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Date: March 23, 2016

To: Members, Ethics Commission

From: Shaista Shaikh, Assistant Deputy Executive Director

Subject: **AGENDA ITEM 5** - Random Audit Selection of Campaign Committees and Lobbyists for 2015 Audits

Summary This memorandum provides the Ethics Commission with audit selection guidelines and background for its random selection of campaign committees and lobbyists that were active in 2015 and are subject to random audit.

Action Requested That the Ethics Commission randomly select campaign committees and lobbyists for audit using the selection guidelines and methods recommended in this memo at its regular meeting on March 28, 2016.

Audit Authority and Mandate

Among its other Charter mandates, the Commission has the responsibility and duty under San Francisco Charter Section C3.699-11(4) "to audit campaign statements and other relevant documents." Effective July 26, 2014, section 2.135 of the San Francisco Campaign and Governmental Conduct Code requires the Commission to conduct randomly selected audits of one or more lobbyists.

Random Audit Selection Process

As has been the Commission's general practice in recent years, the random selection of audits has been placed on the Commission's agenda for action at a regularly scheduled meeting no later than March of the year following a city election.

Campaign Committee Audits

The random selection process seeks to ensure that the selection of individual committees for audit is conducted fairly by an objective standard without any regard to the candidate, issue, or matter supported or opposed by the committee's activities. The random selection process is also designed to ensure representation of each type of committee among the Commission's audits.

Under S.F. Campaign and Governmental Conduct Code section 1.150, all candidates who receive public funding for their campaigns must be audited. These audits do not require action by the Commission and are not included in the pool of committees for random audit selection. For 2015, two committees received public financing. These candidate committees will be audited in addition to the number selected for random audit at the Commission's March 28th meeting.¹

2015 Campaign Audit Pool and Selection Methodology

In calendar year 2015, there was an election on November 3, 2015, which involved Measures A through K and the offices of Mayor, District Attorney, Sheriff, City Attorney, Treasurer, one seat of the Community College Board and the District 3 seat of the Board of Supervisors. Because two of the three candidates running for the District 3 seat received public funding and therefore are subject to a mandatory audit, as noted above they are not part of the random selection process.

Campaign committees that spent funds to influence the outcome of the 2015 election include the following types of committees:

- candidate-controlled committees formed by candidates to support their own 2015 election campaign;
- ballot measure committees formed to qualify, support or oppose one or more measures on the City's November 2015 ballot; and
- general purpose recipient committees and primarily formed candidate committees ("general purpose committees") that were active in the 2015 election.

As has been the Commission's recent practice, campaign committees that have reported activity of \$10,000 or less for the election cycle (candidate-controlled and ballot measure committees) or the calendar year (general purpose committees) have not been included in the random selection pool.

As has also been the Commission's recent practice, the 2015 campaign audit pool excludes the committees of candidates for county central committees. It also does not include general purpose committees that were selected for audit through the 2014 random selection process. Attachment 1 provides a list of all committees in the 2015 audit pool.

Table 1 below provides an overview of the level of campaign spending reported by each type of committee in relation to the November 3, 2015 election. In total, 87 campaign committees reported \$25.8 million in spending, with the 53 committees that reported more than \$10,000 in activity making up 99.7% of that total.

For purposes of the Commission's March 28th random selection, staff is recommending audits of 20 percent of the 53 campaign committees that reported activity greater than \$10,000 and accounted for 99.7% in all reported activity in 2015. This equates to 11 committees that will be audited randomly, in addition to two mandatory audits noted above. The 34 campaign committees that reported activity of less than \$10,000 would not be subject to audit.

¹ The two publicly financed candidates in the November 2015 election subject to a mandatory audit are Aaron Peskin and Julie Christensen, both of whom were candidates for the Board of Supervisors in District Three.

Table 1: Summary of 2015 Campaign Spending, by Committee Type

	Candidate Committees	Ballot Measure Committees	General Purpose Committees	Total
Number of committees with activity greater than \$10,000	12	14	27	53 (60%)
Total reported spending	\$2,269,605	\$19,912,439	\$3,497,779	\$25,679,823 (99.7%)
Number of committees with activity less than or equal to \$10,000	1	4	29	34 (40%)
Total reporting spending	\$9,871	\$15,010	\$65,116	\$89,997 (0.3%)

As illustrated in Table 2, in selecting the 20 percent for random audit, Staff recommends a methodology for the 2015 audits based on a stratified level of their expenditure activity. For candidates and ballot measure committees, the level of expenditure activity is the sum of expenditures made by these candidates and committees from the time their committees were formed through December 31, 2015. For general purpose committees, the expenditure activity is based on expenditures made in 2015.

