its grant agreement with Westside.
Invoice:	TO: San Francisco Human Rights Commission FROM: Mary Ann Jones, Westside Community Services RE: Reimbursement for HRC expense Date: June 21, 2024 Please reimburse Westside Community Services for a payment made on behalf of HRC for housing in Oak Bluffs, MA from August 10-17, 2024. **$1,142 x 7 nights** **$7,994.00** **Lodging Tax** **$1,076.17** **$9,070.17**
Issues Identified:	• Westside did not provide HRC with an invoice or any proof of payment for the rent, thus there is no evidence that Westside paid the expense for which it requested reimbursement. HRC bypassed city procurement rules by asking Westside to pay the expense and later be reimbursed for it. Thus, HRC avoided the controls and transparency city purchasing processes are designed to have. • HRC did not demonstrate that the expense for the intended house rental was reasonable or necessary. There is no indication that the expense was connected to a city program. • According to the San Francisco Chronicle,[10] the rental house was intended to house HRC interns, but they did not end up using it.

Source: Analysis of invoice and supporting documents

[10] San Francisco Chronicle, "What a $10,000 Martha's Vineyard rental says about S.F. department's spending," September 12, 2024.

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

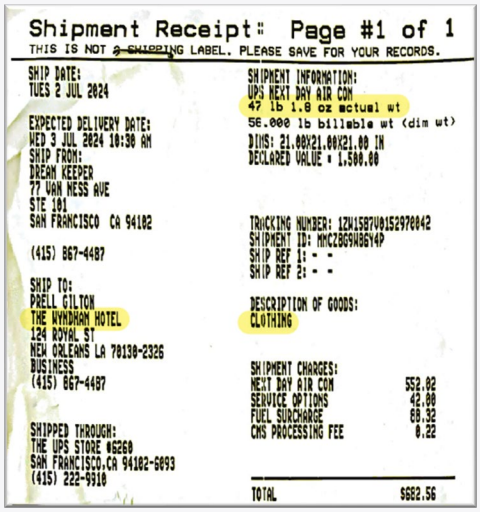
- Ineligible Payments
- Likely Ineligible Payments
- **Indeterminable Payments**

Nearly $92,000 of Prop Q Expenses Are Indeterminable

Of HRC's Prop Q expenses, $91,918 (3.5 percent) of payments were indeterminable, meaning the expenses have too little description and/or supporting documentation to allow us to determine their eligibility or reasonableness. Thus, without further research, it is unclear whether the purchases were appropriate under Prop Q. The invoices for these expenses are often bare bones, sometimes lacking any useful description of what HRC paid for and often lacking information to indicate the purpose of the goods or services or their intended recipients.

In one example, HRC paid $4,063 to United Parcel Service (UPS) for various shipments, including $3,133 for shipping 205 pounds of books to a Four Seasons Hotel in New Orleans, Louisiana, which was addressed to Davis, and $682.56 for shipping 47 pounds of clothing to a Wyndham Hotel, also in New Orleans, Louisiana. Exhibit 16 provides two examples of shipment receipts for expenses that cannot be clearly determined.

Exhibit 16: HRC shipped books and clothing to hotels in New Orleans

Purchase Description:	On August 4, 2024, HRC paid UPS $4,063 for shipping books, clothes, and documents. Two examples of the receipts are shown below.
Invoices:	
Issue Identified:	It is unclear why HRC had 205 pounds of books and 47 pounds of clothing shipped to two hotels in New Orleans, Louisiana, and what the books and clothing consisted of. According to current HRC management, the contents may have included merchandise for HRC staff to distribute at the Essence Festival of Culture.

Source: Analysis of invoices

Finding 1.2 – HRC knowingly violated Prop Q rules to pay vendors it preferred and to avoid oversight.

Besides making ineligible or improper purchases under Prop Q, HRC also violated other Prop Q rules. These violations include order splitting, repeatedly using the same vendors, and exceeding the $10,000 cap. In total, HRC circumvented these established controls regarding $1,793,931 of spending, accounting for 68 percent of its Prop Q payments. These actions not only undermine Prop Q's purpose but also expose the City to risks, such as insufficient safeguards against paying suppliers who fail to deliver services and paying for goods or services that otherwise would not have been eligible under Prop Q.

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Finding 1.2: Prop Q – Violation of Rules

Order Splitting

Recurring Purchases

$743,032 in Order Splitting Under Prop Q

Order splitting occurs when the purchase is intentionally split to circumvent certain policies or requirements. Prop Q rules clearly state departments may not split bids or orders to conform to the cap, which was $10,000 during most of the audit period. However, in many cases HRC split large purchases across multiple purchase orders and used one voucher to pay for multiple purchase orders, which is contrary to the City's Accounting Policies and Procedures.

In one instance, HRC split a $59,473 invoice from Golden State Warriors Arena LLC by paying it via six purchase orders of $10,000 or less, thereby circumventing the $10,000 Prop Q cap in the City's financial system. In this instance, HRC created six purchase orders (instead of one) and uploaded the same invoice six times as the supporting document.

Exhibit 17 illustrates how HRC used order splitting to pay the Golden State Warriors invoice.

Exhibit 17: HRC split a $59,000 invoice from Golden State Warriors Arena LLC to avoid oversight

Purchase Description: On September 12, 2023, HRC paid $59,473.41 for an invoice from Golden State Warriors Arena LLC for an event (apparently held at the Warriors' Chase Center) on July 21, 2023.

Invoice:

Invoice

Date	Invoice #
8/16/2023	8590

GSW Arena LLC
1 Warriors Way
San Francisco CA 94158
United States

Bill To
San Francisco Human Rights Commission
25 Van Ness Avenue
Suite 800
San Francisco CA 94102

Terms	Due Date	PO #	Sales Rep	Suite No.	KORE Deal
Due on receipt	8/16/2023				

Quantity	Units	Description	Serial/Lot Numbers	Rate	Amount
1		Date: July 21, 2023 Event: Opportunities for All Kick Off		316.54	316.54
		CUSTODIAL			
1		GUEST EXPERIENCES		897.50	897.50
1		PARKING & TRANSIT (19 PARKING SPOTS / $15 PER SPOT)		285.00	285.00
1		SCOREBOARD OPERATIONS		1,058.40	1,058.40
1		SECURITY		1,432.65	1,432.65
1		UTILITIES & AV		3,839.22	3,839.22
1		(20) FLORAL ARRANGEMENTS (HOUSE OF FLOWERS)		1,477.37	1,477.37
1		BON APPETIT - MAIN F&B ORDER/RECPETION (UNITED CLUB)		54,747.00	54,747.00
1		BON APPETIT - GREEN ROOM ORDER (CHASE CLUB)		419.73	419.73
1		PUBLIC AFFAIRS CONTRIBUTION TO EVENT		-5,000.00	-5,000.00
				Total	$59,473.41

Transactions:

Payment Date	Purchase Order Number	Voucher Number	Payment Amount
9/12/2023	0000759120	02668430	$10,000.00
9/12/2023	0000759121	02668430	$10,000.00
9/12/2023	0000759122	02668430	$10,000.00
9/12/2023	0000759123	02668430	$10,000.00
9/12/2023	0000759124	02668430	$10,000.00
9/12/2023	0000759125	02668430	$9,473.41
		Total	**$59,473.41**

Issue Identified: HRC split the $59,473.41 invoice into six payments, circumventing the $10,000 Prop Q cap.

Source: Analysis of invoice

HRC intentionally kept payments at or just below the Prop Q cap to avoid purchasing rules.

The City's financial system automatically routes over-the-cap Prop Q payments to OCA. However, HRC made three purchase orders that exceeded the Prop Q cap.[11] Although HRC did not exceed the Prop Q cap for a majority of its purchase orders, it intentionally kept many of its Prop Q payments under the oversight threshold. Specifically, 27 percent, which total $712,559, are at or just below $10,000 each.[12] According to current HRC management, they found it unusual that many of the invoices were exactly $9,500. This is also a pattern seen in HRC's direct payments, discussed in **Finding 1.3**.

According to a September 2024 news article:[13]

> She [Davis] frequently explained to residents who want funds from the city that they can be reimbursed only up to $10,000 without a city contract. She said she did this to be helpful, not to avoid the competitive bidding process.

However, based on our findings, it is unclear whether recipients lived in San Francisco or whether Davis used a fair process to decide who should receive public funds.

Current Section

Finding 1.1: Prop Q – Purchase Eligibility

Finding 1.2: Prop Q – Violation of Rules

Order Splitting

Recurring Purchases

$1.6 Million in Recurring Purchases Under Prop Q

Of HRC's $2.6 million in Prop Q payments, $1.6 million (61 percent) was made for recurring purchases. Prop Q is not intended for recurring purchases, which are foreseeable, successive purchases of the same goods or services by the same division within a fiscal year. To align with the City's values of competitive solicitation and operational efficiency, recurring purchases exceeding the cap typically result in a contract issued by OCA, as they are more cost-effective when managed through multi-year contracts.

HRC's reliance on repeated purchases from the same supplier or suppliers commonly used or preferred by Davis, without a competitively procured contract, and its lack of effort to get quotes for cost-comparison purposes may indicate it is not committed to ensuring fairness and cost-effectiveness in the use of taxpayer money.

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[11] These orders, each over $10,000, were not automatically routed to OCA because the amounts fell within a system-calculated tolerance threshold.

[12] Payments equal to or greater than $9,500 and up to $10,000.

[13] San Francisco Chronicle, "What a $10,000 Martha's Vineyard rental says about S.F. department's spending," September 12, 2024.

Exhibit 18 shows HRC's top ten recurring suppliers sorted by the total payment amount each received from July 1, 2020, through September 13, 2024.

Exhibit 18: HRC's top ten Prop Q recurring suppliers

Supplier Name*	Number of Purchase Orders	Total Payment Amount
San Francisco Performing Arts Center Foundation	37	$158,809
Valerie S. Iwata	21	$151,353
Bay Print Solutions, Inc.	77	$128,347
Golden State Warriors	16	$127,456
Social Imprints LLC	52	$118,065
PJS Consultants	35	$114,844
Arguello Catering Co.	35	$95,887
The Transgender District	8	$79,992
University of San Francisco	12	$65,940
Little Skillet LLC	22	$57,952

* Supplier names may differ from those on the invoices. This exhibit shows the supplier name as registered in the City's financial system.

Source: Analysis of data in City's financial system

OCA acknowledges that it can be challenging for departments to anticipate whether a purchase will be recurring, and certain operational needs may necessitate expediency over the establishment of formal contracts. However, departments should still assess whether such needs fall into recurring patterns, collaborate with OCA to ensure compliance with city laws and programs unless they receive prior approval for the purchase, and/or consult OCA to determine the appropriate procurement method.

Finding 1.3 – HRC misused direct vouchers, which are intended for rare circumstances, to make inappropriate purchases, disregarding city procurement policies. Of the $3.4 million HRC spent via direct vouchers, $3.1 million was in the form of single payments, all of which were improper.

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Finding 1.4: Non-Purchasing Payments

More problematic than HRC's Prop Q payments was its use of direct vouchers, which demonstrates routine and pervasive disregard for city policies. HRC created significant risks for the City by making payments to individuals at its discretion without adhering to established rules and keeping the amount under $10,000 to evade immediate oversight.

