

The Office of the Treasurer & Tax Collector Improperly Steered Contracts to the Former Chief Assistant Treasurer's Friend's Company

Office of the Treasurer & Tax Collector



Why It Matters

The joint audit and investigation found that the Office of the Treasurer & Tax Collector (TTX), under the direction of former Chief Assistant Treasurer Tajel Shah (Shah), systematically bypassed ethics and procurement policies to steer a \$7 million contract to Shah's friend's company. By selectively and improperly helping the company and manipulating scoring to raise its proposal to first place in the competitive selection process, Shah, representing TTX, undermined the integrity of the process, increased legal and operational risk to the City, and may have eroded public confidence.



Prepared by

**OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR**

June 23, 2026



About the Controller's Office

The Controller is the chief financial officer and auditor of the City and County of San Francisco (City). 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 Controller's Office through an amendment to the San Francisco Charter 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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June 23, 2026

José Cisneros
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Treasurer Cisneros:

The Office of the Controller, City Services Auditor (CSA), Audits Division, presents our report summarizing the results of the audit and investigation we jointly conducted with the Office of the City Attorney. Our audit had as its objective to determine whether the Office of the Treasurer & Tax Collector (TTX) of the City and County of San Francisco (City) complied with the City's and its own procurement policies and procedures in the solicitation and vendor selection processes that led it to choose Mechanical Orchard for a discovery project and subsequent request for proposal (RFP) for the business tax system replacement.

We found that in both instances, TTX's solicitation process was compromised by an undisclosed friendship between the former Chief Assistant Treasurer Tajel Shah (Shah) and the former chief revenue officer of Mechanical Orchard. Also, TTX staff managed both procurements in ways that unfairly benefited Mechanical Orchard. Specifically, under Shah's direction, TTX:

- Improperly used an existing sole source contract with 21Tech to pay Mechanical Orchard for a discovery project that recommended replacement of TTX's business tax system.
- Allowed Mechanical Orchard to bid on the subsequent RFP to replace TTX's business tax system without sharing the results of Mechanical Orchard's work on the discovery project with all proposers to ensure equal access to the same information.
- Repeatedly made decisions that benefited Mechanical Orchard, resulting in it becoming the highest scoring proposal and getting awarded the contract for the business tax system replacement.

Further, a lack of structural segregation between the department's operations and Human Resources functions discouraged the reporting of Shah's misconduct and helped enable the significant procurement irregularities we found. TTX's January 2026 reorganization was a critical step in establishing the independent oversight and ethical safeguards needed to prevent future abuses of authority.

The report includes 8 recommendations for TTX to improve its internal controls and compliance with city procurement rules. Your department's response is attached as an appendix. CSA will work with the department to follow up every 6 months on the status of the open recommendations made in this report.

CSA and the City Attorney's Office appreciate the assistance and cooperation of all staff involved in this audit and investigation. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or (628) 652-9924.

Respectfully,

A handwritten signature in black ink, appearing to read 'Mark de la Rosa', written in a cursive style.

Mark de la Rosa
Director of Audits

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

Executive Summary

In response to the Treasurer's request for an independent investigation, the Office of the Controller's City Services Auditor and Office of the City Attorney of the City and County of San Francisco (City) launched a joint audit and investigation concerning the allegations of steering and conflict of interest in the selection of a vendor for the replacement of the business tax system at the Office of the Treasurer and Tax Collector (TTX).

Why It Matters

Biased and uncompetitive solicitations encourage favoritism, risk the misuse of public funds, and undermine the City's ability to secure cost-effective, reliable vendors. Improprieties such as these, committed by city employees, erode transparency and public trust.

WHAT WE FOUND

Under the direction of former Chief Assistant Treasurer Tajel Shah (Shah), TTX improperly steered contracts to Shah's friend's company, Mechanical Orchard. Shah abused her position's authority and TTX could not have prevented all of Shah's actions, but it could improve controls to prevent or detect such actions earlier.

On multiple occasions, Shah advised TTX staff to take improper steps that directly benefited Mechanical Orchard. Taken together, these steps resulted in TTX awarding the contract to Mechanical Orchard.

TTX's organizational structure inhibited staff's ability to raise concerns and contributed to a lack of checks and balances. TTX has since implemented a leadership reorganization to address these deficiencies.



WHAT WE RECOMMEND

The report includes 8 recommendations for TTX to improve its internal controls and compliance with city procurement processes. Key recommendations include that TTX should:

- Comply with city policies for procurement of professional services, including any future discovery projects. When discovery work is expected to inform or lead to a request for proposal, the discovery projects should be conducted through an open and competitive process and ensure that all non-proprietary discovery results are made publicly available before issuing the solicitation to ensure all potential vendors have equal access to information.
- Reevaluate the request for proposal's scope of work and determine if it is appropriate for the business tax system replacement project.
- Foster an ethical organizational culture of transparency in which policy compliance is valued at all levels.

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Glossary

Administrative Code	San Francisco Administrative Code
Campaign and Governmental Conduct Code	San Francisco Campaign and Governmental Conduct Code
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
HR	Human Resources
IT	Information Technology
LBE	Local Business Enterprise
MQs	Minimum Qualifications
OCA	Office of Contract Administration
RFP	Request for Proposal
TTX	Office of the Treasurer and Tax Collector

Introduction

BACKGROUND

Office of the Treasurer & Tax Collector

The Office of the Treasurer & Tax Collector (TTX) serves as the banker, tax collector, collection agent, and investment officer of the City and County of San Francisco (City). The department's mission is to collect and safeguard the City's money and to assist low-income San Francisco families in building economic security and mobility.

The Business Tax System and Project to Replace It

TTX is responsible for administering the City's business tax pursuant to the San Francisco Business and Tax Regulations Code. According to TTX, its current business tax system, which has been in place for over 10 years, is becoming obsolete and needs to be replaced.

21Tech Supports the Existing Business Tax System

Since 2013 TTX has had a sole source contract with 21 Tech LLC (21Tech) that requires it to configure online tax forms and to support the City's system of record for administering business taxes. The contract has been amended multiple times to extend its term and increase its value. The most recent amendment extended the contract to 2033, increasing its value to more than \$18 million since 2013.

A Discovery Project Was Undertaken to Assess Needs

In 2023, Mechanical Orchard was paid \$65,000¹ by TTX to conduct a discovery project to assess the feasibility, expected cost, and level of effort to modernize the department's business tax system. The discovery project was completed under an existing sole source contract between TTX and 21Tech and was completed in November 2023.

¹ TTX paid Mechanical Orchard through 21Tech. The total invoice was \$68,250, \$65,000 of which was directly for Mechanical Orchard and \$3,250 for 21Tech, which it stated was for a markup and overhead/administrative and legal costs.

Request for Proposal for a New Business Tax System

In April 2024 TTX issued a request for proposal (RFP) to replace its business tax system. The RFP calls for the custom development of a standalone application that seamlessly integrates with the existing business tax system's infrastructure and is to serve as the system of record for business taxes. In November 2024 TTX issued a notice of intent to award the contract to Mechanical Orchard. Mechanical Orchard withdrew from contract negotiations on September 24, 2025, one day before The San Francisco Standard (The Standard), a digital news outlet, published its article related to the system replacement procurement.

Allegations of Steering and Conflict of Interest

On September 25, 2025, The Standard² published an article alleging improprieties in TTX's selection of Mechanical Orchard to replace the City's business tax system, including a potential conflict of interest involving Tajel Shah (Shah), the department's chief assistant treasurer at the time, and her undisclosed friendship with Mechanical Orchard's then-chief revenue officer, Roque Versace (Versace). The article also alleged that just weeks before TTX issued the RFP for the business tax system replacement, a Mechanical Orchard subcontractor, Ratio PBC, hired Shah's niece. The article stated that The Standard had received a copy of a whistleblower report of these allegations made to the Ethics Commission in late 2024. After The Standard contacted TTX and Mechanical Orchard for comment on the allegations, Mechanical Orchard withdrew from contract negotiations.

At the Treasurer's request, the Office of the Controller (Controller), City Services Auditor, and the Office of the City Attorney (City Attorney) jointly initiated this audit and investigation to identify any law and policy violations related to the allegations and make recommendations to prevent such violations from occurring again in the future. TTX released Shah from her exempt position effective November 21, 2025.

² The San Francisco Standard, "Top city official suspended after Standard investigation into alleged bid-rigging," September 25, 2025.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether TTX's solicitation and vendor selection processes for the 2023 discovery project and 2024 RFP for the business tax system replacement complied with city and departmental procurement policies and procedures.