Staff recommends a random selection of the following number of committees from each level:

- 6 committees of the 19 (30%) with an activity level greater than \$100,000;
- 3 committees of the 15 (20%) with an activity level of greater than \$50,000 to \$100,000; and
- 2 committees of the 19 (11%) with an activity level of greater than \$10,000 to \$50,000.

Table 2: Expenditure Activity Levels of Campaign Committees Active in 2015

Expenditure Activity	Ballot Measure Committees	Candidates	General Purpose Committees	No. of committees in audit pool	No. of committees to be selected
Above \$100,000 <i>Represents 93.8 % of all reported expenditures</i>	8	2	9	19	6
Above \$50,000 to \$100,000 <i>Represents 4.4 % of all reported expenditures</i>	4	4	7	15	3
Above \$10,000 to \$50,000 <i>Represents 1.8 % of all reported expenditures</i>	2	6	11	19	2
Total	14	12	27	53	11

Lobbyist Audits

Effective July 2014, Section 2.135(c) of the San Francisco Campaign and Governmental Conduct Code requires the Commission to conduct one or more audits of lobbyists selected at random. At its March 2015 meeting the Commission selected its first round of audits.

For its 2015 random selection of lobbyist audits, the Commission created an audit pool of lobbyists categorized by activity based on the greater of the amount of payments or the number of contacts reported. Because lobbyists in the same firm may share reporting obligations, the Commission based the 2015 selection on lobbying firm/employer and decided to audit all lobbyists within any firm that is selected by the Commission. As with campaign audits, the lobbyist audit pool selected in 2015 by the Commission did not include entities that reported activity of \$10,000 or less. The Commission's selection process for the 2014 audit cycle yielded four lobbyists (including contract and in-house lobbyists) with two lobbyists selected from activity level one, one lobbyist selected from activity level two and one lobbyist selected from activity level three.

Table 3 provides information about payments and contacts reported by lobbyists in 2015, which are subject to random audit by Commission action.

Table 3: Summary of 2015 Lobbyist Activity

Number of lobbyist firms with activity greater than \$10,000 or number contacts greater than 10	40 (68%)
Total expenditures reported	\$8,018,773 (99.6%)
Number of lobbyist firms with activity less than or equal to \$10,000 or 10 contacts	19 (32%)
Total expenditures reported	\$28,533 (.4%)

For 2016, Staff recommends that the Commission randomly select four lobbying entities active during 2015 for audit. As with the Commission's selection last year, Staff recommends that selection once again be based on lobbying firm/employer, given that lobbyists in the same firm may share reporting obligations, and that the audit will include all lobbyists within any firm that is randomly selected. As was also the Commission's practice in 2015, Staff recommends that the 2016 random selection again exclude from the audit pool lobbyists who reported less than or equal to \$10,000 in payments and 10 contacts.

Staff also recommends using the approach used in 2015 that weights and stratifies lobbyists within the pool according to a mix of the number of reported payments received and reported contacts made with City officers. Lobbyists must report the number of contacts they make with officials and the amount of payments they receive from clients. Because it is possible for a lobbyist to make several contacts but report a low compensation amount, or report a high compensation amount with few contacts, this approach provides three levels of activity into which lobbyists are grouped based on the higher level of the payments or contacts reported during 2015. A list of lobbyists active in 2015 that is weighed and stratified according to this approach appears at Attachment 2.

Table 4 shows the level of lobbying activity according to the higher of payments or contacts reported.

Staff recommends a random selection of four lobbyists based on this stratification, as shown below:

- 2 lobbyists of the 13 (15%) with a lobbying activity level greater than \$100,000 or 100 contacts;
- 1 lobbyist of the 9 (11%) with a lobbying activity level of greater than \$50,000 to \$100,000 or 50 to 100 contacts; and
- 1 lobbyist of the 18 (6%) with a lobbying activity level of greater than \$10,000 to \$50,000 or 10 to 50 contacts.

Table 4: Levels of Lobbying Activity in Proposed Lobbying 2015 Cycle Audit Pool

Note: Excludes lobbyists who reported \$10,000 or less in payments and 10 contacts or less

Level of Lobbying Activity	No. of lobbyists	Total payments reported by lobbyists	No. of lobbyists to be selected
Above \$100,000 or above 100 contacts	13	\$7,370,653 (91.9%)	2
Above \$50,000 to \$100,000 or above 50 to 100 contacts	9	\$377,700 (4.7%)	1
Above \$10,000 to \$50,000 or above 10 to 50 contacts	18	\$270,420 (3.4%)	1
Total	40	\$8,018,773	4

Process after Audit Selection

After the Commission completes its audit selection process, staff will notify campaign committees and lobbyists selected for audit and request that they provide their records for audit. Staff will commence the 2015 audits with those for committees and lobbyists that have the highest levels of reported activity before beginning audits for those with lower activity levels. With these new audits, Commission Audit Staff will be working to refine and strengthen our audit testing and timeframes to enable completion of the 2015 audits within 18 months.