A direct voucher is a type of payment without a contract or encumbrance[14] of funds that serves as an exception to following standard procurement processes. Direct vouchers should be used sparingly and for a specific and authorized purpose. Examples of acceptable direct voucher payments include legal claims, legal settlements, and refunds of revenues and liabilities.

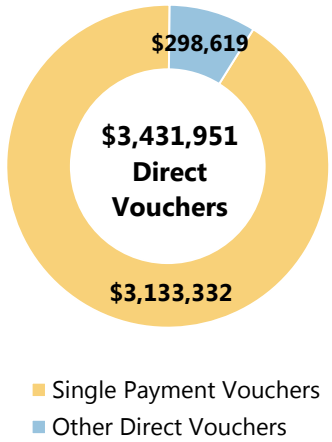
Allowable Single Payments

- Non-1099 reportable claims and settlements
- Refunds of improper tow charges
- Agency Obligations
- Human Services Agency Assistance
- Working Families Credits
- Elections' poll worker payments
- Reissuance of payroll checks

HRC more often used what is referred to as "single payment," a type of direct payment for one-time payments to non-registered suppliers for non-recurring expenses and those not reported on Form 1099.[15] In short, single payments are intended for rare uses and should not be used to buy materials, supplies, or services. Using single payments for unintended purposes could lead to inaccurate information that is later used for the City's tax compliance, reporting, and/or management.

Unlike direct voucher suppliers, single payment voucher suppliers[16] are not registered city suppliers. As its name indicates, a single payment is intended to be a one-time payment. In the City's financial system, the payee's name is documented in a separate field, which is intended for manual entry because it is assumed that the payee is not already in the system. However, manually entering the same payee's name multiple times often causes slight variations to occur, such as the inclusion or exclusion of words in names, misspellings, and missing spaces. Thus, when HRC used single payments to repeatedly

[14] An encumbrance is the recognition of committed spending for goods or services that have not yet been received.
[15] Form 1099 is a tax document used by the U.S. Internal Revenue Service (IRS) to report various types of income other than wages, salaries, and tips. Businesses and individuals who make payments to non-employees are required to issue these forms to both the recipient and the IRS.
[16] Also referred to as "single payment suppliers" or "single payment payees."



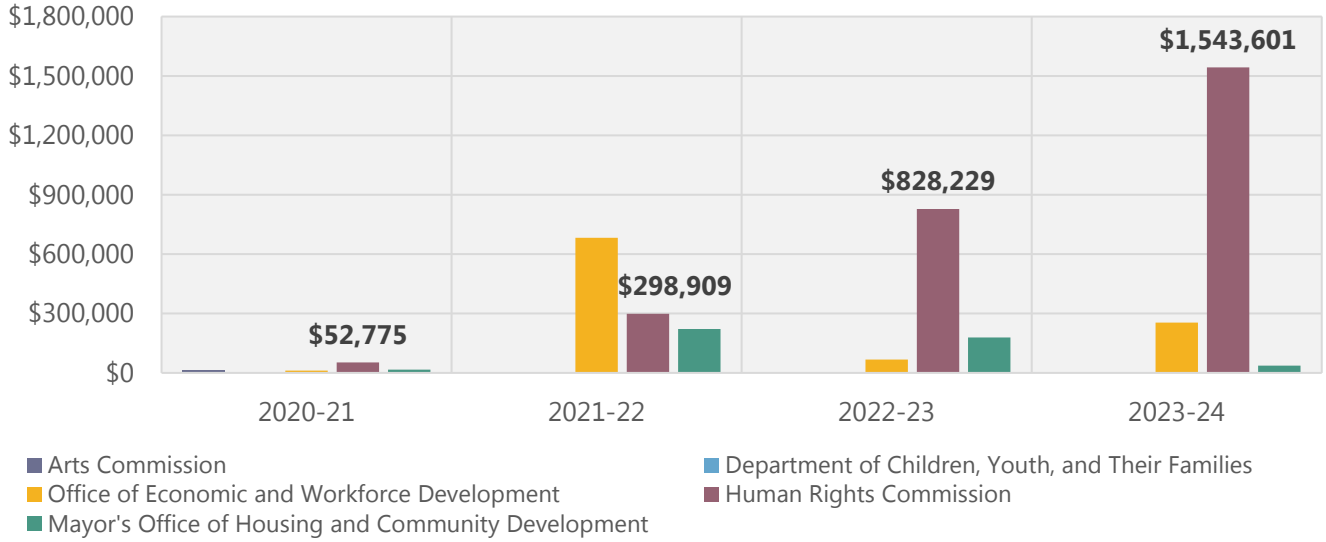
pay the same payee, it reduced transparency because it became difficult to see how much money a payee received in total. To determine this, someone must first correct the variations of each payee's name in the City's financial system, which is a laborious task.

Of the $3.4 million HRC spent via direct vouchers, $3.1 million was in the form of single payments. Although not required for single payments, HRC kept many of these payments at or just below $10,000,[17] similar to how it abused Prop Q purchasing. This finding illustrates how HRC used single payments and other direct vouchers to pay millions of dollars for items and services that were ineligible for these payment methods. Guidance on the use of these payment methods is outlined in the City's Accounting Policies and Procedures.

HRC's $3.1 Million in Ineligible Single Payments Via Direct Vouchers Far Exceeds Their Use by Other Departments

As with its Prop Q purchasing, HRC used single payments more than other departments with comparable budgets receiving DKI funding. From fiscal year 2020-21 through 2023-24, the amount HRC spent via single payments increased significantly every year, from $52,775 to $1,543,601, as shown in Exhibit 19.

Exhibit 19: HRC spent significantly more annually on single payments compared to other city departments in fiscal years 2020-21 through 2023-24



Source: Analysis based on data in City's financial system

[17] Of the $3.13 million in single payments, $1.14 million (36 percent) were between $9,500 and $10,000, inclusive.

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Ineligible Single Payments

Other Ineligible Direct Vouchers

Although the Office of Economic and Workforce Development's single payment spending was higher than HRC's in fiscal year 2021-22, this was due to four large payments related to security deposit and rebate returns, compared to HRC's 73 ineligible payments. From July 1, 2020, through September 13, 2024, HRC made $3,133,332 in single payments, all of which are ineligible for this payment method.

According to HRC staff, it processed these payments at Davis's direction and rarely questioned that direction. The majority of the payments were for services, merchandise, supplies, and food for events, sponsorships, alcoholic beverages, and financial support for individuals, none of which are allowed expenses.

Exhibit 20 summarizes these expenses and the reasons they are ineligible.

Exhibit 20: HRC had $3,133,332 of ineligible single payment transactions

Ineligible Purchase Type	Amount	Examples	Reason for Ineligibility
Prohibited Item(s): Services	$2,103,238	Ice rink rental and labor, self-defense course, floral arrangements, speaker fees, radio advertisements, disc jockey (DJ) services, image consulting service, food delivery and catering for a party of 100 in Philadelphia, Pennsylvania	Single payments cannot be used for employee expense reimbursements, contractual services, or purchases of supplies.
Prohibited Item(s): Materials or Supplies	$448,577	Bulk purchases of books, event equipment and supplies, merchandise, video projector, printed materials	Single payments cannot be used for employee expense reimbursements, contractual services, or purchases of supplies.
Sponsorships and Memberships	$267,697	Gala events, Los Angeles party sponsorship, awards ceremony, annual memberships, conference fees	Sponsorships and memberships should be processed as a non-purchasing payment against a purchase order.
Prohibited Item(s): Expense Reimbursement	$177,419	Transportation and lodging for event speakers, facilitators, and students; entry passes for theme park and waterpark	Single payments cannot be used for employee expense reimbursements. Payments to people other than city employees must conform to guidelines and conditions established for city employees.
Prohibited Item(s): Stipends/Wages Reportable on Form 1099	$60,225	Front desk intern, stipends, research and program support	Stipends and wages over $600 are reportable on Form 1099 and are strictly prohibited as single payments.
Not for Public and City Business Purpose	$44,833	Funeral service, financial support for individuals	Department head must certify that payments to people other than city employees are for a public purpose and necessary for city business.
Invoices with Alcoholic Beverages and Bar Services	$31,343	Event food and beverage catering (including at least $14,000 for beer and wine package/hosted bar)	Alcoholic beverages should not be purchased using public funds.
Total	**$3,133,332**		

Source: Analysis of data in the City's financial system

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

- **Ineligible Single Payments**
- Other Ineligible Direct Vouchers

$2.1 Million in Ineligible Single Payments for Services

During the audit period, HRC made $2,103,238 in single payments for services. This is contrary to the City's Accounting Policies and Procedures, which prohibit using single payments to pay for services instead of through the standard procurement process. The services HRC purchased in this manner include speaker fees, disc jockey (DJ) services, floral arrangements, self-defense classes, and radio advertisements, among others.

In one example, HRC paid an organization $9,300 for unknown services, as shown in Exhibit 21.

Exhibit 21: Davis directed staff to change vendor details to avoid city rules to pay for vague services

Purchase Description: On May 17, 2022, HRC paid $9,300 to Humanitarian Social Innovations, Inc., for unknown "Collaborative Services" related to a program called Reparations Finance Lab.

Invoice:

Humanitarian Social Innovations

INVOICE

Invoice #:	1092
Invoice Date:	03/26/2022
Due Date:	03/26/2022

From	To
Humanitarian Social Innovations, Inc. 301 Broadway, Suite 115 Bethlehem PA US 18015 P: 610-451-4798	San Francisco Human Rights Commission

Description	Amount
Collaborative Services	$9,300.00
Invoice Amount	$9,300.00
Amount Received	$0.00
Balance Due	$9,300.00

Issues Identified:

- Services are prohibited under single payments.
- There is no description of what services were rendered to HRC or breakdown of costs.
- The supplier is in Pennsylvania, which, under the San Francisco Administrative Code, Chapter 12X, was a banned state at the time of payment.

Source: Analysis of invoice

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Ineligible Single Payments

Other Ineligible Direct Vouchers

According to the supporting documentation, the work was done in New York, but the organization is based in Pennsylvania. When the staff notified Davis that Pennsylvania was on the City's list of banned states for business under the San Francisco Administrative Code, Chapter 12X,[18] she directed her staff to process it in New York to circumvent the ordinance requirement.

$448,577 in Ineligible Single Payments for Materials and Supplies

HRC made $448,577 of single payments for materials and supplies. Paying for materials and supplies as single payments violated the City's Accounting Policies and Procedures. HRC paid for materials and supplies that include bulk purchases of books, equipment for events, food, merchandise, and printed materials.

$267,697 in Ineligible Single Payments for Sponsorships and Memberships

Contrary to city rules, HRC made $267,697 in single payments for sponsorships and memberships. This payment method is not allowed for expenditures of this nature. Rather, HRC should have paid these expenses against a purchase order. By not seeking or obtaining a purchase order, HRC spent city funds with less transparency.

In one example (shown in Exhibit 22), HRC paid a $7,750 sponsorship fee to COEUR415. According to a social media post the sponsorship fee paid for 25 "VIP[19] tickets" that included a four-course tasting menu designed by a chef featured on the Food Network and three wine pairings. The VIP tickets were given to HRC employees, a debarred city contractor, and their guests.