METHODOLOGY

To achieve the objective, we:

- Along with a City Attorney investigator, interviewed:
 - Key TTX employees responsible for the business tax system replacement RFP or related processes in procurement and contracting to understand the internal control environment.
 - All 5 scoring panelists for the business tax system replacement RFP.
 - Key staff from the Contract Monitoring Division, Department of Technology, and Office of Contract Administration.
 - Treasurer José Cisneros and TTX senior managers.
 - Tajel Shah, former chief assistant treasurer.
 - Roque Versace, former chief revenue officer of Mechanical Orchard.
 - Executive management from Ratio PBC and 21Tech.³
- Reviewed the discovery project's scope of work and results; compared the recommendations in the discovery project results report with the business tax system replacement RFP.
- Reviewed the business tax system replacement RFP process, including score sheets and pricing submissions.
- Reviewed city policies and procedures on procurement and ethical obligations of employees in contracting.
- Assessed potential ethical and legal violations related to Shah and the alleged conflict of interest with Mechanical Orchard.

³ Mechanical Orchard declined to participate in an interview.

Results

Finding 1 – Despite TTX’s ethics policies, Shah abused her position to secure government contracts for a friend’s business.

As chief assistant treasurer, Shah reported directly to the Treasurer. She oversaw the Human Resources function, was 1 of 2 points of contact for reports of staff having possible conflicts of interest, and, according to TTX employees, was seen as the person at TTX who knew the most about contracting and procurement rules. Her knowledge and experience caused staff to defer to her judgment about how to select and procure professional services for TTX.

Shah did not disclose in writing her friendship with a senior manager of Mechanical Orchard before TTX gave it a \$65,000⁴ subcontract for the discovery project and a \$7 million contract (later negotiated to \$10 million) for the business tax system replacement project.

Shah’s failure to disclose her friendship with Mechanical Orchard’s then-chief revenue officer, Versace, violated TTX policy and may have violated city ethics rules requiring disclosure of any relationship that could cause the public to question her ability to act for its benefit. Because Shah did not disclose the friendship, the Treasurer did not have the opportunity to mitigate actual or apparent conflicts of interest in either of the 2 procurement processes. If Shah had formally disclosed her friendship with Versace in writing, as required by TTX policy, others involved in the business tax system replacement procurement might have questioned Shah’s decisions that benefited Mechanical Orchard.

Shah understated her role and involvement in the process TTX used to select Mechanical Orchard to replace the business tax system. In fact, she directed staff to manipulate the process so Mechanical Orchard would get the \$7 million contract.

During our joint audit and investigation, Shah significantly understated her role in the business tax system replacement RFP process. She stated she did not have a role in the RFP process and described her role as overseeing the process at a total level, but the

⁴ TTX paid Mechanical Orchard through 21Tech. The total invoice was \$68,250, \$65,000 was for Mechanical Orchard and \$3,250 for 21Tech, which it stated was for a markup and for overhead/administrative and legal costs.

evidence we gathered demonstrates that Shah directed nearly all phases of the RFP process. Based on interviews and review of emails and documentation, Shah's directions to her subordinates changed the proposers' scores, which lifted Mechanical Orchard to first place and caused it to receive the contract.

As discussed in detail in the following findings, on multiple occasions Shah advised TTX staff to take improper steps that directly benefited Mechanical Orchard. Taken together, these steps resulted in TTX awarding the contract to Mechanical Orchard. The instances in which Shah instructed TTX staff to act in ways that benefited Mechanical Orchard were so numerous, it appears that she intended to selectively assist the firm in violation of city law and policy.

Finding 1.1 – At Shah's direction, TTX violated city policy by using an existing sole source contract to pay Mechanical Orchard for the discovery project.

The discovery project required professional services and should have gone through a solicitation process under the San Francisco Administrative Code (Administrative Code), Chapter 21, and subject to the other contracting requirements in city law, including review and approval in writing by the Office of Contract Administration (OCA) and City Attorney. At a minimum, TTX should have conducted an informal solicitation. Instead, Shah improperly facilitated the process to use an existing sole source contract with 21Tech to subcontract with Mechanical Orchard for the discovery project and 21Tech complied with this request, although 21Tech noted that it was unusual not to be involved in the work or oversight of the project. Mechanical Orchard then worked with an additional unapproved subcontractor, Ratio PBC, to perform the project.

The discovery project was outside of the 21Tech contract's approved contract's scope of work and sole source justification.

The discovery project was a professional evaluation of how the City could best update its business tax system to work with current software applications. These professional services did not fall within the existing 21Tech scope of work covered by the original contract, which was to configure online tax forms and to support the City's system of record for administering business taxes.

In 2013 TTX obtained a sole source waiver of competition under [Administrative Code Section 21.5\(b\)](#) to contract with 21Tech because 21Tech was the only vendor with exclusive rights to work on the proprietary business tax system. In 2019 TTX began relying on [Administrative Code Section 21.30](#), which is a software-specific sole source purchasing authority, to amend the contract with 21Tech

without competition. Although Section 21.30 provides that software services agreements are not subject to the requirements of the City's Administrative, Labor and Employment, or Environment Codes, according to OCA, it requires departments to obtain OCA's approval to forego the competitive solicitation process for these software licensing and support services contracts.

Further, the reliance on Section 21.30 does not eliminate the need for contracts to be reviewed by the City Attorney. By definition, sole source contracting typically precludes the use of subcontractors, since the sole source vendor is deemed the only entity who can perform the work. TTX could not have amended the sole source waiver to add the discovery project, because it is not work that only 21Tech could do. If TTX wanted to demonstrate that Mechanical Orchard was the sole entity that could perform the discovery project, it could have applied for a separate sole source waiver and established a separate sole source contract.

21Tech confirmed that it did not directly work on the discovery project, only providing \$2,933 of consulting time for its architect to answer questions from Mechanical Orchard about the project. TTX paid \$68,250 to Mechanical Orchard through 21Tech for the engagement, \$3,250 of which went to 21Tech as a markup.⁵ This arrangement was wholly improper because TTX used this sole source contract to pay Mechanical Orchard for out-of-scope work.

TTX violated city rules by using an existing contract for out-of-scope work.

We found that Shah facilitated the process for TTX to improperly use the department's sole source contract as the vehicle to pay for out-of-scope work that the department would have otherwise been required to bid out. According to Shah, TTX had money leftover in its existing contract with 21Tech and the discovery project itself was below the required threshold to put it out to bid. But under Chapter 21 Rules and Regulations, OCA required solicitation for any professional services contract over \$10,000 in 2023. As the signatory for TTX on amendments 6 through 12 of the 21Tech contract, Shah should have been aware of the contract requirements and familiar with the process for amending the written contract with City Attorney approval but disregarded both.

TTX's improper use of 21Tech's contract without review by OCA and the City Attorney and without following the necessary procurement

⁵ According to TTX, 21Tech's markup is typically 20%, but TTX negotiated a markup of 5% for this project.

requirements undermines public trust and risks damaging the City's relationship with a longstanding vendor, 21Tech. By circumventing contract requirements (on adding a subcontractor and expanding the scope of work in this case), Shah demonstrated that some city employees are willing to direct work to vendors outside of legally required processes and procedures. The City benefits from robust competition to win the work for which it contracts. If companies believe they cannot win in a fair process, they may choose not to bid or conclude that they must engage in unethical practices to obtain city contracts.

By not competitively procuring the discovery project, TTX may have deprived the City of the opportunity to work with the most qualified vendor. Mechanical Orchard was only incorporated in 2022, and it relied on a subcontractor, Ratio PBC, for expertise in the discovery project, indicating that Mechanical Orchard may not have had employees with the experience and skillset to do the work.

Finding 1.2 – TTX allowed Mechanical Orchard to compete in a subsequent RFP, the \$7 million business tax system replacement contract, and did not share Mechanical Orchard's discovery project results with all proposers to ensure equal access to the same information.

Discovery projects assess needs, costs, and potential risks to better understand large or complex projects in advance. Federal regulations state they should:

- Be transparent and competitive if the work is reasonably expected to inform or lead to a future solicitation.
- Provide equal access to information and avoid situations in which one vendor gains insight into a department's needs, constraints, or procurement strategy that is unavailable to other potential bidders.

Source: 2 CFR 200.319 and FAR 9.5

Upon completion of the discovery project for TTX, Mechanical Orchard sent TTX a 74-page report of findings and recommendations. 21Tech confirmed it did not receive a copy of the final report from Mechanical Orchard, despite performing the work under a 21Tech contract with TTX. According to the discovery project report, dated November 9, 2023, Mechanical Orchard studied user manuals, interviewed key stakeholders and subject matter experts, executed an in-person workshop with TTX staff, and conducted an in-depth study and technical deep dive into TTX's current business tax system.