Committees Active in 2015	FPPC ID Number	Total Reported Expenditures	Level of Financial Activity
<i>Candidate Controlled Committees</i>			
Ed Lee for Mayor 2015	1373497	\$1,523,602	1
Hennessy for Sheriff 2015	1374817	\$301,737	1
Reelect Sheriff Ross B. Mirkarimi 2015	1364196	\$92,644	2
RE-ELECT DISTRICT ATTORNEY GEORGE GASCON 2015	1368216	\$89,868	2
Alex Randolph for Community College Board 2015	1377608	\$73,395	2
Dennis Herrera for City Attorney 2015	1374368	\$53,944	2
Tom Temprano For College Board 2015	1377227	\$38,062	3
Stuart Schuffman for Mayor 2015	1377997	\$32,386	3
Cisneros for Treasurer 2015	1374838	\$18,438	3
Francisco Herrera 4 SF Mayor 2015	1377854	\$16,334	3
Committee to Elect Wendy Aragon for San Francisco Community College Board 2015	1377674	\$16,302	3
(YIMBY) WEISS for Mayor 2015	1374629	\$12,894	3
<i>Ballot Measure Committees</i>			
SF for Everyone, No on Proposition F, Sponsored and Major Funding by Airbnb	1378051	\$9,064,180	1
San Franciscans for Affordable Housing, Jobs & Parks, Yes on Proposition D, a coalition of the San Francisco Giants, Mission Bay Residents, Labor and Small Business Leaders	1377448	\$4,010,534	1
SF Housing Now, Yes on A	1378086	\$2,861,287	1
San Franciscans for Real Housing Solutions, No on I, sponsored by San Francisco Housing Action Coalition, the San Francisco Alliance for Jobs and Sustainable Growth, and the San Francisco Association	1374554	\$1,843,839	1
ShareBetter SF, Yes on F - Supported by a broad coalition of tenants and landlords, neighborhood associations, affordable housing proponents, senior... [See 410 statement for complete committee name]	1367243	\$725,876	1
San Francisco Tenants and Families for Affordable Housing, sponsored by community and labor organizations, supporting Aaron Peskin, Prop F and Prop I	1378915	\$412,691	1
Truth in Energy, Yes on H, Major Funding by International Brotherhood of Electrical Workers Local 1245	1378084	\$388,438	1
Committee to Save the Mission, Yes on Prop. I, Sponsored by a Coalition of Mission Neighborhood Organizations	1378138	\$257,656	1
San Franciscans for Open Government 2015, Yes on E, sponsored by the Chinese American Voters Education Committee	1377185	\$88,150	2
Yes on J - San Franciscans for Preserving Legacy Businesses	1378390	\$87,293	2
Save the San Francisco Flower Market	1374032	\$59,981	2
San Franciscans for Clean Power, Yes on H, No on G, supported by London Breed	1380208	\$55,532	2