[18] Repealed in June 2023, this law prohibited city-funded payments to vendors located in certain states and city-funded travel to those states.

[19] Very Important Person.

Exhibit 22: HRC paid for a sponsorship fee and 25 VIP tickets for an event

Purchase Description:	On June 14, 2022, HRC paid $7,750 to COEUR415 for a sponsorship fee and 25 VIP tickets.
Invoice:	

COEUR415
865 Market Street, #222
CA 94103 US
+1 4152356505
mistress@coeur415.com
https://coeur415.com

COEUR415

INVOICE

BILL TO
San Francisco Human Rights Commission
25 Van Ness Avenue, Suite 800
San Francisco, CA 94102

INVOICE	1002
DATE	06/09/2022
TERMS	Due on receipt
DUE DATE	06/09/2022

SERVICE	DESCRIPTION	QTY	RATE	AMOUNT
BlaCOEUR Sponsorship Fee	Fee to secure branding and product placement in marketing mix and PR for BlaCOEUR	1	5,000.00	5,000.00
Tickets	Special pricing for VIP tickets	25	110.00	2,750.00

We are so thrilled to be working with the Dream Keeper Initiative through the Human Rights Commission. Thank you for building community with us!

BALANCE DUE **$7,750.00**

Issues Identified:

- Single payments cannot be used to pay for sponsorships.
- The services appear to benefit an organization called BlaCOEUR, not to support departmental operations.
- It is unclear who received the VIP tickets.

Source: Analysis of invoice

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

- **Ineligible Single Payments**
- Other Ineligible Direct Vouchers

$177,419 in Ineligible Single Payments for Expense Reimbursements

HRC made $177,419 in single payments for expense reimbursements. These included transportation and lodging costs for event speakers, facilitators, and students. HRC also paid for a youth basketball team's expenses for social outings and events, such as passes to Universal Studios Hollywood theme park in Los Angeles, California, Cowabunga Bay Water Park in Henderson, Nevada, and Circus Circus Adventure Dome in Las Vegas, Nevada, as shown in Exhibit 23.

Exhibit 23: HRC funded a youth basketball team's activities and food in Los Angeles and Nevada in advance without receipts

Purchase Description: On June 27, 2023, HRC paid $9,500 to Hott City Basketball for 25 passes to Universal Studios Hollywood, Cowabunga Bay Water Park, Circus Circus Adventure Dome, and food during the trips.

Invoice:

INVOICE 0020 JUNE 20, 2023

SERVICE DATE	DESCRIPTION OF SERVICES	TOTAL DUE
7/07/2023	25 Universal Studios Hollywood Passes	1500.00
7/19/2023	COWABUNGA Waterpark, Henderson NV, 25 passes	2500.00
7/21/2023	Circus Circus Adventure Dome, Las Vegas NV, 25 2-day passes	3000.00
7/07-7/21/23	Food, etc. for both trips	2500.00
	SUBTOTAL	9500.00
	TOTAL DUE UPON RECEIPT OF INVOICE	9500.00

Issues Identified:

- The invoice lacks key information required by the City (see Finding 1.1), so it is unacceptable and should not have been paid.
- The payment date precedes the stated service date, indicating this was an advance payment.
- There is no receipt or other proof of payment to show that the passes were purchased.
- There is no documentation of who participated in the group activities nor a description of the program's purpose or eligibility criteria.

Source: Analysis of invoice

The City's Accounting Policies and Procedures prohibit expense reimbursements to city employees or non-employees under single payments.

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

- **Ineligible Single Payments**
- Other Ineligible Direct Vouchers

$60,225 in Ineligible Single Payments for Form 1099 Reportable Stipends or Wages to Individuals Who Are Not City Employees

Another example of a potentially improper use of single payments is payment for wages, which raise significant issues, such as inaccurate tax reporting. HRC paid what appears to be wages to HRC interns. However, these individuals were not city employees, and single payments cannot be made to individuals. Instead, interns should be paid in the form of a stipend (which is not based on the invoice documentation) or through the City's payroll process (where the employer files an Internal Revenue Service Form W-2 for services performed by an employee). Single payments also cannot be made for employees. Exhibit 24 shows an example of such an invoice.

Exhibit 24: HRC paid what appear to be wages without using the City's payroll process

Purchase Description: On July 12, 2022, HRC paid $4,750 to an individual for research and program support for the Office of Racial Equity.

Invoice:

Invoice

Submitted on 06/28/2022

Invoice for	Payable to	Invoice #
Human Rights Commission 25 Van Ness 800 San Francisco, California	Reniya Dinkins	3

Project

Research and Program Support for Office of Racial Equity

Description	Total price
1. Data Standard Project, including: Questions for Demographers Outreach to Demographers Drafting Report 2. Phase 1, including Draft Climate Survey Questions	$4,750.00
Subtotal	**$4,750.00**

Issues Identified:

- Wages over $600 paid to an individual are reportable on Form 1099 and are an ineligible use of single payments.
- Paying wages via single payments instead of through the City's payroll process may cause tax complications for the City and the payee.
- Reniya Dinkins was a graduate student intern, not a city employee.
- The invoice lacks some of the required elements for a service, such as the number of hours worked and hourly rate. (See Finding 1.1 for a list of what an invoice must include to be paid by the City.)

Source: Analysis of invoice

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Ineligible Single Payments

Other Ineligible Direct Vouchers

$44,833 in Payments Not for a Public or City Business Purpose, At Least One of Which Appears to Be Falsified

HRC made at least $44,833 in single payments without supporting documentation to certify they were for a public purpose and necessary for city business, a requirement of all city payments incurred by individuals who are not city employees. This includes using single payments to pay for individuals' rent, non-city business expenses, and funeral expenses. Although these payments may have been intended to assist those facing financial hardship, they are an improper use of single payments and are essentially gifts of taxpayer money. This further demonstrates HRC's repeated violations of city rules, raising concerns about transparency, accountability, and oversight.

Because so many invoices HRC paid are inadequately documented, we focused on the highest-risk invoices for further investigation. One example of payments for what appears to be non-city business involves a now-closed business called Roots SF. HRC paid at least seven invoices, totaling $53,098, to Roots SF, its former owner Michelle Reed, or their vendors, four of which were paid by single payment. Of the seven invoices, six use the same service description, and three are in the amount of $9,500, as shown in Exhibit 25.

Exhibit 25: Example of non-city business payments linked to Michelle Reed and her vendors

Payment Method	Voucher Number	Payment Date	Invoice Description	Amount
Single Payment	02143563	6/28/2022	Health, Wellness, Community Engagement	$9,500
	02143574	6/28/2022	Health, Wellness, Community Engagement	$9,500
	02143597	6/28/2022	Health, Wellness, Community Engagement	$8,360
	02175421	7/26/2022	Health, Wellness, Community Engagement	$9,500
Prop Q	02154851	7/12/2022	Health, Wellness, Community Engagement	$8,749
	02154820	7/12/2022	Health, Wellness, Community Engagement	$3,500
	02241459	9/27/2022	4-inch plants x 40, 6-inch plants x 60	$3,989
			Total	**$53,098**

Source: Analysis of invoices

These invoices raise concerns about fraud in addition to misuse of public funds, as the investigation uncovered a falsified Form W-9[20] submitted by Michelle Reed to HRC. Specifically, HRC paid a $9,500 invoice from this individual for "Health, Wellness, Community Engagement," as shown in Exhibit 26.

[20] IRS Form W-9, Request for Taxpayer Identification Number and Certification, is used by a third party who must file an information return with the IRS. The taxpayer must provide their name, address, and a Social Security Number or Employer Identification Number.

Exhibit 26: HRC knowingly paid for an individual's back rent based on a fake invoice

Purchase Description: On June 28, 2022, HRC paid $9,500 to Michelle Reed's landlord for overdue rent, with the invoice disguising the payment as services for "health, wellness, and community engagement"

Invoice:

Bill To: SF HUMAN RIGHTS COMMISSION
25 VAN NESS AVE. UNIT 800
SAN FRANCISCO, CA 94102

Ship To:

P.O. #	Sales Rep. Name	Ship Date	Ship Via	Terms	Due Date
25					

Product ID	Description	Quantity	Unit Price	Line Total
SERVICE	HEALTH, WELLNESS, COMMUNITY ENGAGEMENT	1	9,500.00	9,500.00
			SUBTOTAL	$9,500.00

Issues Identified:

- The invoice has several red flags, including no clear description of what the services were or their purpose, and a flat amount with no breakdown.
- HRC paid at least seven invoices to Roots SF, its former owner Michelle Reed, or their vendors, six of which included exactly the same description as is on the invoice shown above.
- Our investigation revealed that at least one of the three $9,500 invoices from this business was created to disguise an HRC payment of the business owner's rent and included a falsified Form W-9.

Source: Analysis of invoices

The investigation revealed that this invoice was used to pay Michelle Reed's overdue rent. However, the landlord stated that he never submitted the invoice or the accompanying Form W-9 with his (purported) signature to HRC. Because many of this person's invoices have vague descriptions and the same, unsupported amount of $9,500, it is possible that HRC may have paid other potentially fraudulent invoices.

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Ineligible Single Payments

Other Ineligible Direct Vouchers

At Least $14,000 for Alcoholic Beverages Served at Two Events

HRC spent at least $14,000 to purchase bar packages, including alcoholic beverages, related to two events, one in San Francisco at City Hall and one event in Chicago, at the InterContinental Hotel. In general, city, state, or federal funds should not be used for alcoholic beverage purchases.

For the Chicago event, HRC paid the hotel $9,033.76 for a one-hour beer and wine package staffed by two bartenders. This was part of a larger, $51,896 payment for the event.[21] Exhibit 27 shows the actual bar charges.

Exhibit 27: HRC purchased beer and wine bar service for an HRC-hosted event in Chicago

Purchase Description: On April 11, 2023, HRC paid $51,896 to the InterContinental Chicago Hotel, which included more than $9,000 related to alcoholic drinks, served during an event on April 14, 2023.

Invoice:

Beverage

Quantity	Item	Price		Amount
200	Beer & Wine- 1 hr Package	$32.00	5.00%	$6,080.00
			Subtotal:	**$6,080.00**
			Service Charge:	$1600.00
			F&B Tax 11.75%:	$714.40
			Service Charge Tax 10.25%:	$39.36
			Beverage Total:	**$8,433.76**

Additional Items

Quantity	Item	Price		Amount
2	Bartender(s)	$300.00	-	$600.00
			Subtotal:	**$600.00**
			Service Charge:	$0.00
			F&B Tax 11.75%:	$.00
			Service Charge Tax 10.25%:	$.00
			Additional Items Total:	**$600.00**

Issues Identified:

- $9,033.76 (17 percent of HRC's payment) was for serving beer and wine, but the City's Accounting Policies and Procedures list alcohol as a prohibited expense.
- Instead of paying against the full balance due for each invoice, HRC made the payments under five vouchers, each under $10,000.
- HRC paid the vendor based on an estimate of charges days before the event. At our request, the hotel provided the final bill, which allowed us to determine that the actual cost was $8,159.32 less than the amount HRC prepaid. As of November 2024 the hotel still had not refunded the City for the overpayment.