As a result of its work on the discovery project, Mechanical Orchard likely had inside information gleaned during the discovery project. Yet TTX did not provide the discovery project report to all proposers for the business tax system replacement. This creates a perception that Mechanical Orchard may have received an unfair advantage in creating its proposal for the larger system replacement RFP. Nor did the initial discovery project limit Mechanical Orchard's ability to compete for any subsequent TTX contract resulting from the discovery project. Thus, Mechanical Orchard may have had an incentive to recommend a system replacement rather than upgrades to the existing system.

During negotiations for the discovery project in 2023, Mechanical Orchard proposed that the scope of work include developing content

for a future RFP for the business tax system replacement. TTX removed this language from the discovery project contract’s draft scope of work, but Mechanical Orchard’s recommendations appear to have informed the scope of work and requirements of the subsequent RFP, as shown in Exhibit 1.

Exhibit 1: The business tax system replacement RFP closely mirrors Mechanical Orchard’s discovery project recommendations

Mechanical Orchard’s Discovery Project Recommendations	Business Tax System Replacement RFP’s Scope of Work
<ul style="list-style-type: none"> Build out new tax system in 2 phases. Estimated cost of \$7-\$10 million. Estimated annual operation cost of \$500,000. 	<ul style="list-style-type: none"> Application development cost should not exceed \$7 million plus contingency (fee). Managed services and support cost not to exceed \$500,000 annually.
<ul style="list-style-type: none"> Replace existing system with a “digital twin,” which provides equivalent functionality at each interface. 	<ul style="list-style-type: none"> Provide a functional twin of the existing system.
<ul style="list-style-type: none"> Use cloud-native, custom-build software system. 	<ul style="list-style-type: none"> Provide a custom build, cloud-based software application.
<ul style="list-style-type: none"> Develop requirements for service-level objectives, including (system) availability, recovery point objective, and recovery time objective. Disaster recovery solution should be designed and implemented to meet service-level objective. 	<ul style="list-style-type: none"> Provide ongoing maintenance and disaster recovery support.

Source: Discovery project report (November 9, 2023); RFP for business tax system replacement (April 30, 2024)

California law **prohibits** contractors from competing for contracts in which they assisted the government entity in preparing the request for proposal. The law carves out a safe harbor for contractors to participate in conceptual, preliminary, or initial plans but only where “all bidders or proposers for the subsequent contract have access to the same information, including all conceptual, preliminary, or initial plans or specification.”

Source: California Government Code § 1097.6(b)(2)

Thus, Mechanical Orchard had access to information unavailable to other vendors, giving it a competitive advantage when preparing its proposal to replace the business tax system. In a letter dated September 24, 2025, Mechanical Orchard withdrew from contract negotiations citing its inability to reach contractual terms and a contract was never executed. It withdrew after The Standard contacted them for comment for its September 2025 article. Mechanical Orchard might have been prohibited from finalizing the contract under state law, because it participated in conceptual or preliminary plans for the business tax system replacement and other proposers did not have equal access to the same information.

Nevertheless, to safeguard the integrity of the competitive selection process for the system replacement, TTX should have made all the discovery project materials available to all proposers or prohibited Mechanical Orchard from competing for the business tax system replacement contract subsequent RFP.

TTX did not share the discovery project findings or recommendations publicly before the business tax system replacement RFP proposals were due. By relying on a single vendor to conduct non-public discovery, TTX increased the risk that Mechanical Orchard had an unfair competitive advantage in the subsequent RFP. This also undermined TTX's ability to demonstrate that the procurement was fair, impartial, and transparent, which is required by public procurement rules and best practices.

Finding 1.3 – Shah's failure to disclose in writing her personal friendship with a potential city vendor may have violated city law, created litigation risk, undermined public trust, and damaged the City's reputation by supporting the problematic narrative that vendors must have friends in high places to get city contracts.

Shah failed to disclose her personal relationship in writing despite TTX policy requiring her to do so.

According to Shah, she learned of Mechanical Orchard and the work it did in early 2023 from her friend, Roque Versace. According to Versace, at that time, he was Mechanical Orchard's chief revenue officer. Shah and Versace both acknowledge that they and their families are close friends. However, Shah did not disclose her friendship with Versace or act to mitigate the risk or appearance of favoritism and cronyism when she added Mechanical Orchard as a subcontractor to the 21Tech contract so Mechanical Orchard could conduct the discovery project. Nor did she do so later when she oversaw the business tax system replacement RFP, which resulted in the contract award to Mechanical Orchard.

Although Shah's actions in this matter predate the 2024 change in city law heightening administrative penalties for a lack of disclosure, city law now provides that, in addition to possible discipline:

City employees may be subject to a penalty of up to \$5,000 for failure to disclose a personal or professional relationship that could call into question the employee's ability to act for the benefit of the public.

Source: Campaign and Governmental Conduct Code, Section 3.214(b) and Section 3.242(b) (Proposition D, operational October 12, 2024)

During our interview of her and in a letter she provided to the Controller and City Attorney as part of this audit, Shah stated that she verbally informed the Treasurer and TTX senior managers that she "knew" Versace. She also stated that she did not feel the need to disclose this friendship because the Treasurer and other TTX senior managers had met Versace at her birthday party in 2019.

Shah may have verbally disclosed her friendship with Versace to the Treasurer and other TTX senior managers when they met him at Shah's 2019 birthday celebration. However, Mechanical Orchard was not established until 2022 and did not become involved with TTX until 2023. Thus, they could not have known at the time that Versace would become an officer of a company that did not yet exist and that this company would, years later, be engaged to conduct work for TTX. The Treasurer and TTX senior managers we interviewed all denied knowing that Versace worked at Mechanical Orchard when it was proposing to work for TTX in 2023 and 2024.

TTX's conflict of interest policy requires written disclosure, and Shah's failure to disclose the relationship in writing may have left the department vulnerable to allegations of favoritism in its procurement processes and litigation alleging that the awards to Mechanical Orchard were unfair and illegal.

City law requires disclosure of certain relationships:

A City officer or employee shall disclose on the public record any personal, professional, or business relationship with any person who is the subject of ... a governmental decision being made by the officer or employee where as a result of the relationship, the ability of the officer or employee to act for the benefit of the public could reasonably be questioned.

Source: San Francisco Campaign and Governmental Conduct Code, Section 3.214.

Also, Shah was the most senior TTX employee addressed on the email message approving the addition of the discovery project to the 21Tech agreement. Because the contract amendment was not approved by the Treasurer himself, the only TTX employee superior to Shah, her failure to disclose her friendship with Versace in writing may have violated the [San Francisco Campaign and Governmental Conduct Code \(Campaign and Governmental Conduct Code\), Section 3.214](#).

This law provides that a court may void a governmental decision where an employee's failure to disclose was willful and they did not "render their decision with disinterested skill, zeal, and diligence and primarily for the benefit of the City." According to TTX staff, Shah directed them to have 21Tech subcontract with Mechanical Orchard on the discovery project because Shah recognized 21Tech, as the entity responsible for the existing system, might have blind spots when it comes to evaluating alternative strategies. Based on interviews and review of emails and documentation, Shah was TTX's ultimate decision-maker who improperly directed 21Tech, a vendor with a longstanding sole source contract with TTX, to agree to a subcontract with Mechanical Orchard, as discussed in [Finding 1.1](#). Her failure to disclose her friendship with Versace may have undermined public trust and exposed the department and City to significant reputational and legal risk.

[After the change in city law authorizing fines for failure to disclose a friendship, Shah tried to avoid signing the business tax system replacement contract with Mechanical Orchard.](#)

In late November 2024, weeks after TTX had notified interested parties about the award of the business tax system replacement contract to Mechanical Orchard, Shah informed the Mayor's Budget Office that she would be signing TTX's \$7 million agreement with Mechanical Orchard. Shah typically signed TTX technology contracts, and she had signed the last 3 technology contracts for the department.

However, in March 2025 Shah emailed the Tax Collector, her peer and fellow senior manager who also reported directly to the Treasurer, stating that the Treasurer wanted the Tax Collector to sign the Mechanical Orchard contract. Shah did not copy the Treasurer on this

message. We asked the Treasurer about this, and he denied having expressed a preference for the Tax Collector to sign the agreement.

Shah's attempt to avoid signing the contract makes it appear that she sought to distance herself from a transaction that, under changes to the Campaign and Governmental Conduct Code that became operational on October 12, 2024, would have exposed her to financial penalties for failing to disclose her relationship with Versace. Because Mechanical Orchard withdrew its proposal and the contract was never signed, we find no violation of the Code on this basis. Nonetheless, Shah clearly violated TTX policy by failing to disclose the friendship in writing.

Finding 1.4 – Shah's communications with Mechanical Orchard and Ratio PBC about her niece's resume, which occurred between Mechanical Orchard's completion of the discovery project and the department's issuance of the business tax system replacement RFP, created an appearance of "pay-to-play" that may have undermined public confidence in the integrity of city employees and city procurement processes.

