



Ocean Avenue Association

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Jun 13, 2023

To: Helen Vo
Audit Manager
CCSF

From: Christian Martin
Executive Director
Ocean Avenue Association (OAA)

Date: 13 June 2023

Re: Audit response

On behalf of the Ocean Avenue Association (OAA), we thank you and Sjoberg Evashenk Consulting, Inc. for the thorough audit work and report. As part of the process of improvement at OAA I started as the part-time Executive Director in October of 2022. While I was not here for the period under audit, I have seen or sensed many of the conditions documented. As such, I do not object to any of the facts, findings, or recommendations presented. We will focus our response to the actions taken or to be taken in response to each recommendation.

Recommendation 1: *Set a “tone at the top” that promotes the importance of strong controls and demonstrates accountability to all organizational policies and procedures.*

OAA Response:

OAA has worked with OEWD to address this through board development training funded by an OEWD grant. Such training began in January 2023 and included all board members. Furthermore, OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, and document management. Conventional internal controls and appropriate segregation of duties have been implemented. All approvals are documented contemporaneously.

Recommendation 2: *Formally establish a clear vision and common understanding of its members' duties and responsibilities and how they differ from those of the OAA's executive director and staff. Board members' duties and responsibilities should focus on OAA's vision, mission, and strategic planning, goals, and policies, while the executive director's duties and responsibilities should focus on day-to-day activities needed to fulfill the board's vision. Ensure the board evaluates the executive director's performance in writing at least annually.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board approved many of these documents at the June 19th, 2023 board meeting. The board will review and document the ED's performance annually with its fiscal year cycle.

Recommendation 3: *Require that a comprehensive, easy-to-locate set of internal policies and procedures be created and implemented for all operational areas and activities. The guidance should establish and communicate standard expectations focused on efficiency, effectiveness, consistency, strong controls, and compliance.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board will discuss and vote to approve these documents on June 19, 2023, at its monthly board meeting. Furthermore, OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. Conventional internal controls and appropriate segregation of duties have been implemented. All approvals are documented contemporaneously.

Recommendation 4: *Ensure the policies and procedures that are created have the agreement and support of OAA's board, management, and staff, and that monitoring processes are implemented to ensure compliance.*

OAA Response:

Recently, OAA has worked consistently to improve in this area with guidance from OEWD. OAA has received templates, sample documents, and valuable advice from other CBDs. The board will discuss and vote to approve these documents on June 19, 2023, at its monthly board meeting. Compliance with certain policies and procedures will be monitored and enforced by the recently engaged CPA firm.

Recommendation 5: *Work with the executive director to establish measurable goals and metrics for the Cleaning, Maintenance, and Safety program and Marketing, Streetscape, and Beautification program.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. Baseline activity measurements are being established. Measurable goals and metrics will be established with each annual budget process. OAA expects significant, but not complete improvement in FY24 (the fiscal year starting 7/1/2023 and ending 6/30/2024) and further improvement on this point for FY25.

Recommendation 6: *Require the executive director to summarize in writing and distribute to the board all applicable provisions of the California Corporations Code, Section 5233, and the California Government Code, Section 54950 et seq. Board members should then familiarize themselves with these provisions.*

OAA Response:

The newly hired executive director will do so by June 19, 2023.

Recommendation 7: *Develop, document, and implement policies and procedures related to conflicts of interest for the board and OAA staff. The guidance should describe in detail situations that could be a conflict of interest, OAA's monitoring process for conflicts of interest, and OAA's annual reporting of interests to ensure compliance with all applicable provisions of the California Corporations Code, section 5233, and the California Government Code, Section 54950 et seq. The conflicts-of-interest guidance should be incorporated in the board's handbook and OAA's personnel policies and procedure, as applicable.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. OAA has received templates, sample documents, and valuable advice from other CBDs. OAA has worked with OEWD to address this through board development training funded by an OEWD grant. Such training was done in March 2023 and included 9 board members. The training and documentation will be updated annually.

Recommendation 8: *Research and implement best practices of city committees of similar size and/or scope and what state law requires to help ensure the board fully complies with the Ralph M. Brown Act. This research could include listening to a recorded meeting of the San Francisco Public Utilities Commission Revenue Bond Oversight Committee (audio archive at granicus.com) to learn how that body conducts its meetings, reading the agenda of the same meeting, and becoming familiar with the requirements of California Government Code sections 54952-54953.3. The board should then agree upon the best practices and implement them in its procedures.*

OAA Response:

With guidance from OEWD, OAA has worked recently to improve in this area based on recommendations from this audit process. OAA has received templates, sample documents, and valuable advice from other CBDs. The executive director has attended board meetings of other CBDs.