Source: Analysis of invoices

[21] We found that HRC overpaid the InterContinental Chicago by $8,159.32 because HRC received less than what was included in the estimate of charges. Because this overpayment was only uncovered through our investigation and direct contact with the hotel, there may be other overpayments like this that we did not uncover. As of November 2024, more than a year and a half after the event, the hotel was still holding HRC's overpayment but indicated it was planning to issue a refund check to the City.

Current Section

Finding 1.2: Prop Q – Violation of Rules

Finding 1.3: Direct Vouchers

Ineligible Single Payments

Other Ineligible Direct Vouchers

$170,919 in Other Ineligible Direct Payments

HRC also made $298,619 in other direct payments to city-registered suppliers, more than $170,000 (57 percent) of which was ineligible. Direct vouchers generally violate the City's procurement practices and when used, should be accompanied by justification demonstrating the necessity and reasonableness of the purchase. However, HRC did not adhere to the process and did not document that it was necessary or reasonable to use direct vouchers for these payments.

Like its use of single payments, HRC sometimes used direct vouchers to pay an individual or business for expenses with no connection to HRC or its operations. In one instance, HRC made $16,096 in direct payments for the rent of a person facing eviction from her apartment. Our investigation revealed that Davis asked the apartment building's property manager to send her an invoice for $9,500 and said if the property manager could not do so, Davis would have her employee create one.

An HRC employee later sent the property manager an invoice template and asked that it be filled out and returned. However, the property manager refused. Ultimately, the HRC employee followed Davis's instruction to create the invoices that were processed for payment, one for $9,393 and another for $6,703. To describe the purported services billed, both invoices use the vague description "Rental Agreement." This example is shown in Exhibit 28. It is unclear how many invoices such as these HRC may have created and paid.

Exhibit 28: Davis directed staff to create invoices so HRC could pay an individual's rent

Purchase Description: On June 27, 2023, HRC paid $9,393.37 and $6,702.63 to Windsor Communities for the rent of a person facing eviction.

Invoices:

INVOICE WINMC001 — JUNE 22, 2023

SERVICE DATE	DESCRIPTION OF SERVICES	TOTAL DUE
April 1, 2023	Rental Agreement	$9393.37
	SUBTOTAL	$9393.37
	TOTAL DUE UPON RECEIPT OF INVOICE	$9393.37

INVOICE WINMC002 — JUNE 22, 2023

SERVICE DATE	DESCRIPTION OF SERVICES	TOTAL DUE
June 1, 2023	Rental Agreement	$6702.63
	SUBTOTAL	$6702.63
	TOTAL DUE UPON RECEIPT OF INVOICE	$6702.63

Issues Identified:

- HRC has no authority to pay the rent (or any other expenses) of a member of the public.
- Davis directed her staff to create both invoices so HRC could make these improper payments.

Source: Analysis of invoices

Finding 1.4 – HRC made unauthorized advance payments that resulted in $46,495 overpayments and entered into an unofficial sponsorship agreement.

Current Section

Finding 1.3: Direct Vouchers

Finding 1.4: Non-Purchasing Payments

Finding 1.5: Employee Reimbursements

The remaining payments that were not linked to contract numbers included non-purchasing payments and grant-related payments. Non-purchasing payments are payments that do not require competitive bidding or contracts because they fall outside the City's procurement rules and are not under OCA's purview. The grant-related payments are payments that HRC failed to properly link to their corresponding grants. By bypassing the formal procurement process, these transactions may have increased the City's financial and liability risks. Specifically, HRC issued unauthorized advance payments and entered into an agreement that was not approved by the City Attorney.

Exhibit 29 summarizes HRC's ineligible grant-related and non-purchasing payments.

Exhibit 29: $152,513 in grant and non-purchasing payments were ineligible

Transaction Type	Amount	Reason for Ineligibility
Grant-Related: Advance Payments	$127,513	Grant agreement prohibits advance payment to grantee. Advance payments were not tied to grantee's grant number in City's financial system.
Non-Purchasing: Sponsorship	$25,000	Sponsorship agreement was not signed by City Attorney.
Total	**$152,513**	

Source: Analysis of data in the City's financial system

Of the $127,513 in Unauthorized Advance Payments HRC Made, $46,495 (36 percent) Are Overpayments

HRC made at least $127,513 in improper payments to organizations that were department grantees. These were payments for services that were not accurately indicated or recorded in the City's financial system as being related to the associated grant. Rather, these payments were described by HRC or the supplier as advance payments.

None of HRC's grant agreements state that advance payments are permitted or were approved in advance by the Controller's Accounting Operations and Supplier Division (AOSD). According to HRC, it advanced money to grantees to help them pay their bills, for example, when a grant agreement amendment process was delayed.

Also, these grant payments were not linked to the grantees' contract (grant agreement) numbers in the City's financial system. In one instance, the record of the payment in the system included a note that an advance payment had been subtracted from the associated grant amount. When advance payments are not linked to their corresponding contract numbers, this creates a disconnect between the financial system and the signed contract. This lack of linkage circumvents the controls embedded in the City's grant process and resulted in $46,495 of overpayments associated with five grants.

When transactions are processed without being properly linked to the associated grant, this can give the false appearance of available funds after the grant funds have been exhausted.

A $25,000 Unofficial Sponsorship Agreement

An HRC employee signed a contract obligating HRC to pay Livable City $25,000 as a sponsorship fee, which HRC paid as a non-purchasing payment. In exchange, Livable City was to provide HRC with equipment for an event, list HRC as a sponsor on Livable City press release, and display HRC's logo as a sponsor on Livable City's digital and printed materials.

This contract was not signed by the department head or reviewed or approved by the City Attorney's Office. The San Francisco Charter requires legal review of contracts to protect the City from financial and legal risks. This is yet another example of HRC staff evading standard controls that protect the City and ensure that public dollars are properly expended.

Finding 1.5 – At least $25,467, or 22 percent of expenses for which four HRC employees were reimbursed, are ineligible.

Current Section

Finding 1.3: Direct Vouchers

Finding 1.4: Non-Purchasing Payments

Finding 1.5: Employee Reimbursements

The City provides employee expense reimbursements to cover necessary work-related expenses that employees incur while performing their official duties. These expenses typically include travel costs such as airfare, lodging, meals, and ground transportation for approved business trips, as well as non-travel expenses, like those for training and professional development.

In general, employees may be reimbursed for reasonable work-related, minor and non-recurring expenses up to $200 per vendor, with exceptions for pre-approved costs such as memberships, subscriptions, licenses, and certifications. All reimbursements must be supported by original itemized receipts or other proof of payment. It is HRC's responsibility to ensure every expenditure is reasonable, necessary, and for official business purposes.

According to HRC employees, Davis often directed staff to purchase items and seek reimbursement, which is discussed in **Chapter 3.** We reviewed records for the four HRC employees who had the highest total reimbursements or who were previously flagged by the Controller's AOSD. Of the $116,641 reimbursements we reviewed, at least $25,467 (22 percent) are ineligible. Examples of ineligible items:

- Hotel room(s) that exceeded the U.S. General Servies Administration rate
- Lodging for a non-city employee
- Parking citation
- Gift cards
- Fuel
- AT&T receipt with no business purpose or justification
- Sugar-sweetened beverages[22] and food

[22] The San Francisco Administrative Code, Chapter 101, restricts the purchase, sale, or distribution of sugar-sweetened beverages by or for the City.

Current Section

Finding 1.3: Direct Vouchers

Finding 1.4: Non-Purchasing Payments

Finding 1.5: Employee Reimbursements

Some of the employee reimbursements also raise other concerns. For example, purchasing software subscriptions outside of the City's system increases the vulnerability of city computers and connected data systems to data security vulnerabilities. HRC staff identified at least 12 subscriptions for websites outside of the City's systems; at least one website has been made completely inaccessible to HRC staff.

Further, $104,122 (89 percent) of employee expense reimbursements did not have a documented preapproval. In its fiscal year 2023-24 financial transaction review, AOSD identified multiple HRC vouchers and expense reports that lacked formal preapproval before purchase. AOSD reminded HRC to document preapproval with a signed authorization form, including all required details, but HRC still did not have most authorization forms in the financial system by the end of our review of invoices in November 2024.

Specifically, all requests for employee reimbursement require approval in advance and must be documented. The required documentation should include:

- Purchase request with signature of department head or designee
- Date of expense
- Description of expense
- Business purpose
- Supporting documentation to substantiate that expenditures are reasonable and necessary

Chapter 2 – HRC's former executive director engaged in self-dealing and created an unethical tone at the top

Possible Violations of Local and State Laws

- California Government Code § 87100 and city Campaign and Governmental Conduct Code § 3.206
- Former city Campaign and Governmental Conduct Code § 3.214(b)
- Former city Campaign and Governmental Conduct Code § 3.216(a)-(b)
- Former city Campaign and Governmental Conduct Code § 3.218
- California Government Code §§ 87200, 87302 and city Campaign and Governmental Conduct Code § 3.1-102, 3.1-280

HRC made improper noncontract payments to personally benefit Davis and to benefit programs associated with her previous employers. Davis directed HRC funds to support programs outside her department. At the same time, she listed those same programs on her personal webpage to promote herself and the products she was offering for sale.

The overall pattern of these noncontract payments suggests that Davis viewed herself as having discretion to use HRC funds for her own purposes without transparency or accountability. Davis regularly stated that she would not let city bureaucracy get in the way of HRC's support for the community, and HRC staff was deterred from questioning the former director's decisions. Her treatment of HRC funds as her own, combined with her failure to follow disclosure requirements, created a poor ethical "tone at the top" and allowed misconduct to continue and compound over time.

In March 2025 the City Attorney filed *Counts and Allegations Seeking Debarment* (Counts and Allegations) and issued an order[23] suspending Collective Impact, an organization with which Davis had close ties, from participating in city contracts and grants. The suspension order was the result of the ongoing joint investigation and audit by the Controller and the City Attorney. As alleged in the Counts and Allegations, Collective Impact spent city funds on gifts to Davis, aided and abetted her in violating various conflict-of-interest laws, and submitted improper claims for reimbursement. We will discuss this activity in a future report on Collective Impact's grants with four city departments, including HRC.

That same conduct led to the suspension of Collective Impact. As alleged in the Counts and Allegations, Davis may have violated numerous state and local laws requiring the disclosure of financial interests and personal relationships, as well as accepting gifts from prohibited sources and using city resources and her official position for personal gain. Some of these laws were amended in October

[23] See City Attorney's website.

2024, after Davis left city employment. However, today the same conduct would still violate the amended law.

This chapter discusses how Davis used HRC funds for personal gain; blurred the lines between her city duties and personal businesses by directing HRC funds to promote programs outside the department that she was still affiliated with; and concealed personal relationships and related payments when participating in governmental decisions related to Collective Impact. Whether these payments from Collective Impact are viewed as prohibited gifts, bribes, or kickbacks, they create serious legal issues that undermine the public's confidence in the department's use of public funds.