San Francisco Ethics Commission
Audit Pool of 2015 Cycle Campaign Committees

Committees Active in 2015	FPPC ID Number	Total Reported Expenditures	Level of Financial Activity
Surplus Lands for Public Use, A Committee in Support of Proposition K	1378277	\$34,952	3
Don't Silence SF Voters	1374941	\$22,030	3
<i>General Purpose Recipient Committees</i>			
SAN FRANCISCO ALLIANCE FOR JOBS AND SUSTAINABLE GROWTH PAC	1341796	\$504,888	1
Asian Pacific Democratic Club Political Action Committee	931558	\$493,246	1
COMMITTEE FOR A PROGRESSIVE AND AFFORDABLE SAN FRANCISCO OPPOSING PESKIN FOR SUPERVISOR 2015	1378731	\$447,649	1
FRIENDS OF JULIE CHRISTENSEN FOR SUPERVISOR 2015, SPONSORED BY SAN FRANCISCO POLICE OFFICERS ASSOCIATION	1379366	\$399,596	1
UNITE HERE LOCAL 2 PAC	1243324	\$305,473	1
Protect our Benefits	990028	\$165,433	1
SAN FRANCISCO LABOR COUNCIL LABOR & NEIGHBOR PAC	941562	\$137,323	1
Committee on Jobs Government Reform Fund	982683	\$129,484	1
BUILDING OWNERS AND MANAGERS ASSOCIATION OF SAN FRANCISCO POLITICAL ACTION COMMITTEE - INDEPENDENT EXPENDITURES AKA BOMA- SF-PAC-IE	870449	\$116,799	1
SAN FRANCISCO LABOR & NEIGHBOR MEMBER EDUCATION./POLITICAL ISSUES COMMITTEE	970630	\$96,306	2
SAN FRANCISCO APARTMENT ASSOCIATION POLITICAL ACTION COMMITTEE	840002	\$91,094	2
SF FORWARD SPONSORED BY SAN FRANCISCO CHAMBER OF COMMERCE	891575	\$81,929	2
San Francisco Police Officers Association Independent Expenditure Committee	1318539	\$78,100	2
Alice B. Toklas Lesbian and Gay Democratic Club PAC	842018	\$77,763	2
SF Moderates	1245538	\$56,443	2
Retain Our Independent Sheriff Mirkarimi 2015	1380893	\$52,080	2
COMMITTEE FOR A BRIGHTER SAN FRANCISCO FUTURE	1362060	\$41,394	3
GOLDEN GATE RESTAURANT ASSOCIATION PAC	932123	\$39,640	3
National Union of Healthcare Workers Candidate Committee for Quality Patient Care and Union Democracy	1318200	\$38,465	3
Transport Workers Union Local 250A COPE Fund	1367704	\$31,549	3
Chinese Progressive Association, nonprofit 501(c)3	1380710	\$20,804	3
SAN FRANCISCO LABOR COUNCIL LABOR & NEIGHBOR INDEPENDENT EXPENDITURE POLITICAL ACTION COMMITTEE	991525	\$20,458	3
FDR Democratic Club of San Francisco	1351724	\$16,135	3
Homes for All, A Committee Sponsored by the Non-Profit Housing Association of Northern California	1380902	\$15,947	3
SAN FRANCISCO DEPUTY SHERIFFS' ASSOCIATION POLITICAL ACTION COMMITTEE	991828	\$14,649	3

San Francisco Ethics Commission
Audit Pool of 2015 Cycle Campaign Committees

Committees Active in 2015	FPPC ID Number	Total Reported Expenditures	Level of Financial Activity
BUILDING OWNERS AND MANAGERS ASSOCIATION OF SAN FRANCISCO POLITICAL ACTION COMMITTEE - BALLOT ISSUES (AKA BOMA-SF-PAC- BALLOT ISSUES)	970432	\$14,000	3
San Francisco Women's Political Committee	1243711	\$11,133	3

Lobbyist Entity	Amount of Reported Payments in 2015	Number of Reported Contacts with Officials/Depts. in 2015
Level of Activity for Audit Pool Purposes = 1		
Goodyear Peterson Hayward & Associates	\$2,017,116	191
Platinum Advisors	\$1,976,350	131
Hms Associates	\$1,198,500	22
Ground Floor Public Affairs	\$631,223	172
Bmwl & Partners, Inc	\$591,500	28
Reuben, Junius & Rose, Llp	\$345,153	1655
Coalition For Better Housing	\$211,000	20
Public Advocacy Partners	\$168,500	7
San Francisco Apt Assoc	\$116,700	22
Barbary Coast Consulting	\$66,510	147
Bergdavis Public Affairs	\$24,681	126
Pacific Gas And Electric Company	\$23,421	148
Karin Flood		262
Level of Activity for Audit Pool Purposes = 2		
Loeven And Associates Llc	\$94,000	84
Sfaa	\$78,000	17
Daniller Consulting Inc.	\$78,000	
Philip Lesser	\$66,875	3
Google, Inc.	\$24,575	99
Michael Yaki	\$22,000	66
Cisco Systems, Inc.	\$14,250	66
Trust Company Of The West		84
Building Owners And Managers Association Of San Francisco		54
Level of Activity for Audit Pool Purposes = 3		
John Newman	\$50,000	
Singer Associates, Inc.	\$47,155	7
Sgc Strategic Communications	\$34,675	26
James Ross	\$31,500	2
Farella Braun And Martel	\$29,746	47
Kls Consulting	\$25,000	1
Tishman Speyer Properties, L.p.	\$19,790	40
San Francisco Association Of Realtors	\$11,331	49
Andrew Gregg	\$6,000	16
Credit Suisse Securities (Usa) Llc	\$5,876	44
Committee On Jobs	\$3,801	42
Hotel Council Of San Francisco	\$2,270	12
Target Corporation	\$1,676	44

San Francisco Ethics Commission
Audit Pool of 2015 Cycle Lobbyists

Lobbyist Entity	Amount of Reported Payments in 2015	Number of Reported Contacts with Officials/Depts. in 2015
Baybio	\$1,600	43
Tzk Broadway, Llc		34
Walgreen Co.		44
Boma San Francisco		36
Csp Securities, Lp		27