In January 2024, 2 months after Mechanical Orchard and Ratio PBC completed the discovery project but before TTX issued the business tax system replacement RFP, Shah contacted Versace⁶ and Ratio PBC's chief executive officer about potential employment opportunities for her adult niece. Ratio PBC was a subcontractor of Mechanical Orchard on the discovery project.

Shah admitted she introduced her niece to Versace for general career mentoring guidance, but she:

- Denied ever communicating with Ratio PBC about her niece.
- Claimed she did not know that Ratio PBC worked on the discovery project with Mechanical Orchard.
- Said she had never met Ratio PBC's chief executive officer.
- Stated that Ratio PBC was not listed as a subcontractor during contract negotiations with Mechanical Orchard for the business tax system replacement.

However, email messages show that in January 2024 Shah contacted Ratio PBC's chief executive officer directly to thank him for his firm's work on the discovery project before asking if she could connect her niece with him. Also, the version of the draft contract with Mechanical Orchard for the business tax system replacement (dated 2 days

⁶ According to both Shah and Versace's legal counsel, Shah contacted Versace about a potential employment opportunity for her niece at Mechanical Orchard, but we do not have email communication to verify.

before Mechanical Orchard withdrew) included Ratio PBC listed as a possible subcontractor.

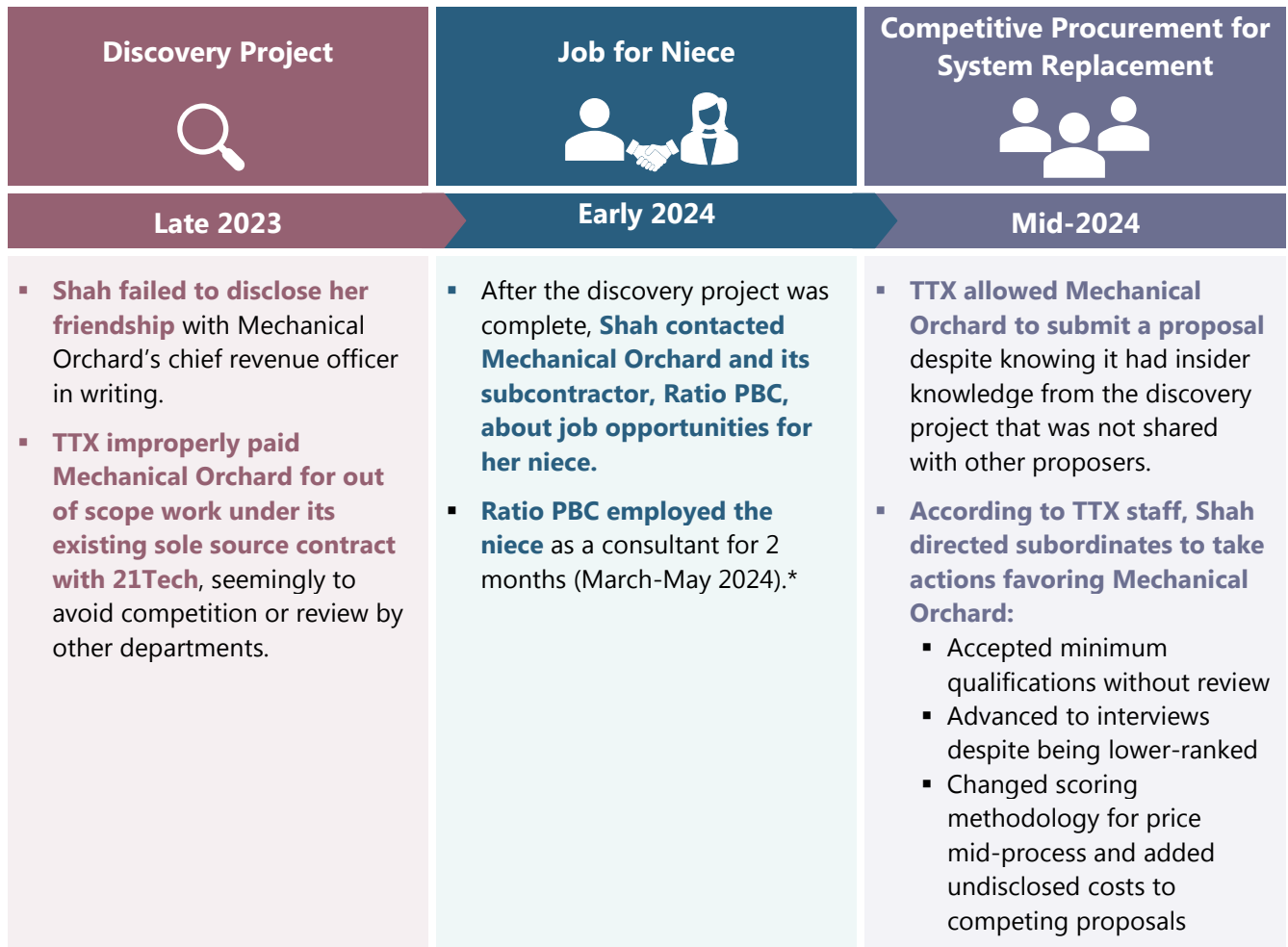
This conduct by Shah occurred before a relevant change in city ethics laws. Before October 12, 2024, the definition of bribery in city law did not include soliciting something of value for another person. Shah's solicitations of employment for her niece in January 2024 did not violate city law. In March 2024, San Francisco voters passed Proposition D that expanded the definition of bribery under the Campaign and Governmental Conduct Code to prohibit soliciting anything of value "for the benefit of any person" as a reward or incentive for performing an official act.

Regardless of the applicable local law, seeking a job for a relative from a prospective vendor is inconsistent with the high standard of conduct required in public procurement. Shah's communications, which resulted in paid consulting work for Shah's niece,⁷ created an appearance of a quid pro quo ("this for that") where Shah extracted a favor in exchange for improperly directing work to Mechanical Orchard and Ratio PBC.

As discussed below, Shah's later actions to benefit Mechanical Orchard's proposal for the business tax system replacement (using Ratio PBC as a subcontractor) may support a finding that Shah selectively helped a friend in exchange for benefits for a relative. Exhibit 2 summarizes a series of actions by Shah that created the appearance of "pay-to-play" in the business tax system replacement procurement process.

⁷ According to Ratio PBC, Shah's niece was employed from March 22, 2024, through May 31, 2024.

Exhibit 2 – The timing and pattern of selective assistance raise concerns that Shah may have steered the discovery project and procurement process in connection with her niece’s employment



* Ratio PBC represented that it followed its standard interview and screening process before hiring the niece for a discrete project.
 Source: CSA Analysis; TTX; Ratio PBC

Finding 1.5 – TTX, through Shah’s directives, repeatedly provided selective assistance to Mechanical Orchard until its proposal for the \$7 million business tax system replacement contract was ranked first.

Shah understated her role and involvement, when she fully guided her staff throughout all stages of the RFP process.

While the City’s chief assistant treasurer, Shah played a significant role in the procurement process for the business tax system replacement, and she influenced key stages of the process. Although she stated she was not a decision-maker, interviews and documentation show that she guided TTX staff throughout the RFP process and made several decisions that benefited Mechanical Orchard. Shah denied knowing the ranks of proposers at any stage in the process, but email correspondence confirms that she received information about the

relative rank of proposers at least once after proposals were scored, again before invitations for oral interviews (interviews) went out, and, according to TTX staff, again after the combined proposal and interview scores were tabulated.

Throughout the audit, the TTX staff handling the procurement told us they relied heavily on Shah to guide them throughout the procurement process because the department did not have written process related to procurement. However, in February 2026, current TTX senior management identified procurement policies and procedures that existed during the audit scope (2023 and 2024). Federal guidance states that management should document policies and procedures and that management should communicate them entity-wide so that employees can implement the needed control activities.

Industry Best Practices state that:

Management documents in policies and procedures responsibilities of each unit in an entity's organizational structure.

Management communicates the policies and procedures entity-wide so that personnel can implement the control activities for their assigned responsibilities.

Source: Standards for Internal Control in the Federal Government <https://www.gao.gov/assets/gao-14-704g.pdf>.

Although TTX procurement policies and procedures existed and were later found, their effectiveness was undermined because management did not communicate or provide them to staff. Thus, staff that handled the business tax system replacement solicitation process relied heavily on Shah throughout the RFP process rather than following (or attempting to follow) the policies and procedures. TTX staff said that Shah made or directed decisions at every step of the process. We interviewed TTX staff who handled the business tax system replacement solicitation process and reviewed calendar invitations, emails, and individual meeting notes, and all of these demonstrate Shah's active involvement in the procurement. Examples include that Shah:

- Examined the language of communications before TTX staff contacted proposers.
- Reviewed and edited TTX's responses to questions from proposers before the responses were made public.
- Reviewed the scores of individual proposers.
- Revised and added undisclosed costs to proposers' bids (discussed in [Finding 1.5](#)).