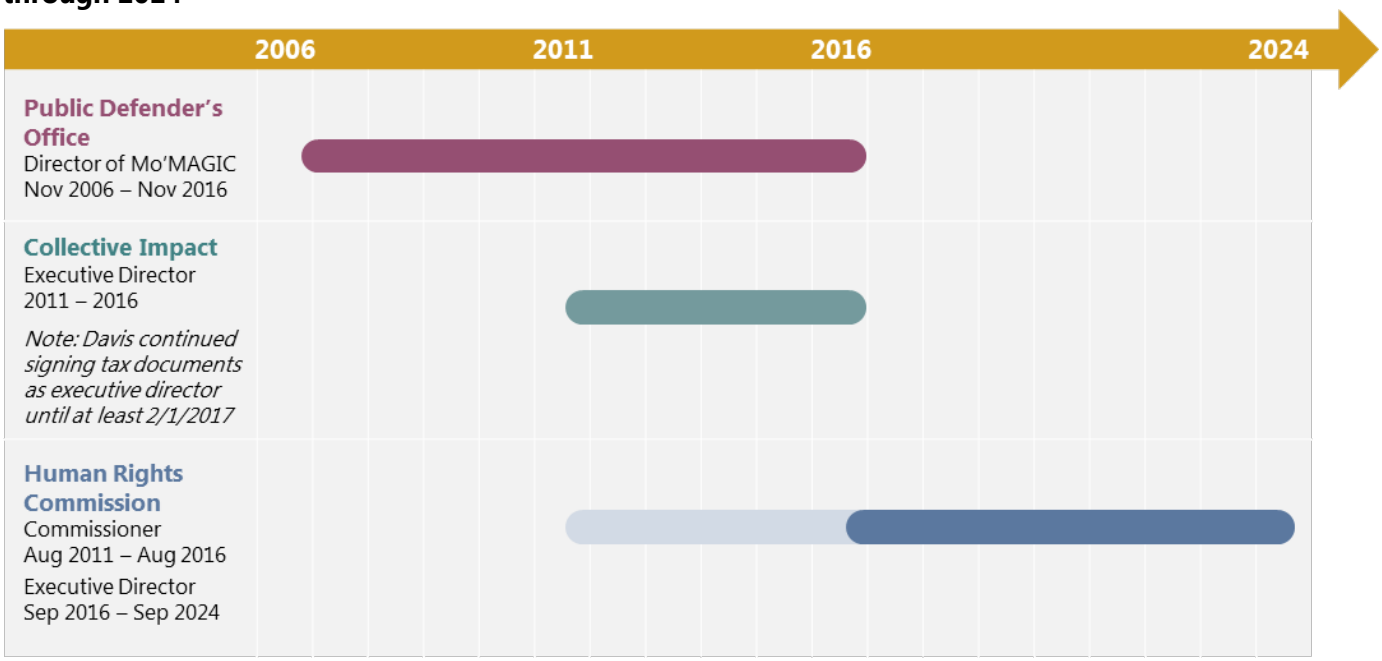
Timeline of Davis's Past Positions

To understand the potential conflicts inherent in Davis promoting programs of her past employers, it is important to know the jobs she previously held. From 2006 to 2016, Davis worked for the San Francisco Public Defender's Office (Public Defender), where she managed a program called Mo'MAGIC. From 2011 to 2016, Davis also was the executive director of Collective Impact, a nonprofit that shared space with the Public Defender's Mo'MAGIC programming in the Ella Hill Hutch Community Center in the Western Addition neighborhood. During that time, Davis received a salary from both the Public Defender and Collective Impact.

From 2011, Davis served as a commissioner on the Human Rights Commission until 2016, when she was appointed by former Mayor Ed Lee as HRC's executive director. Davis then gave up her salaries from the Public Defender and Collective Impact.

Exhibit 30 is a timeline of Davis's overlapping positions at the Public Defender, Collective Impact, and HRC.

Exhibit 30: Davis's overlapping positions at the Public Defender, Collective Impact, and HRC, 2006 through 2024



Source: Review of publicly available employment history (LinkedIn), personnel records (resume and job data), articles, and public tax records for Collective Impact

Finding 2.1 – Davis misused HRC's purchasing authority to promote her personal projects and blurred the lines between her official city duties, personal businesses, and programs of her former employers.

City department heads are accountable for the funds and assets entrusted to them. They are also responsible for ensuring that public funds are used effectively and efficiently. To do that, they should establish adequate budgetary and fiscal controls and set an ethical tone at the top. Instead, Davis spent city funds for her personal benefit, overrode existing controls on spending, and improperly processed most of the department's noncontract payments.

From July 2020 through Davis's resignation in September 2024, HRC made at least $75,000 in noncontract payments to vendors for goods and services that personally benefited Davis. These payments, discussed in **Finding 1.1**, were not for departmental needs but rather to promote Davis's personal brand and merchandise. Davis submitted, and in many cases also approved, invoices related to these payments, including consulting work on her personal website and podcast and payments for guests to appear on her podcast.

HRC purchases to benefit Davis personally were self-dealing and may have violated state and local laws prohibiting misappropriation of funds and embezzlement by a government official. Exhibit 31 shows the ineligible payments to Davis's personal projects.

Exhibit 31: Davis spent $75,000 of city funds intended for department-related purchases on payments to support her personal branding and projects

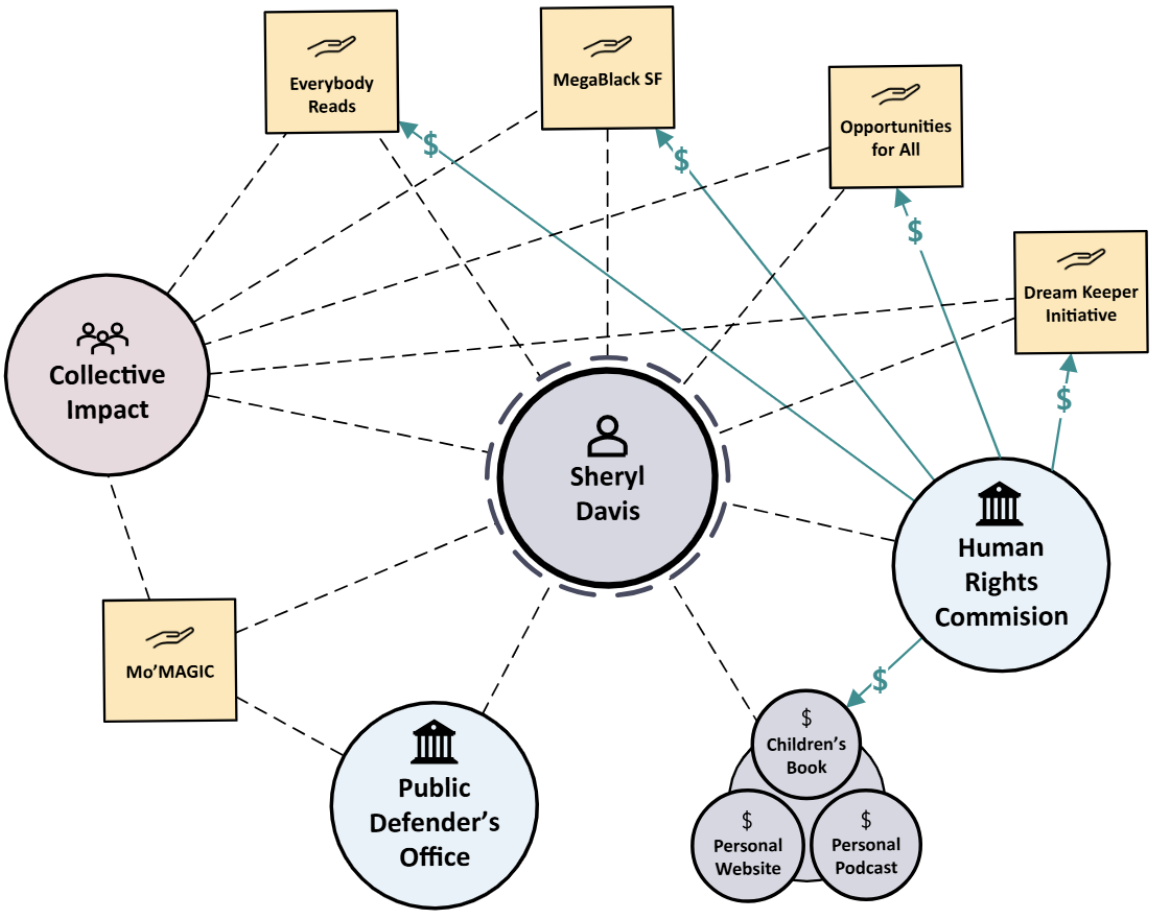
Personal Project	Description	How Davis Benefited
Sunday Candy Podcast	A limited-series podcast Davis created in 2022 that reflected "on the music, fellowship and long Sunday services that got [Davis] through life." Davis contracted with GPS Speakers & Events to hire talent for the podcast and used city funds to pay the invoices.	At the end of every episode, Davis directed listeners to her website, which sold merchandise related to her podcast, and stated that HRC sponsored the podcast, suggesting that city resources, such as time and/or funding, were used to produce it and promote her personal businesses.
Free to Sing Children's Book	In 2023 Davis wrote and self-published a children's book, *Free to Sing*. HRC funds were spent on merchandise related to the book, which was delivered to Collective Impact.	In her required public filings as a department head, Davis disclosed between $10,001 and $100,000 in income in 2023 from the publisher she had used, BookBaby. Also, Davis's website sold related merchandise, including a coloring book, activity box, and puzzle.
Sherylevansdavis.org Personal Website	Davis maintained a personal website at *sherylevansdavis.org* (Davis's website). Davis used a city contractor, PJS Consultants, to do work for her personal website and podcast, at HRC's expense.	As of August 2024, Davis's website had all five episodes of *Sunday Candy* posted and included links to purchase *Free to Sing* and merchandise related to the book and podcast.

Source: Review of Davis's website, financial disclosure forms, and invoices

Davis further blurred the lines between her official city duties and personal businesses by using HRC noncontract payments to support programs she featured on her personal website, which promotes her and her products. This raises questions about whether Davis misused city resources and the prestige of her office for private gain or advantage. It also raises questions about potential conflicts of interest and risk of favorable treatment, as further discussed in **Finding 2.2**.

Exhibit 32 shows the overlap in programming personally and professionally associated with Davis, and Exhibit 33 shows the ways in which she used HRC noncontract payments to support all these programs that she advertised on her personal website, regardless of whether they were operated by HRC.

Exhibit 32: Davis's website lists programs that she created or oversaw, including those through past employers, that received noncontract payments from HRC



Note: Programs and projects shown in this exhibit (shown in square boxes) only include those that also received noncontract payments from HRC. Davis's website includes other programs not shown here.

Source: Review of Davis's website

Exhibit 33: Davis used HRC noncontract payments to support projects and programs she was affiliated with, including programs of former employers

Note: The icons indicate an association or affiliation to the project or program.
Source: Review of Davis's website and HRC's noncontract payments

Numerous potential conflicts were created by HRC's noncontract payments to programs run by the Public Defender or Collective Impact, where Davis once worked, combined with her listing those programs on her personal website, which also promotes products for her personal projects.

Finding 2.2 – Davis failed to disclose payments she received from Collective Impact and her personal relationship with its director.