Recommendation 9: *Consider establishing term limits for its members, including whether to allow former members to rejoin the board after a sabbatical. Term limits may cause new perspectives to be brought to the board, enhance the board's creativity and dynamism, and make it more aware of and able to follow best practices in developing solutions to any challenges that may arise.*

OAA Response:

The executive director has included this topic as an agenda item at a forthcoming board meeting. Once the general terms are agreed upon, the bylaws must be amended to formalize and institutionalize this policy.

Recommendation 10: *Ensure annual reports and midyear reports include all required components and require that documentation be maintained to support and justify all amounts represented in the reports.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm is very familiar with the CCSF mid-year and annual reporting format and requirements. This CPA firm has already implemented a new general ledger accounting system with reporting capabilities to customize report formats to comport with the CCSF mid-year and annual report format. The integrated document management system will help ensure that each transaction has the required substantiating documentation.

Recommendation 11: *Ensure annual reports reflect information explaining whether actual expenses funded by property assessment revenue were within 10 percent of budgeted amounts and whether actual expenses exceeded the total amount budgeted.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm is very familiar with the CCSF mid-year and annual reporting format and requirements. This CPA firm has already implemented a new general ledger accounting system with reporting capabilities to customize report formats to comport with the CCSF mid-year and annual report format. Budget versus actual variance reports are one of such customized reports.

Recommendation 12: *Continue with efforts to implement a timekeeping process that tracks employee time by activities performed so that their efforts can be appropriately allocated among budget categories.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll and time tracking. Furthermore, the CPA firm has

implemented a cost allocation system in accordance with ASU 206-14 (formerly FASB 116 and FASB 117).

Recommendation 13: *Ensure annual reports include information regarding the ending cumulative operating reserve balance.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of increases or decreases in net assets in the statement of operations, the beginning and ending balances of net assets by type in the statement of financial position, and any related operating reserve balance.

Recommendation 14: *Ensure annual reports explain the amount of revenue surplus (or deficit) for the prior fiscal year separated by property assessment and non-property assessment revenues. OAA should designate how the surplus revenues will be used, such as funding operating reserves or funding activities identified in its management plan and ensure such designations are reflected on the upcoming annual budget.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of increases or decreases in net assets in the statement of operations, the beginning and ending balances of net assets by type in the statement of financial position, and any related operating reserve balance. The CPA firm will assist OAA in appropriately documenting the annual budget for all funds, revenues, and expenses.

Recommendation 15: *Implement a system, such as an electronic document management system, to maintain supporting documentation for all expenditures. Documentation should include contracts, invoices, payroll records, and receipts.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, and document management. All approvals are documented contemporaneously.

Recommendation 16: *Add the following to its newly developed financial policies: a) additional guidance for grant activities; b) requirement that balance sheet information and cash flow forecasts be in the monthly reports the board receives, and included budget and actual operating statement variances, along with beginning and ending fund balances and reserves.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements which includes the proper reporting of revenue, expenses, and increases or decreases in net assets in the statement of operations (“income statement”), the beginning and ending balances of assets, liabilities, and net assets by type in the statement of financial position (“balance sheet”), and any related operating reserve balance. The CPA firm will assist OAA in appropriately documenting the annual budget for all funds, revenues, and expenses. The CPA firm will prepare a customized income statement report format for monthly reporting of budget versus actual revenue and expenses for the recent month and year to date results.

Recommendation 17: *Ensure financial policy requirements are consistent with existing practices. For example, the check signers required by the policy must be consistent with the authorized signers on OAA’s bank accounts.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. This CPA firm has already implemented a new general ledger accounting system with integrated payment processing. Cash disbursements are approved and electronically signed using this platform. All approvals are documented contemporaneously. All signature authority will be in conformity to actual approved board resolutions regardless of what appears at any given bank records.

Recommendation 18: *Only pay grant expenses after obtaining sufficient support for services provided and only seek grant reimbursements when able to justify expenses.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements including grant compliance and reporting. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking, document management, and payment processing which has been tested, audited, and proven to be sufficient support for grant reimbursements and grant reporting.


Recommendation 19: *Implement effective grant management policies and procedures, including those that will result in strong records management practices. The policies and procedures should require that pre-award documents, agreement documents, financial documents, project documents, and general documents are obtained and retained.*

OAA Response:

OAA has engaged a CPA firm that specializes in Community Benefit District (CBD) bookkeeping, accounting, and tax matters. The CPA firm is familiar with both US GAAP, IRC, and CCSF reporting requirements including grant compliance and reporting. This CPA firm has already implemented a new general ledger accounting system with integrated payroll, time tracking,

document management, and payment processing which has been tested, audited, and proven to be sufficient support for grant reimbursements and grant reporting. The document management system is also used for maintaining various related required grant documentation.

Thank you,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Christian Martin
Executive Director