Panelist scores were not compromised.

After interviewing the panelists for the business tax system replacement RFP and reviewing their score sheets, we found that their scores for the proposals and interviews were not changed.

Documentation and interviews all confirmed that Shah had access to information revealing Mechanical Orchard's ranking throughout the process, despite her statement to us that she never saw proposers' scores or rank order. At Shah's direction, TTX staff took several actions that increased the competitiveness of Mechanical Orchard's proposal for the business tax system replacement RFP.

We interviewed all panelists and reviewed their score sheets and found their scores were not compromised. However, in evaluating the rest of the selection process, after the panelists completed their part

of the process, we identified several decisions by TTX that gave Mechanical Orchard a competitive advantage during the selection process. City law prohibits selective assistance to prospective vendors. The [Campaign and Governmental Conduct Code, Section 3.218](#), currently states that city employees "shall not provide assistance or advice that is not generally available to all persons, in a manner that confers an advantage on any person who is doing business or seeking to do business with the City." This same prohibition was contained within TTX's Statement of Incompatible Activities before October 12, 2024.

As described below, Shah's oversight of the selection process benefited Mechanical Orchard in ways that ensured it won the contract.

Finding 1.5.1 – At Shah's instruction, TTX staff did not verify the minimum qualifications (MQs) of each proposer, and Mechanical Orchard was awarded the contract despite not meeting one of the MQs.

The business tax system replacement RFP required each proposer to establish that it met 5 MQs, including:

- have at least 2 years of experience in developing custom-built, cloud-based software applications, particularly for public sector clients, and
- the primary lead staff must each have a minimum of 3 years doing such work.

According to state records, Mechanical Orchard filed its Articles of Incorporation on December 8, 2022. In an October 2025 press release, Mechanical Orchard represented that it was founded in October 2022. Using Mechanical Orchard's self-reported founding date, it had only been in business for 20 months when it submitted its business tax system replacement proposal to TTX in June 2024.

The business tax system replacement RFP instructions state that city staff will evaluate proposers' MQs. But according to TTX employees, when asked what verification steps were required for the RFP MQ compliance, Shah indicated none and that proposers' self-reported template responses were sufficient. Thus, Mechanical Orchard was able to advance through the selection process and receive the notice of award although it did not meet at least one of the MQs. We did not review other proposals to determine if any other proposer advanced to the interview phase of the selection process despite not meeting an MQ.

Mechanical Orchard's proposal states that the firm met the MQs, but another portion of the proposal states:

"...while Mechanical Orchard has been in operation for just under 2 years, we benefit from a strategic partnership with Ratio Public Benefit Corporation (Ratio PBC), a modern public sector software consultancy with over 3 years of experience."

Although Ratio PBC met the MQ of having at least 2 years of experience, it was not the submitting proposer, Mechanical Orchard was. By not verifying whether proposers met the MQs, TTX allowed a noncompliant proposer to advance through the selection process and deprived qualified proposers a fair opportunity to compete for the contract. If the department's RFP includes MQs, the department should verify proposer compliance with the MQs before proceeding to the next evaluation screening to ensure compliance with the RFP.

If this had been the only irregularity in the solicitation process taken at Shah's behest, it might be plausible that she did not require verification of MQs in the interest of efficiency and did not intend to benefit a noncompliant proposer. But Shah acknowledged knowing that Mechanical Orchard was a relatively new company, and her undisclosed friendship with Versace, combined with the number of times her instructions to staff benefited Mechanical Orchard, suggest that Shah intended to selectively assist Mechanical Orchard.

Finding 1.5.2 – TTX misinterpreted language in the RFP and invited 5 proposers, including Mechanical Orchard, to the interview phase.

The RFP states that the written proposal was worth up to 100 points, the price proposal was worth up to 50 points, and the interview was worth up to 25 points, for a total possible score of 175. During the question-and-answer phase of the solicitation process, TTX told all proposers that the lowest cost would receive the maximum points for the price score (up to 50 points).

TTX received proposals from 12 proposers for the business tax system replacement. As discussed above, TTX did not verify that any of them met MQs. After the proposals were scored, 21Tech was ranked first, 3 proposers received same scores and tied for second rank, and Mechanical Orchard was ranked third.

The business tax system replacement RFP gives TTX the right to interview proposers as part of the selection process, but it included differing language in separate sections of the RFP, specifically that "up to *three of the firms* with the highest scoring proposals may be

interviewed” and that “oral interviews may be conducted for the *top three scoring proposals* that meet the minimum qualifications.” (emphasis added).

Shah proceeded to instruct TTX staff to advance the proposers receiving the top 3 scores to an interview round, and there is no evidence that Shah consulted the City Attorney or OCA to discuss how to approach this inconsistency in the RFP language because she felt this was “cut and dry.” Based on Shah’s guidance to staff, Mechanical Orchard advanced to the interview phase. Exhibit 3 shows the top 5 proposers who were invited to participate in the interview phase.

Exhibit 3: Five proposers advanced to the interview phase despite the RFP stating “up to three of the firms”

Proposer	Hosted by City or Vendor? ^a	Proposal Score	Initial Price Score	Total Score After Round 1	Rank
21Tech LLC	City	82	45	127	1
DataHouse Consulting, Inc.	City	85	34	119	2 ^b
Ernst & Young LLP	City	77	42	119	2 ^b
Vynyl LLC	City	80	39	119	2 ^b
Mechanical Orchard	Vendor	79	34	113	3 ^c

Notes:

^a The Department of Technology defines a city-hosted solution as a system deployed within infrastructure environments that are owned, provisioned, and governed by the City. In this model, the City retains primary control over security, configuration, and access management. A vendor-or third-party hosted solution refers to a system deployed within infrastructure that is provisioned and controlled by the vendor or another third party. In this model, the vendor is responsible for managing the underlying infrastructure, and the City accesses the system as a customer of that service.

^b Three proposers received the same scores and were tied for rank 2.

^c Mechanical Orchard was the fifth proposer invited to interviews and was rank 3.

Source: Scoring sheets

In November 2024 TTX issued a notice of award to Mechanical Orchard, after which a competitor, Vynyl, protested the award because TTX allowed the “advancement of the fifth-place scorer” to the interview phase. Before TTX denied Vynyl’s protest, Shah consulted with OCA referencing the section of the RFP that states “oral interviews may be conducted for the top 3 scoring proposals” but did not reference the conflicting section of the RFP that specifically states, “up to three of the firms with the highest scoring proposals may be interviewed.” Based on Shah’s account of the RFP language, OCA supported denial of the protest. TTX then denied the protest.

OCA indicated to TTX it would not have been proper to advance only 3 proposers, because TTX would have been forced to arbitrarily select 2 of the 3 proposals that tied for second place. OCA told us that

forwarding 5 proposals did not raise concerns based solely on the language Shah provided from the solicitation. Had OCA been made aware of the differing language, it is possible OCA's advice to TTX would have changed, and OCA would have likely advised consultation with the City Attorney to determine how to proceed with the protest. The distinction between the top 3 scoring *proposals* and the top 3 *firms* is subtle, and it is possible TTX did not initially realize the inconsistencies in the RFP language. Still, after receiving Vynyl's protest to the notice of award to Mechanical Orchard, there is no evidence that Shah sought legal advice from the City Attorney's Office. Shah consulted OCA but did not provide all relevant language of the RFP to OCA based on and in TTX's denial letter to Vynyl.

Further, as explained below, after helping Mechanical Orchard get past the screening for MQs and into the optional interview round, Shah changed the scoring methodology for price and added undisclosed costs to other proposals in ways that increased Mechanical Orchard's total final score and moved it into first place.

Finding 1.5.3 – After getting updated pricing from the top 5 proposers, TTX disproportionately added undisclosed costs, which heavily favored Mechanical Orchard's proposal.

Of the 5 proposers TTX advanced to the optional interview round of the business tax system replacement selection process, 4 proposed using the City's cloud services, and 1, Mechanical Orchard, proposed hosting the solution itself. This made it difficult for TTX to compare the relative merits of the proposals, because it was, so to speak, comparing 4 apples to an orange.

According to the Department of Technology, departments should determine in advance whether or not the solution will be hosted by the City and clearly state which is the case in the RFP. Allowing some proposers to choose the City's cloud solution and others to self-host puts proposers on unequal footing and makes it difficult to compare prices.