Possible Violations of Local and State Laws

City Campaign and Governmental Code § 3.216(b) - Restricted Source Rules

California Political Reform Act:

- Gift greater than the annual limit
- Failure to disclose a gift greater than $50

Throughout almost her entire tenure as HRC executive director, Davis failed to publicly disclose her personal relationship with James Spingola (Spingola), who had been executive director of Collective Impact since 2019. Davis had lived with Spingola since 2016, and the two jointly owned a car.[24] They also signed at least seven of the same grant agreements on behalf of HRC and Collective Impact, respectively, covering grant terms from 2019 through 2024, without disclosing their relationship to the City.

Despite her departure from Collective Impact, Davis remained a signatory for its bank account, and it continued to service debt on a credit card in her name. According to Collective Impact, the credit card debt in Davis's name predates her departure, but Collective Impact did not provide some of the documents that would be needed to support this claim.

From 2019 through 2024, HRC consistently funded Collective Impact, making it a restricted source for all HRC employees under ethics laws.[25] Thus, Davis was prohibited from accepting any gifts directly or indirectly from Collective Impact. However, during these years Collective Impact paid vendors for Davis's personal projects, creating a conflict of interest that should have prohibited Davis's participation in HRC decisions about funding paid to Collective Impact. Davis also failed to disclose travel payments she received from Collective Impact, although she disclosed travel payments and gifts from other sources during the same period. This suggests that Davis may have intentionally concealed gifts from Collective Impact for her personal benefit and likely violated local[26] and state[27] laws.

Restricted source

City ethics law bans employees from accepting gifts from a person doing, or trying to do, business with the department.

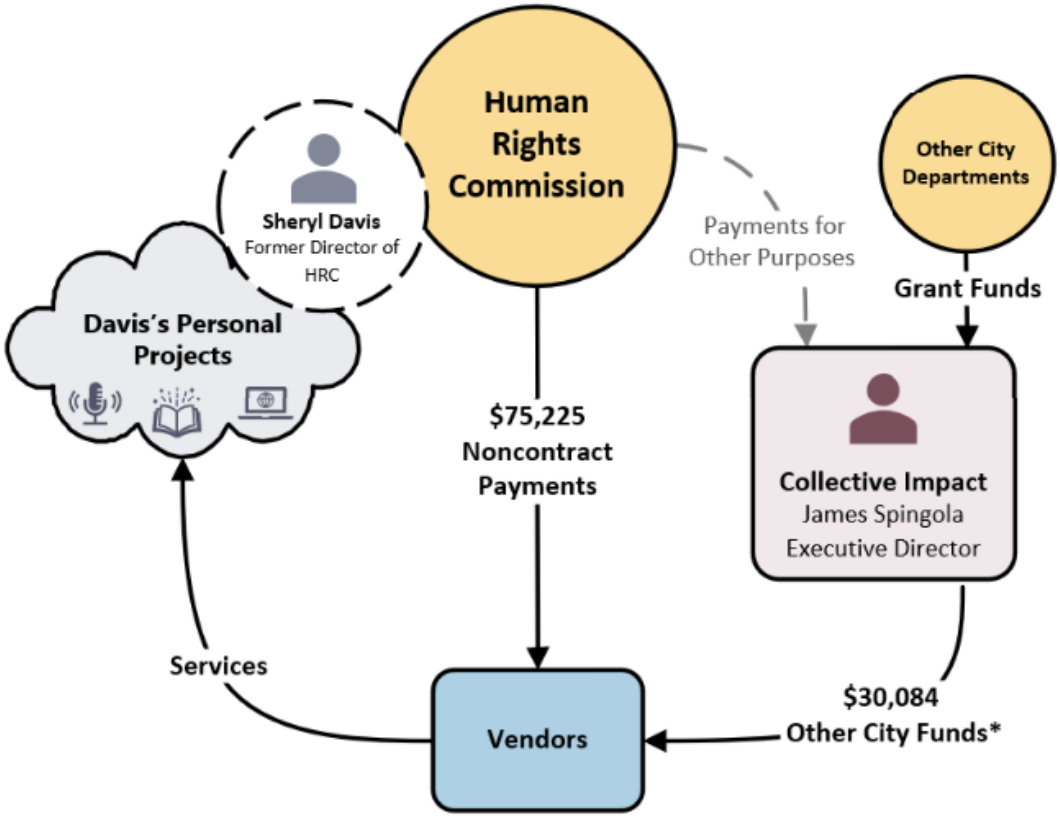
Source: Campaign and Governmental Conduct Code, § 3.216

Exhibit 34 shows Collective Impact's use of other city grant funds for Davis's personal projects, in addition to payments made directly by HRC to vendors (discussed in **Exhibit 31**).

---

[24] Department of Motor Vehicles records reveal that in 2018 Davis added Spingola as a registered owner of her car, stating under penatly of perjury that Spingola was a "family member" on the Statement of Facts form.
[25] San Francisco Campaign and Governmental Conduct Code, § 3.216.
[26] San Francisco Campaign and Governmental Conduct Code, § 3.1-102.
[27] Government officials in California must annually submit a Statement of Economic Interest, known as Form 700, which helps ensure that they do not participate in decisions in which they have a personal financial interest.

Exhibit 34: While Davis and Spingola were living together, HRC and Collective Impact made payments to support Davis's personal projects; HRC also paid Collective Impact outside the grant process



* Collective Impact's general ledger shows payments made to vendors for Davis's personal projects from other city grants.

Source: Review of data and invoices in the City's financial system and Collective Impact's general ledger

These likely illegal payments from Collective Impact for Davis's benefit are alleged as support for the order filed by the City Attorney's Office on March 20, 2025, suspending Collective Impact from city contracting and moving to debar the organization for up to five years. The first date of the debarment hearing was held on August 18, 2025. We will issue a report in the coming months for a separate audit of Collective Impact's grants from HRC and three other city departments.

Chapter 3 – HRC leadership failures enabled ethical misconduct, fiscal mismanagement, and a disregard for oversight and transparency.

Davis did not prioritize the importance of ethics and purchasing rules and abused her position of power at HRC to override controls intended to prevent misuse of public funds and widespread noncompliance, as discussed in **Chapters 1** and **2**. Further, HRC employees described an environment where they felt obligated to do what they were told, even if they knew those actions were improper. Even as the department worked to improve oversight, Davis continued to bypass the rules, leading to a workplace where misconduct went unchallenged and ethical norms were ignored.

Finding 3.1 – HRC did not have strong financial controls, and Davis ignored new safeguards meant to fix them.

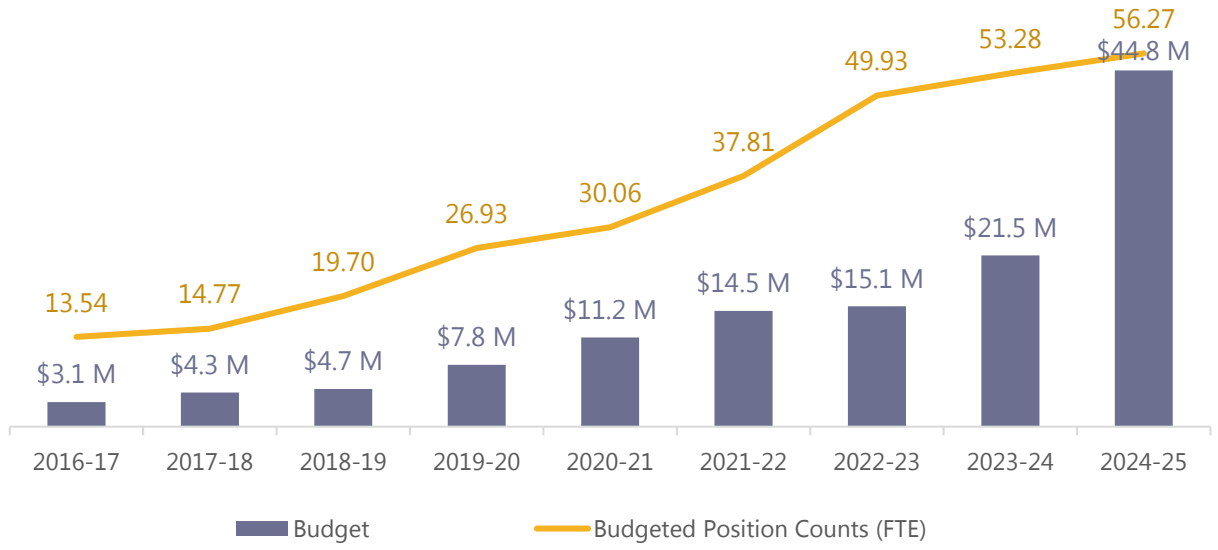
A chief financial officer is responsible for overseeing an organization's financial activities and operations. They act as the primary financial steward, ensuring responsible management of public funds, compliance with laws and regulations, and, overall, upholding fiscal integrity and accountability.

HRC operated for years without a chief financial officer (CFO) or sufficient financial oversight, lacking basic internal controls, such as appropriate segregation of duties and training for staff with purchase approval roles. Rather than addressing these deficiencies, Davis took advantage of the environment to direct public funds in ways that raise serious questions about propriety, accountability, and fairness. This failure of oversight and leadership not only enabled noncompliance with city policies but also undermined public confidence in the department's stewardship of taxpayer dollars.

HRC did not have appropriate financial oversight until more than two years after the launch of DKI.

After the 2021 implementation of DKI, HRC's budget increased annually, including a significant jump of 108 percent from fiscal year 2023-24 to 2024-25. Exhibit 35 shows the growth in HRC's budget and budgeted full-time equivalent (FTE) positions from fiscal year 2016-17 through 2024-25.

Exhibit 35: HRC's Budget and Budgeted Positions, Fiscal Years 2016-17 Through 2024-25



Despite the increase in HRC's budget and budgeted staff, HRC did not have a finance manager or equivalent until December 2023, when HRC hired its CFO. According to current HRC management, HRC had no CFO because its budget was very modest before it received DKI funding and the need for a CFO came much later. HRC first requested the budget for the CFO position in February 2022, which was approved by the Mayor's Office in June 2022 and the Board of Supervisors in July 2022 (for fiscal year 2022-23). However, the position was not filled until 18 months later, as HRC did not submit a Request to Fill (RTF), which starts the formal hiring process, until March 2023. Exhibit 36 shows the timeline leading to HRC filling this position.

Despite hiring the department's first CFO, Davis at times overrode his authority and approved payments he did not feel comfortable approving due to the nature of the payments. For example, according to the CFO, he did not approve questionable expenses, such as paying to rent a house for one week on Martha's Vineyard, Massachusetts.[28] Yet, he found out Davis approved such expenses without first consulting him or giving him an opportunity to review. According to the CFO, he had proposed a plan to strengthen the department's systems and processes to help improve compliance with the City's purchasing rules, but Davis never acknowledged his proposed improvements.

[28] This payment was deemed a likely ineligible expense in Finding 1.1.

Exhibit 36: HRC did not have a CFO under Davis for over 7 years

* The July 2022 through March 2023 period counts as 7 months, as BOS approved at the end of July and HRC summitted request in early March; the full months counted are August through February.

Legend:
- BOS: Board of Supervisors
- Mayor: Mayor's Budget Office
- DHR: Department of Human Resources

Source: Review of job data in the City's financial system and budget documents.

Davis requested and approved payments that staff did not question, indicating she had sole discretion on what purchases to make.

