



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Nancy Hom, Deputy CFO
Public Utilities Commission

CC: Vivian Chen, Accounting Services Director
Public Utilities Commission

FROM: Beatrice Leung, Financial Systems Supervisor

DATE: April 27, 2021

SUBJECT: **2014-17 Audit on City's Use Tax Account - Recapitulation for Public Utilities Commission Funds**

The California Department of Tax and Fee Administration (CDTFA) conducted an audit on the City's use tax account for the period from October 2014 to June 2017 which was concluded and finalized in December 2020. The audit work mainly composed of the following:

1. Stratified statistical samplings with 3 strata based on the voucher transaction amount. Any error amounts found in Stratum 1 and 2 samples were extrapolated to their respective population base to derive the taxable measure. Stratum 3 samples were on actual basis and the taxable measure was the error amounts without extrapolation.
2. Separate tests were conducted on payments for construction contracts, software licensing fees and automotive and other vehicles. The taxable measure for errors in this category was also on actual basis.

CDTFA selected vouchers from the payment data sent by the City for the above categories. Departments, including PUC, then provided the required supporting documentation such as invoices, purchase orders, contracts, justification, or communication with the vendors, etc. for review. Controller's Office also facilitated the discussion with CDTFA on all questioned items. After the audit findings were finalized and agreed upon, CDTFA computed the tax and interest liability amount for the City based on the total taxable measures. Controller's Office then allocated the liability amount of \$219,366 based on the percentage of errors in respective categories to City departments. The share for PUC for this audit totaled to \$19,973 and details can be found in the Appendix to this memo.

Please feel free to let us know if you have any questions regarding the audit.

APPENDIX

CCSF 2014-2017 Use Tax Audit - Recapitulation of Tax Assessment and Interest Charge for PUC

2014-17 Tax Assessment with Interest by Department

Audit Findings from Voucher Payments	Allocation of Tax and Interest Liabilities by Dept.
--------------------------------------	---

	Category					Taxable Measures (Extrapolated or Actuals)				Total Taxable Measures	% of Taxable Measure	Allocation of Tax & Interest
	AP Sampling Stratum (S)			Specific Testing	Grand Total	S1 Extrapolated	S2 Extrapolated	S3 Actuals	Specific Testing Actuals			
	S1	S2	S3									
\$												
PUC:												
PUC-CWP	185	-	-	-	185	10,221	-	-	-	10,221	0.44%	971
PUC-HHP	-	11,711	100	590	12,401	-	116,097	100	590	116,787	5.06%	11,091
PUC-PUC	-	-	3,750	-	3,750	-	-	3,750	-	3,750	0.16%	356
PUC-WTR	1,440	-	-	-	1,440	79,556	-	-	-	79,556	3.44%	7,555
PUC subtotal	1,625	11,711	3,850	590	17,776	89,777	116,097	3,850	590	210,314	9.10%	19,973
All other city dept.	19,016	19,520	5,683	849,865	894,084	1,050,580	193,521	5,683	849,865	2,099,649	90.90%	199,393
Grand Total	20,641	31,231	9,533	850,455	911,860	1,140,357	309,618	9,533	850,455	2,309,963	100.00%	219,366

Category of Testing:

- 1) AP Sampling Stratum 1 for voucher line amount in the range of \$100 - \$4,999.99. Error \$ extrapolated to underlying population to derive the taxable measure.
- 2) AP Sampling Stratum 2 for voucher line amount in the range of \$5,000 - \$74,999.99. Error \$ extrapolated to underlying population to derive the taxable measure.
- 3) AP Sampling Stratum 3 for voucher line amount equal to or over \$75,000. Actual error \$ is the taxable measure.
- 4) Separate testing on payments for construction contracts, software licensing and automotive and other vehicles. Actual error \$ is the taxable measure.