According to Shah, TTX did not specify a preference in its RFP and question and answer phase whether proposers should host the solution or use the City's cloud. When TTX requested updating pricing from proposers after oral interviews, it did not ask each proposer for 2 prices, 1 for vendor-hosted solution and another for a City-hosted solution, which would have allowed TTX to make an "apples-to-apples" comparison of proposals for each solution. TTX could have also canceled the RFP. Both options would have been more transparent and fairer to all proposers.

Instead, Shah directed TTX staff to request updated prices from each of the 5 proposers to account for any differences in what they proposed orally as compared with their written proposals. After TTX received the updated pricing, Shah met with her staff on October 25, 2024, to calculate and add hosting costs to the 4 proposals that relied on the City to host the system. The added costs totaled \$575,000 and were not disclosed to any of the proposers. According to TTX, these costs were for the use of the City's cloud services, however we could not substantiate the costs based on the support or cost allocation TTX provided to support the cost calculation. TTX also changed its methodology for calculating price score allocations and added contingency amounts. Using the new methodology and adding undisclosed costs for hosting, TTX staff tabulated new total scores.

Competitive award processes must be transparent and fair. Changing the scoring methodology and adding undisclosed costs during the selection process is the opposite of transparent and fair, as it deprives proposers of the opportunity to compete on a level playing field.

Finding 1.5.4 – After tabulating combined total scores, using new pricing methodology, and adding \$575,000 in undisclosed hosting costs to the proposals of Mechanical Orchard's 4 competitors, Shah directed staff to add additional, undisclosed costs of more than \$1 million to each of the competitors' proposals, ultimately changing Mechanical Orchard's ranking from fourth to first.

On October 28, 2024, Shah and TTX staff met again to review the new total scores of the proposals for the business tax system replacement. According to TTX staff, the meeting began with TTX staff noting that Vynyl was the clear winner, but during the meeting Shah directed TTX staff to add *additional* undisclosed costs to each of the proposals to reflect the department's information technology (IT) staffing needs.

On October 30, 2024, Shah and her staff met again to finalize the added costs. Besides the \$575,000 for cloud services, TTX added costs for IT staff support. TTX added \$1.16 million for IT staffing costs to every proposal except Mechanical Orchard's, increasing the total undisclosed costs to \$1.735 million for each of Mechanical Orchard's competitors. In contrast, TTX added only \$116,000 to Mechanical Orchard's proposal for IT staffing costs. We could not substantiate these IT staffing costs based on the support TTX provided for its calculations. According to TTX staff, none of these additional staffing costs were disclosed to the 5 proposers. After these additional staffing costs were added to the proposals, Mechanical Orchard was announced as the winner on November 4, 2024.

In addition to protesting Mechanical Orchard’s advancement to the optional interview phase, Vynyl protested the way that TTX had calculated the pricing scores. Vynyl’s protest correctly noted that TTX had not awarded the maximum points for price (50 points) to the proposer with the lowest cost, contrary to what TTX had indicated it would do during the question-and-answer phase of the solicitation process. TTX denied the protest on the grounds that TTX is not legally required to inform proposers of how each section of the price proposal would be evaluated, and that the objection was raised after the deadline for questions had passed and after the point allocation was shared.

Shah consulted with OCA before denying the protest, but she did not disclose the \$1.735 million in costs that TTX added to Vynyl’s price proposal. We reviewed the \$1.735 million in costs related to cloud hosting, as shown in Exhibit 4, and, based on the support provided by TTX, could not substantiate how the costs were determined.

Exhibit 4: TTX added \$1.7 million in undisclosed costs to all proposers, except for Mechanical Orchard

Proposer	Proposer Costs	Costs Added by TTX			Total
	Application Development and Managed Services & Support	Contingency*	Department of Technology Hosting	TTX IT Hosting Support	
21Tech LLC	\$4,412,639	\$455,642	\$575,000	\$1,160,000	\$6,603,281
Ernest & Young LLP	\$6,300,000	\$510,000	\$575,000	\$1,160,000	\$8,545,000
Vynyl LLC	\$6,618,500	\$280,225	\$575,000	\$1,160,000	\$8,633,725
Mechanical Orchard	\$8,475,000	\$315,000	\$0	\$116,000	\$8,906,000
DataHouse Consulting, Inc.	\$9,414,311	\$1,041,314	\$575,000	\$1,160,000	\$12,190,625

* According to TTX staff, contingency costs were calculated based on assumptions provided by proposers and arbitrarily assigned by TTX.

Source: CSA analysis; TTX RFP points/cost allocation document

Also, based on our review of the score sheets and points allocation, TTX changed the scoring weight to calculate the pricing portion after receiving updated pricing from the top 5 proposers. In the initial evaluation of all 12 proposals, of the 50 maximum points for price, TTX allocated:

- 25 points to application development
- 15 points to cloud infrastructure
- 10 points for managed services and support

However, after receiving updated pricing from the top 5 proposers, TTX modified the scoring weight for the price score, which altered the ranking of the top 5 proposals. According to TTX staff meeting notes, TTX staff prepared and shared with Shah 3 different paths with

different score weights and associated proposal scores, from which TTX would choose 1:

- **Path 1:** Application Development and Contingency (12.5 maximum points); Cloud (12.5 maximum points); Managed Services (25 maximum points)
- **Path 2:** Application Development and Contingency (15 maximum points); Cloud, Managed Services, and TTX costs for hosting (35 maximum points)
- **Path 3:** Application Development and Contingency (20 maximum points); Cloud, Managed Services, and TTX costs for hosting (30 maximum points)

Each path resulted in different rankings, including which proposal came out on top. As shown in Exhibit 5, if TTX had chosen Path 1, Vynyl would have been top-ranked and won the contract. Instead, TTX chose Path 3, causing Mechanical Orchard to be top-ranked and win the contract. According to staff meeting notes and calendar invites, TTX staff met with Shah on October 30, 2024, and Path 3 was chosen because it was the best option to protect TTX from protest.

Exhibit 5: TTX added undisclosed costs, modified its pricing score allocation, and selected a path that favored Mechanical Orchard

Proposer	Proposal + Interview Score*	PATH 1 			PATH 2 			PATH 3 		
		Price Score	Total Overall Score	Rank	Price Score	Total Overall Score	Rank	Price Score	Total Overall Score	Rank
Mechanical Orchard	101.95	35.65	137.60	2	44.80	146.75	1	43.05	145.00	1
Vynyl LLC	101.85	40.42	142.27	1	41.80	143.65	2	41.08	142.93	2
DataHouse Consulting, Inc.	99.75	25.00	124.75	5	25.00	124.75	5	25.00	124.75	5
21Tech LLC	94.55	40.65	135.20	3	42.50	137.05	3	43.59	138.14	3
Ernest & Young LLP	94.25	39.20	133.45	4	40.60	134.85	4	40.25	134.50	4

* Proposal and interview scores did not change and are combined here for simplicity.

Source: CSA analysis; TTX score sheets and RFP points/cost allocation document

Shah asserts that her staff members identified and added the contingency, cloud hosting, and TTX information technology staffing costs themselves. However, TTX staff statements revealed that Shah calculated or determined the added costs, at least in part. These undisclosed costs, added before final scoring, compromised the integrity and transparency of the competitive process and materially affected the scoring in Mechanical Orchard’s favor.

Because TTX did not require *all* proposers to choose either a city-hosted or self-hosted solution (rather than whichever they preferred),

it could not adequately compare proposals with different cloud solutions due to “apples and oranges” pricing. TTX attempted to make the prices comparable by adding costs for the City’s server usage and its staffing but could not explain or justify how the increased costs were determined or calculated. These costs are important because the lowest-price proposal receives the maximum points, and all other proposers are allocated points in relation to that amount.

Ultimately, TTX tainted its competitive solicitation process for the business tax system replacement by adding costs without notifying proposers. Further, the added costs and decision to modify the pricing allocation methodology mid-process altered the rankings and moved the fourth-ranked proposer, Mechanical Orchard, into first place, as shown in Exhibit 6.

Exhibit 6: Subsequent to interviews and adding undisclosed costs, TTX moved from rank 4 to rank 1

Proposer	City or Vendor-Hosted? ^a	Initial Overall Score ^b	Initial Rank	TTX-Added Costs	Revised Overall Score ^c	Revised Rank
Vynyl LLC	City-hosted	140.85	1	\$1,735,000	142.93	2
21Tech LLC	City-hosted	139.55	2	\$1,735,000	138.14	3
Ernest & Young LLP	City-hosted	136.25	3	\$1,735,000	134.50	4
Mechanical Orchard	Vendor-hosted	135.95	4	\$116,000	145.00 ↑	1 ↑
DataHouse Consulting, Inc.	City-hosted	133.75	5	\$1,735,000	124.75	5

Notes:

^a The Department of Technology defines a city-hosted solution as a system deployed within infrastructure environments that are owned, provisioned, and governed by the City. In this model, the City retains primary control over security, configuration, and access management. A vendor-or third-party hosted solution refers to a system deployed within infrastructure that is provisioned and controlled by the vendor or another third party. In this model, the vendor is responsible for managing the underlying infrastructure, and the City accesses the system as a customer of that service.