During most of the audit period, HRC had an increasing number of payments that needed to be processed but consistently had only one employee responsible for processing most of them. Before it hired a CFO, HRC's payment approver was either Davis or the department's chief operating officer, who was not properly trained to perform the job.

A clear indication of the weak segregation of duties that existed at HRC is that Davis was both the requestor and approver of payments. According to HRC staff, and as we saw in some documentation, Davis would either verbally ask staff to obtain a quote or invoice from a vendor or would receive the invoice herself and then pass it on to the employee to process, at times bypassing the CFO's purview. The employee would interpret Davis's request as a form of approval and, so, would not necessarily question the eligibility, accuracy, or appropriateness of the expense.

Chapter 1 includes several examples of Davis directing that a specific vendor receive payments, which she then approved. It would require a comprehensive review of all of Davis's email correspondence over

Importance of Segregation of Duties

Having different individuals involved in the payment process reduces the risk of errors and chance of fraud. For example, the same person should not order goods and services, approve invoices, and process payments.

her eight years as HRC's executive director, a task beyond the ability of this audit, to accurately quantify the purchase requests she made to staff via email or verbally.

Davis fostered a culture in which city rules were disregarded, justifying it by saying her aim was to help the community.

According to HRC staff, when concerns were raised about improper or irregular practices, Davis's response reportedly was to process it anyway. Thus, staff would process payments regardless of procedural or legal requirements because Davis, as department head, had the ultimate authority. Davis described HRC's work as being "less bureaucratic and more community based" than what the City requires when explaining decisions to approve advance payments in haste. Davis mentioned publicly at an HRC Commission meeting and privately to investigators that the department did not let rules interfere with helping the community.

This tone at the top, which likely helped form HRC's organizational culture, led Davis's staff not to question her decisions. Her leadership approach appears to have contributed to a shift in how the department operated and prioritized its activities. For example, HRC increased its spending on hosting events, as demonstrated in **Chapter 1**.

Davis also used employee reimbursements to avoid following city purchasing rules, as discussed in **Finding 1.5**, and encouraged other employees to do the same. For example, from 2021 through 2024, one HRC employee spent and sought reimbursement for over $27,000, most of which was for departmental expenses, such as food and supplies for events. According to the employee, she was not reimbursed for some of her expenses and had incurred late payment fees on her credit card account because she had not been reimbursed before her payments were due.

Employees approved and processed payments without appropriate training.

The three HRC employees responsible for handling most departmental payments either never took the required Prop Q training for the approver role or were long overdue in meeting the requirement that this training be taken every three years. Although OCA has always required Prop Q training for staff involved in purchasing and contracting, in 2020 it created an online procurement

training course that replaced in-person training for all employees who need new access to the purchasing module in the City's financial system. However, this requirement did not apply to all employees with existing user roles, which allowed the chief operating officer to approve Prop Q payments without having ever been required to take the training. This indicates that there may be a group of city employees whose approver role was rolled over and are excluded from being tracked for taking the training every three years. Further, HRC lacked an effective check on (or trigger for) whether staff retook the training triennially, as evidenced by the fact that three employees had not taken the training within three years after the requirement was implemented in 2020.

Finding 3.2 – HRC undermined oversight by disregarding findings from previous financial transaction reviews by the Controller.

The Controller's Accounting Operations and Supplier Division conducted financial transaction reviews (known as post-audits) of all city departments, assessing the propriety of a sample of transactions of different types. In 2019 AOSD expanded the scope of its post-audits to include specific problem areas, with a more focused review on departments with these high-risk transactions.

According to AOSD, it selected HRC for a financial transaction review in three of the five fiscal years, excluding HRC in calendar years 2020 and 2022. In all three years it reviewed, AOSD identified problematic transactions at HRC, demonstrating noncompliance with city purchasing rules, a lack of transparency on use of city funds, and poor management of city grants. These issues are similar to or consistent with the findings discussed in **Chapter 1**. Under Davis's leadership, AOSD's findings against HRC increased rather than decreased over time, demonstrating that compliance with fiscal best practices was not a priority of the former director. Exhibit 37 summarizes these findings.

Exhibit 37: AOSD consistently found high-risk problems in HRC's payment processing over three years

Problem	Calendar Year 2019	2021	2023	Examples
Did not follow purchasing rules	✓	✓	✓	• Reimbursed employees for travel costs exceeding rates for lodging and daily meal per diem rates used by the City. • Reimbursed employees for a computer monitor and recurring subscription for a computer mailing application, both of which should have been procured through OCA. • Bought gift cards through employee reimbursements. • Entered multiple invoices as one payment line in the financial system instead of giving a one-to-one relationship.
Did not properly manage purchasing staff		✓	✓	• A single user handled multiple payment process steps, demonstrating a lack of segregation of duties. • Purchases were made from vendors not compliant with city requirements.
Poor data and transparency	✓	✓	✓	• No documented preapproval before employees submitted expense (reimbursement) requests. • Paid invoices lacking required information. • No justification that expenditure was reasonable and necessary.
Poorly managed contractors/ grantees			✓	• Advance payments made to nonprofit organizations prior to the Controller's Office approval. • No oversight of gift cards distributed to nonprofit organizations. • Did not detect overpayments made to vendors.

Source: Review of AOSD financial transaction reviews

RECOMMENDATIONS

Human Rights Commission should:

1. Ensure all employees responsible for initiating or approving payments receive the required training related to Prop Q payments, direct vouchers, single payments, non-purchasing payments, and employee reimbursements.

2. Comply with eligible uses of Prop Q and proactively consult with the Office of Contract Administration on questions regarding the use of Prop Q.

3. Comply with all rules governing other noncontract payments and proactively consult with the Accounting Operations and Supplier Division of the Controller's Office on questions regarding their use.

4. Use existing city term contracts whenever possible. Do not initiate the process to procure a commodity or service unless it cannot be obtained through a city term contract.

5. Obtain approval from the Accounting Operations and Supplier Division of the Controller's Office before making advance payments to grantees and ensure this is documented in the grant agreements.

6. Ensure that all grant payments are tied to their corresponding contract numbers in the City's financial system and that they do not exceed the maximum grant award amounts moving forward.

7. Finalize written departmental policies on paying for food and gift cards and request approval of the policies from the Accounting Operations and Supplier Division of the Controller's Office.

8. Only pay vendors' invoices if they are in an acceptable format and contain actual amounts (not estimates). Verify that the invoiced commodity or service is sufficiently detailed before processing payment.

9. Establish separate roles for staff who initiate, validate, and approve payments.

The Office of the Controller's Accounting Operations and Supplier Division should:

10. Work with relevant city departments, including the Office of Contract Administration, to institute an enforcement mechanism, such as temporarily rescinding access or user roles, when departments continue not to improve in noncompliant areas that have been brought to their attention.

The Office of Contract Administration should:

11. Work with the Office of the Controller's Systems Division to verify that all city employees who can approve or process Prop Q payments have completed the required training, including employees who gained access before the requirement(s) were implemented.

Appendix A – Controller's Letter to Mayor and Board of Supervisors

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

September 13, 2024

Mayor London Breed
Office of the Mayor
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

President Aaron Peskin
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mayor Breed and President Peskin:

The Office of the Controller and Office of the City Attorney are engaged in a joint, ongoing investigation of complaints concerning the Human Rights Commission (HRC) and Dream Keeper Initiative (DKI). As you are aware, we are prohibited from sharing any details of this investigative work and will have more to say publicly in the future on this matter.

Separately, my office notified HRC in a letter dated 9/11/24 that we would be reaching out to discuss our plans for upcoming audits and assessments of department spending — including DKI funds — and performance measurements for DKI-funded programs. My office will initiate the following immediate actions:

- Dispatch Controller's Office accounting staff immediately to oversee accounting operations at HRC, including approvals of payments and other financial transactions.
- Accelerate and expand an audit of HRC Prop Q purchases to begin immediately.
- The Controller's Office and Office of Contract Administration will suspend HRC's Prop Q purchasing authority until the audit is completed.
- The Controller's City Services Auditor (CSA), City Performance Division and Office of Contract Administration will conduct an assessment of procurement processes, policies and procedures, and segregation of duties, and implement necessary controls.
- The CSA City Performance Division will deploy a team of analysts to immediately work with HRC interim director to assess current contract and invoice approval process, staffing and administrative procedures, and develop a plan for long-term organizational changes to improve program and performance monitoring.
- Audit grant agreements with Collective Impact.

We will approach this work with the intent of ensuring that important programs and services continue, while public funds are administered appropriately and with accountability. My office will work closely with and fully support HRC's interim director and our partner departments to accomplish these goals.

CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • ROOM 316 • SAN FRANCISCO, CA 94102-4694
(415) 554-7500 • controller@sfgov.org • sf.gov/controller

I will be following up on the status of actions listed above and appreciate your continued cooperation as we proceed.

Best,

Greg Wagner
Controller

cc: Board of Supervisors
Sean Elsbernd
David Chiu

Appendix B - Department Responses

Human Rights Commission

City and County of San Francisco
HUMAN RIGHTS COMMISSION

Mawuli Tugbenyoh
Acting Executive Director

Daniel Lurie
Mayor

September 15, 2025

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Report from the City Services Auditor: The Human Rights Commission Violated the City's Purchasing Rules, Circumventing Controls and Policies

Dear Director de la Rosa,

Thank you to the staff from the Office of the Controller and the City Attorney's Office for their work on this joint audit and investigation. The Human Rights Commission (HRC) has reviewed the report entitled, "*The Human Rights Commission Violated the City's Purchasing Rules, Circumventing Controls and Policies*" and does not dispute the findings. We also concur with the nine recommendations identified by the Controller's City Services Auditor Division. The diligent and thoughtful work that went into compiling this report and its recommendations reinforces the importance of the reforms already underway at HRC. We are pleased to note that eight of the nine recommended corrective actions have been implemented fully by the department, and the last recommendation is nearing full implementation.

In our service to the people of San Francisco, the Human Rights Commission holds no greater responsibility than to manage public dollars responsibly, transparently, and with integrity. Because of the significant impact that HRC resources can have for our most vulnerable populations, it is all the more important that we fully implement the controls and procedures that ensure public dollars are being used effectively. The department has already taken steps to address the compliance issues outlined in the report, and we look forward to continued city partnership in improving our fiscal practices.

It is worth stating clearly that these findings are historical; they represent a rearview look. While the title of the report suggests a department-wide culture of non-compliance at HRC, I know that the current employees of the department are dedicated to full compliance with city rules and committed to fulfilling our mission of uplifting all of San Francisco's communities, especially those who are the most marginalized.

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Furthermore, I want to acknowledge the many community partners we have collaborated with or funded in the past who continue to remain focused on serving their communities with integrity. HRC is taking the necessary steps to meet this moment with responsive actions and a firm commitment to upholding the highest standards of service and compliance so that the public can have full confidence in our decisions and operations.

Actions Already Taken
To date, some of the measures taken and implemented under management of our Chief Financial Officer are as follows:

- Since September 2024, members of the Controller's Financial & Accounting Support Team (FAST) have been embedded at the department, helping staff implement segregation of duties, strengthen internal controls, and establish sustainable compliance practices.
- In September 2024, I issued a department-wide memo instituting a strict compliance protocol requiring verification and preapproval of all suppliers. The department's Prop Q purchases are now automatically routed to the Office of Contract Administration and the Controller's Office for review until further notice.
- Following the department-wide Prop Q training held in October 2024, all purchasing staff completed a five-part procurement and payment training series led by the Office of Contract Administration which concluded in December 2024.
- All grant payments are tied to contract numbers and purchase orders in the City's financial system, with strict monitoring to ensure awards do not exceed authorized amounts.
- All purchasing staff are trained and required to use existing City term contracts whenever possible, reinforced with support from the Office of Contract Administration.
- The department only processes vendor invoices that are properly formatted, contain actual amounts (not estimates), and include complete detail for verification. All department staff have been trained in this requirement and accounting staff verify alignment prior to all payments.
- The department has implemented full segregation of duties across pre-approvals, purchase order initiation, payment initiation, validation, and approval, ensuring that no staff member can both submit and approve an expense, among other safeguards.
- An Advance Payment Policy, reviewed by the Controller's Office in July 2024, governs all advance payments, which have been fully compliant since its adoption.
- In August 2025, HRC issued an updated Expenditure Approval Policy on Allowable and Unallowable Grant Expenses, providing staff and grantees clear and consistent guidance aligned with Citywide fiscal standards; the original Policy was issued in August 2024.

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Commitment to Compliance and Collaboration
The Human Rights Commission is firmly focused on the future. To continue our progress towards rebuilding trust, transparency, and sustained compliance and accountability, HRC will:

- Finalize draft policies governing food and gift card purchases that are currently pending review by the Controller's Office.
- Provide regular updates to the Controller's Office on implementation of all audit recommendations.
- Reinforce, support, and sustain a department-wide culture of compliance and accountability (for example, through our weekly Office Hours to support staff with resolving compliance questions).
- Work closely with the Controller's Office and the Office of Contract Administration to continue efforts to reform and improve financial practices as necessary moving forward.

While we have made much progress on implementing the necessary administrative reforms and controls, it is clear that the department must work diligently to regain the confidence of all stakeholders — a commitment we will uphold for as long as it takes. We remain focused on following through with our restructuring in a way that both honors HRC's impact and ensures full compliance with city guidelines. Where there are city rules and processes that are complex or difficult to navigate, our response will be to partner with city leadership to pursue administrative, procedural, or legislative remedies.

Looking ahead, the Human Rights Commission will continue to reflect the values of the city, leading the way in protecting civil rights, championing vulnerable communities, and reinforcing fair and just practices for all San Franciscans.

Sincerely,

Mawuli Tugbenyoh
Acting Executive Director
San Francisco Human Rights Commission

Cc:
Leah Pimentel, Commission Chair, San Francisco Human Rights Commission
Phil Kim, Deputy Director, San Francisco Human Rights Commission
Samuel Thomas, Chief Financial Officer, San Francisco Human Rights Commission

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Office of the Controller's Accounting Operations and Supplier Division

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

TO: Mark de la Rosa
Director of Audits
Office of the Controller, City Services Auditor

DATE: September 5, 2025

SUBJECT: **Re: The Human Rights Commission Violated the City's Purchasing Rules, Circumventing Controls and Policies**

Dear Mr. de la Rosa,

The Accounting Operations and Supplier Division recognizes and appreciates the work of the City Services Auditor Division in its audit of the Human Rights Commission's compliance with delegated departmental purchasing authority and other financial transactions. We thank you for the opportunity to review and respond to the report.

Our office concurs with the recommendation provided in your audit.

We are committed to helping departments achieve fiscal compliance and accuracy through meaningful policies, security, and controls. We look forward to working with other stakeholders to implement an enforcement mechanism on access or user roles, and are confident this process will lead to more efficient, effective, and accountable government.

Sincerely,

Jocelyn Quintos
Chief Accounting Officer &
Director of Accounting Operations and Supplier Division

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Office of Contract Administration

City & County of San Francisco
Daniel Lurie, Mayor

Office of the City Administrator
Carmen Chu, City Administrator

September 4, 2025

Mark de la Rosa
Director of Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco CA 94102

Subject: Response to the Audit Report: *The Human Rights Commission Violated the City's Purchasing Rules, Circumventing Controls and Policies*

Dear Mr. de la Rosa,

Thank you for the opportunity to respond to the audit report, *The Human Rights Commission Violated Purchasing Rules, Circumventing Controls and Policies*. We appreciate the time and effort expended by you and your team in preparing the report.

The Office of the Contract Administration (OCA) concurs with the audit recommendation. In implementing this recommendation, OCA, the Controller, and the departments will need to collaborate. While OCA establishes the content for the Prop Q trainings, the departments identify and assign staff to attend these trainings, and the Controller System's team manages the system design for user access to the roles required for Prop Q purchasing authority, trainings, and related activities.

In addition to the recommendation, OCA, the Office of the City Administrator, and the Controller's City Services Auditor are planning to conduct a program audit of Prop Q purchases across the City. The recommendation from this audit and the additional planned audit work will both advance adherence to transparency and good government requirements.

Best,

Stephanie Tang
Deputy City Administrator

sf.gov/city-administrator

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled Agency Response whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
Human Rights Commission should:		
1. Ensure all employees responsible for initiating or approving payments receive the required training related to Prop Q payments, direct vouchers, single payments, non-purchasing payments, and employee reimbursements.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** December 2024 **Implementation plan:** All employees responsible for initiating or approving payments have completed a five-part procurement training series with the Office of Contract Administration (OCA), which concluded December 2024. Additionally, the department conducted a mandatory, agency-wide Prop Q training in October 2024 to ensure all staff understand requirements related to direct vouchers, single payments, non-purchasing payments, and reimbursements. These trainings directly fulfill the recommendation to ensure comprehensive knowledge and compliance with Prop Q and payment processes.	☐ Open ☒ Closed ☐ Contested
2. Comply with eligible uses of Prop Q and proactively consult with the Office of Contract Administration on questions regarding the use of Prop Q.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** December 2024 **Implementation plan:** In August 2024, HRC issued an updated Expenditure Preapproval Policy and Procedures, which was further revised and enhanced in July 2025. This policy provides expanded Prop Q guidance, comprehensive documentation standards, and a required three-week lead time for approvals. The policy also requires proactive consultation with OCA on all questions regarding the use of Prop Q, ensuring alignment with City rules.	☐ Open ☒ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
3. Comply with all rules governing other noncontract payments and proactively consult with the Accounting Operations and Supplier Division of the Controller's Office on questions regarding their use.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** October 2024 **Implementation plan:** Beginning September 2024, HRC established a partnership with the Controller's Financial & Accounting Support Team (FAST) to review all noncontract payments. This process enforces segregation of duties, provides additional layers of review, and ensures that staff proactively consult with the Controller's Accounting Operations and Supplier Management (CON AOSD) Division on all questions related to noncontract payments.	☐ Open ☒ Closed ☐ Contested
4. Use existing city term contracts whenever possible. Do not initiate the process to procure a commodity or service unless it cannot be obtained through a city term contract.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** December 2024 **Implementation plan:** During Prop Q trainings that concluded in December 2024, the HRC instructed all purchasing staff to use existing City term contracts whenever available and not initiate procurement of commodities or services outside those vehicles unless necessary. Compliance is reinforced through our updated workflow with OCA and ongoing monitoring to ensure adherence.	☐ Open ☒ Closed ☐ Contested
5. Obtain approval from the Accounting Operations and Supplier Division of the Controller's Office before making advance payments to grantees and ensure this is documented in the grant agreements.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** July 2024 **Implementation plan:** HRC adopted an Advance Payment Policy, reviewed by CON AOSD in July 2024, which governs all advance payments. Since adoption, all advance payments have been processed in full compliance with the policy. A revised version, aligned with CON's most recent policy updates, is under review and will further ensure advance payments are properly approved and documented in grant agreements before disbursement.	☐ Open ☒ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
6. Ensure that all grant payments are tied to their corresponding contract numbers in the City's financial system and that they do not exceed the maximum grant award amounts moving forward.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** September 2024 **Implementation plan:** All grant payments are now tied to their corresponding contract numbers and purchase orders in the City's financial system. HRC has established monitoring controls to ensure that payments do not exceed maximum grant award amounts. Procurement and accounting teams collaborate to ensure proper processing, directly addressing the recommendation.	☐ Open ☒ Closed ☐ Contested
7. Finalize written departmental policies on paying for food and gift cards and request approval of the policies from the Accounting Operations and Supplier Division of the Controller's Office.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Expected implementation date:** September 2025 **Implementation plan:** Draft departmental policies on food and gift card purchases have been developed and submitted to CON AOSD for review. These policies will be finalized and pending their approval inclusive of any required revisions. HRC agrees that written policies are essential and will prioritize their adoption to ensure clarity and compliance.	☒ Open ☐ Closed ☐ Contested
8. Only pay vendors' invoices if they are in an acceptable format and contain actual amounts (not estimates). Verify that the invoiced commodity or service is sufficiently detailed before processing payment.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** May 2025 **Implementation plan:** HRC has implemented a standard whereby vendor invoices are only processed if they are in an acceptable format, contain actual amounts (not estimates), and provide sufficient detail to verify the goods or services rendered. Formal trainings for staff responsible for payment processing have been conducted on this requirement, with the training series concluding in May 2025. Accounting staff also conduct verification prior to payment. This directly satisfies the recommendation.	☐ Open ☒ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
9. Establish separate roles for staff who initiate, validate, and approve payments.	☒ Concur ☐ Do Not Concur ☐ Partially Concur **Implementation date:** December 2024 **Implementation plan:** With FAST support, HRC has fully implemented segregation of duties across all payment processes. Distinct staff roles now exist for pre-approvals, purchase order initiation, payment initiation, validation, and final approval. This ensures no single employee controls multiple stages of a payment transaction, directly addressing the recommendation and strengthening internal controls.	☐ Open ☒ Closed ☐ Contested
The Office of the Controller's Accounting Operations and Supplier Division should:		
10. Work with relevant city departments, including the Office of Contract Administration, to institute an enforcement mechanism, such as temporarily rescinding access or user roles, when departments continue not to improve in noncompliant areas that have been brought to their attention.	☒ Concur ☐ Do Not Concur ☐ Partially Concur AOSD concurs with the recommendation and will work with stakeholders to develop a procedure to rescind access or user roles for recurring noncompliance. AOSD expects to document and implement a policy in fiscal year 2025-26.	☒ Open ☐ Closed ☐ Contested
The Office of Contract Administration should:		
11. Work with the Office of the Controller's Systems Division to verify that all city employees who can approve or process Prop Q payments have completed the required training, including employees who gained access before the requirement(s) were implemented.	☒ Concur ☐ Do Not Concur ☐ Partially Concur By June 30, 2026, OCA and the Controller's Systems Division will implement a process for review of departmental staff's purchasing roles. Note: OCA released an updated Prop Q training in July 2024 and all authorized purchasers, including those who had completed a recent training, had until October 31, 2024, to complete this updated training. OCA, the Office of the City Administrator Government Operations team, and the Controller's Audits team expect to initiate an audit of departmental Prop Q purchasing, which will include a review of roles and trainings.	☒ Open ☐ Closed ☐ Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.