^b Initial overall score is based on proposal, interview, and initial pricing scores.

^c Revised overall score is based on proposal and interview scores (unchanged) and updated pricing scores (where TTX added undisclosed costs).

Source: CSA analysis; TTX score sheets and RFP points/cost allocation document

Finding 1.5.5 – Shah engaged in other conduct that supports a finding that she intended to provide selective assistance to Mechanical Orchard while concealing her relationship with its chief revenue officer.

In March 2024, before TTX announced the business tax system replacement RFP, Versace stated in an email to TTX staff that Shah had mentioned a public meeting that he/Mechanical Orchard could attend. TTX staff stated Shah directed them to share TTX’s presentation to the Budget and Performance Subcommittee of the

Committee on Information Technology (COIT) in response. Because the business tax system replacement RFP was a technology project, TTX had to submit procurement-related information, such as the project plan and high-level RFP issuance schedule. Although this information was presented at a public meeting, TTX staff stated they only shared it with one potential bidder, Mechanical Orchard. Whether or not this gave Mechanical Orchard a competitive advantage, it further supports a finding that Shah was attempting to assist Mechanical Orchard.

Before October 2024, TTX's Statement of Incompatible Activities prohibited TTX employees from providing assistance or advice that is not generally available to all competitors, in a manner that confers an advantage on a bidder or proposer who is competing for a city contract.

In early April 2024, just weeks before TTX announced the release of the business tax system replacement RFP, Shah emailed Versace with information about how Mechanical Orchard could apply to become a Local Business Entity (LBE). Although the RFP did not require a proposer to have LBE status, such status did make a proposer eligible for a bonus of up to 10 percent in the scoring process. Ultimately, none of the top 5 proposers were certified LBEs, so no proposer received an associated bonus. However, Shah's email records show that she was aware of the potential LBE bonus in the RFP and showed interest in whether Mechanical Orchard's LBE application was granted.

Shah stated that she would have provided the same LBE application process to any small business. The law does not preclude a city employee from communicating with an applicant about the applicant's proposal, provided that such help is provided impartially to all applicants who request it and is part of the employee's city duties. However, we found no evidence that Mechanical Orchard asked for assistance or that Shah provided the same information to any other competitor. Whether or not either of these actions, standing alone, rises to the level of selective assistance, they provide further support for a finding that Shah was not acting impartially, as required of a city official overseeing a competitive procurement process.

Finding 2 – TTX's former organizational structure limited the effectiveness of addressing staff concerns and contributed to a lack of checks and balances.

Although under different circumstances TTX staff may have been able to question or report the improper contracting practices that Shah conducted and directed them to conduct, this was made more difficult by the department's organizational structure at the time. During Shah's tenure, TTX was structured such that the Human Resources (HR) function reported directly to Shah. She also oversaw most of the department's operational teams, including budget, information technology, product management, and cashiering. This organizational structure potentially discouraged staff from bringing concerns about Shah to HR. Although this reporting structure may exist in other departments, the vulnerability was uniquely compounded at TTX by the environment Shah cultivated.

Our interviews with TTX staff indicate that the department's organizational structure and power dynamics created an environment in which Shah's intimidating behavior was allowed to persist. Several TTX employees reported that Shah's management style was intimidating, and at times, hostile or demeaning, including instances of yelling at staff. Staff described feeling uncomfortable and, in some cases, fearful of challenging her decisions, contributing to a culture in which employees were discouraged from questioning her or left the department. Further, some staff said they had little or no confidence in the department's internal redress mechanisms, citing the fact that HR was not structurally independent from Shah, who would have been the subject of any formal complaint.

Governance best practices⁸ recommend that employees responsible for receiving, investigating, and resolving complaints, such as those in HR, have the independence to handle complaints appropriately. This helps ensure an effective grievance mechanism, so that HR can be trusted to investigate management without fear of retaliation from those same managers. Employees may be less likely to report grievances about their supervisors if they perceive that HR reports to, and so is beholden to, those same supervisors. Shah was a part of an organizational design that concentrated both operational authority and personnel oversight within a single executive role, creating a reporting silo that lacked sufficient checks and balances.

⁸ U.S. Equal Employment Opportunity Commission.

Besides being intimidated by Shah, TTX employees were also at a disadvantage in questioning her actions on the business tax system replacement solicitation because they were unaware of the department's procurement policies and procedures.

Only after Shah was released from her position did current TTX senior managers discover that the department had procurement policies and procedures for years. Throughout the audit, TTX employees we interviewed said they were not aware of or given — let alone trained on — any procurement policies and procedures while they handled the business tax system replacement RFP. Thus, staff relied heavily on the information and direction provided by Shah.

Some TTX staff stated they were also new to the City's procurement process and were unaware or not fully aware that certain practices advanced by Shah, such as adding undisclosed costs to proposers' pricing submissions, are not permitted. TTX staff and managers who worked with Shah consistently told us that they relied on her in all things procurement-related. It is unclear why Shah did not give her staff the TTX procurement policies and procedures, which we know she had. What is clear is that this contributed to staff's reliance on Shah's verbal instructions.

The role Shah took in the business tax system replacement procurement shows a lack of segregation of duties.

Shah's participation in the procurement process for the business tax system replacement demonstrates a lack of appropriate segregation of duties. Splitting incompatible duties among 2 or more staff — to avoid conflicts of interest and lessen the chance of fraud — is an important internal control safeguard.⁹ However, despite the fact that Shah did not have an official role in the selection process, she was allowed to participate in virtually all parts of the process, including her key role in deciding to add costs after proposal scoring had concluded.

Overall, TTX did not address Shah's actions, which, according to staff we interviewed, created a difficult work environment for many and left staff questioning what actions were or were not appropriate. Although the Treasurer may not have been able to entirely prevent this, stronger internal controls may have prevented or detected some of her actions earlier.

⁹ The U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, 2025.

 **Positive Progress**

TTX's new leadership model provides a necessary segregation of duties, ensuring that Human Resources remains independent of the department's primary operational functions.

In January 2026 TTX implemented a leadership reorganization to address these structural deficiencies and align with governance best practices. This new alignment provides a critical layer of separation between personnel management and operational execution.

The San Francisco Whistleblower Program remains one of the most effective independent avenues for reporting improper government activity.

Although the department's restructuring is a positive step, TTX should continue to emphasize to staff that external avenues for reporting high-level misconduct exist. The San Francisco Whistleblower Program¹⁰ remains one of the most secure channels for reporting improper government activity. This program ensures that complaints are investigated by an independent body outside of the TTX chain of command when appropriate, and this program has a mandate under the City's Charter to refer reports of misconduct to all departments with oversight of the alleged fraud, waste, or abuse. This includes the Civil Service Commission, Department of Human Resources, Ethics Commission, City Attorney, and District Attorney's Office.

By using this external channel, employees can ensure that their concerns are investigated by an independent body outside of their chain of command or, when appropriate, outside of their department, providing a safeguard that an internal HR unit, regardless of reporting line, cannot replicate.

To build a strong ethical culture in TTX, best practices call for clearly established standards and continuous training.

Although TTX had ethical policies and procedures, Shah did not abide by them. According to the U.S. Government Accountability Office, the first principle of internal control standards is that management should demonstrate commitment to integrity and ethical values. Organizations should establish policies or guidelines to define expectations of ethical values and communicate them. Leadership can provide ongoing (not one-time) training to ensure employees understand how to recognize and report unethical behavior. They should also establish processes to evaluate performance and address any deviations from the expectations in a timely manner.

According to the U.S. Office of Government Ethics, ethics education is an essential tool for helping agencies and employees manage and

¹⁰ Administered by the Controller's Office under the San Francisco Charter, Appendix F, Section F1.107.

reduce the risk of ethical failure. An effective ethics education program increases employees' awareness of their ethical responsibilities, helps them identify potential ethical issues in their work, and provides guidance and support for making ethical decisions.

RECOMMENDATIONS

The Office of the Treasurer and Tax Collector should:

1. Comply with city policies for procurement of professional services, including any future discovery projects. When discovery work is expected to inform or lead to a request for proposal, the department should ensure that all non-proprietary discovery results are made publicly available before issuing the solicitation to provide equal access to information for all potential vendors.
2. Update its procurement policies and procedures, in consultation with the Office of Contract Administration, and communicate them with staff. Specifically, the policies and procedures should:
 - a. Define roles and responsibilities of the procurement staff to ensure appropriate segregation of duties.
 - b. Require the review of minimum qualifications reviews for compliance.
 - c. Prohibit modification of proposers' price proposals after submission and without notice to ensure that all proposers are provided with an equal opportunity to respond to revised pricing assumptions.
 - d. Include guidance on subcontractor selection, specifically limiting the department's involvement in directing use of specific contractors and clarifying that prime contractors are expected to oversee the contracted work.
3. Remind staff involved in contracting that modifications to contract scopes of work are limited by Chapter 21 law and rules and regulations, and that any change in or addition to contract scope must be documented by formal written amendment to the contract, signed by the City Attorney's Office and OCA.
4. Ensure that future solicitations do not contain conflicting or inconsistent language on its requirements or subsequent actions.
5. Consult with Office of the City Attorney when it receives protests during a solicitation.

6. Reevaluate the existing request for proposal's scope of work and determine if it is appropriate for the business tax system replacement project.
7. Foster an ethical organizational culture of transparency in which policy compliance is valued at all levels.
8. Remind its employees about the availability of the Controller's Whistleblower Program to report improper activities by city government officers and employees.

Appendix A – Department Response



Treasurer & Tax Collector
CITY AND COUNTY OF SAN FRANCISCO

José Cisneros
TREASURER

June 15, 2026

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

Dear Mark,

I requested this audit because I believe that transparency and independent oversight are essential to good government, and because San Franciscans deserve an accounting of what happened. Thank you to the City Services Auditor team for the thoroughness and professionalism with which they conducted this investigation. I am grateful for it.

I also want to recognize the TTX staff who participated fully and honestly in this investigation. Their cooperation was essential to reaching the truth, and it reflects the integrity that defines this Office at its best.

I accept the findings of this report. The conduct described, directing staff to manipulate a competitive procurement process to benefit a personal associate while concealing that relationship, was wrong. It violated the City's ethics and procurement policies and the values this Office holds.

TTX did not wait for the completion of this audit to begin addressing the structural failures the report identifies. In January 2026, I implemented a leadership reorganization that directly responds to the governance vulnerabilities documented in Finding 2. Human Resources now reports independently of the department's primary operational functions, ensuring that employees have a structurally independent channel for raising concerns. This reorganization was designed to restore the checks and balances that the previous organizational structure lacked.

RESPONSE TO RECOMMENDATIONS

TTX concurs with all eight recommendations. The following describes our response and implementation plans, organized by theme.

Procurement Integrity (Recommendations 1-5)

TTX is recruiting for a new Budget and Contracts Manager and will update our procurement policies and procedures in consultation with the Office of Contract Administration. The updated policies will define roles and responsibilities with clear segregation of duties, require verification of minimum qualifications before advancing proposers, and prohibit any modification of proposers' price submissions after the fact and without notice. In addition, the policies will include guidance on subcontractor selection, specifically limiting the department's involvement in directing use of specific contractors and clarifying that prime

contractors are expected to oversee the contracted work. We will communicate these policies to all staff involved in contracting and will establish an ongoing training program so that procurement knowledge is not concentrated in any single individual.

We will remind contracting staff that modifications to contract scopes of work require formal written amendment, and that future solicitations must contain consistent language to avoid ambiguity. TTX will consult with the City Attorney's Office when it receives protests during a solicitation, and will ensure that discovery work results in non-proprietary information made publicly available before any subsequent solicitation is issued.

Business Tax System Replacement (Recommendation 6)

The existing request for proposal for the business tax system replacement is tainted by the misconduct this report documents. TTX will cancel that procurement. We are committed to restarting the process on a sound foundation, with policies and procedures in place, proper segregation of duties, and a fair and transparent competitive process that gives all qualified vendors an equal opportunity to compete. The business tax system is critical infrastructure for the City's ability to collect revenue equitably and efficiently, and San Franciscans are best served by getting this procurement right.

Organizational Culture and Ethics (Recommendations 7-8)

TTX is committed to building an organizational culture in which policy compliance is expected, ethical concerns can be raised without fear of retaliation, and the values of this Office are reinforced through ongoing training. We will implement an ethics education program that gives staff the tools to identify improper conduct and the confidence to act on what they see.

We will actively communicate to all TTX staff the availability of the Controller's Whistleblower Program as an independent, protected channel for reporting improper conduct. Staff should know that this resource exists, that it operates outside the TTX chain of command, and that they can use it without fear.

The Office of the Treasurer & Tax Collector collects more than \$6.6 billion annually on behalf of San Franciscans and administers programs designed to advance economic justice and financial inclusion. That work depends entirely on public trust. The findings in this report are a serious reminder of what is at stake when that trust is violated. I take this moment seriously, and I am committed to the reforms needed to earn it back.

Thank you again to the Controller's Office and City Attorney's Office teams for this work. We welcome the accountability it provides.

Sincerely,



José Cisneros
Treasurer

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*
The Office of the Treasurer & Tax Collector should:		
<p>1. Comply with city policies for procurement of professional services, including any future discovery projects. When discovery work is expected to inform or lead to a request for proposal, the department should ensure that all non-proprietary discovery results are made publicly available before issuing the solicitation to provide equal access to information for all potential vendors.</p>	<p> <input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur </p> <p>TTX is recruiting for a new Budget and Contracts Manager and will update our procurement policies and procedures in consultation with the Office of Contract Administration. The updated policies will define roles and responsibilities with clear segregation of duties, require verification of minimum qualifications before advancing proposers, and prohibit any modification of proposers' price submissions after the fact and without notice. In addition, the policies will include guidance on subcontractor selection, specifically limiting the department’s involvement in directing use of specific contractors and clarifying that prime contractors are expected to oversee the contracted work. We will communicate these policies to all staff involved in contracting and will establish an ongoing training program so that procurement knowledge is not concentrated in any single individual.</p> <p>We will remind contracting staff that modifications to contract scopes of work require formal written amendment, and that future solicitations must contain consistent language to avoid ambiguity. TTX will consult with the City Attorney's Office when it receives protests during a solicitation and will ensure that discovery work results in non-proprietary information made publicly available before any subsequent solicitation is issued.</p>	<p> <input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested </p>

* 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*
<p>2. Update its procurement policies and procedures, in consultation with the Office of Contract Administration, and communicate them with staff. Specifically, the policies and procedures should:</p> <ul style="list-style-type: none"> a. Define roles and responsibilities of the procurement staff to ensure appropriate segregation of duties. b. Require the review of minimum qualifications reviews for compliance. c. Prohibit modification of proposers’ price proposals after submission and without notice to ensure that all proposers are provided with an equal opportunity to respond to revised pricing assumptions. d. Include guidance on subcontractor selection, specifically limiting the department’s involvement in directing use of specific contractors and clarifying that prime contractors are expected to oversee the contracted work. 	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>TTX is recruiting for a new Budget and Contracts Manager and will update our procurement policies and procedures in consultation with the Office of Contract Administration. The updated policies will define roles and responsibilities with clear segregation of duties, require verification of minimum qualifications before advancing proposers, and prohibit any modification of proposers' price submissions after the fact and without notice. In addition, the policies will include guidance on subcontractor selection, specifically limiting the department’s involvement in directing use of specific contractors and clarifying that prime contractors are expected to oversee the contracted work. We will communicate these policies to all staff involved in contracting and will establish an ongoing training program so that procurement knowledge is not concentrated in any single individual.</p> <p>We will remind contracting staff that modifications to contract scopes of work require formal written amendment, and that future solicitations must contain consistent language to avoid ambiguity. TTX will consult with the City Attorney’s Office when it receives protests during a solicitation and will ensure that discovery work results in non-proprietary information made publicly available before any subsequent solicitation is issued.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>3. Remind staff involved in contracting that modifications to contract scopes of work are limited by Chapter 21 law and rules and regulations, and that any change in or addition to contract scope must be documented by formal written amendment to the contract, signed by the City Attorney's Office and OCA.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>TTX is recruiting for a new Budget and Contracts Manager and will update our procurement policies and procedures in consultation with the Office of Contract Administration. The updated policies will define roles and responsibilities with clear segregation of duties, require verification of minimum qualifications before advancing proposers, and prohibit any modification of proposers' price submissions after the fact and without notice. In addition, the policies will include guidance on</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Agency Response	CSA Use Only Status Determination*
<p>6. Reevaluate the existing request for proposal’s scope of work and determine if it is appropriate for the business tax system replacement project.</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The existing request for proposal for the business tax system replacement is tainted by the misconduct this report documents. TTX will cancel that procurement. We are committed to restarting the process on a sound foundation, with policies and procedures in place, proper segregation of duties, and a fair and transparent competitive process that gives all qualified vendors an equal opportunity to compete. The business tax system is critical infrastructure for the City's ability to collect revenue equitably and efficiently, and San Franciscans are best served by getting this procurement right.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
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