



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PETER KEANE
CHAIRPERSON

March 22, 2017

To: Members of the Ethics Commission

DAINA CHIU
VICE-CHAIRPERSON

From: LeeAnn Pelham, Executive Director
Shaista Shaikh, Assistant Deputy Director

BEVERLY HAYON
COMMISSIONER

Subject: **AGENDA ITEM 5 - Discussion and Possible Action on Proposed Revised Method for Selection of Campaign Audits for the 2016 Audit Cycle**

PAUL A. RENNE
COMMISSIONER

QUENTIN L. KOPP
COMMISSIONER

Summary

This memo proposes a new methodology for the selection of non-publicly financed campaign committees to be audited by the Ethics Commission per Charter Section C3.699-11(4) for the 2016 audit cycle.

LEEANN PELHAM
EXECUTIVE DIRECTOR

Action Requested

That the Commission review, discuss, and receive public comment on the proposed 2016 audit selection method. No action is required, but the Commission may take action to provide its policy direction to staff about the proposed new selection methodology.

Background

Audits of campaign committees help provide accountability in City elections by determining the degree to which committees comply with applicable state and city campaign laws. With material findings contained in written audit reports, audits can help committees improve their recordkeeping and reporting practices, inform outreach and education efforts to better support compliance in needed areas, and provide an important public record of candidates' and committees' compliance with the laws.

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." Under S.F. Campaign and Governmental Conduct Code (C&GC Code) section 1.150, all candidates who receive public funding for their campaigns must be audited. These mandatory audits must begin "within 60 days after the date the candidate committee's first post-election campaign disclosure report is required to be filed." S.F. C&GC Code § 1.150(a).

For 2016, 12 candidate committees received public financing. Mandatory audits of these candidate committees were initiated with Commission auditors' requests for documents for their audits to be submitted by February 10, 2017. The Controller's Office has agreed to conduct audit work for these publicly financed candidates this year under Section 1.150(a), which states that the Controller must assist in conducting these audits at the Executive Director's request.

For audits of committees other than of publicly-financed candidates, Section 1.150(a) provides that “[i]n his or her discretion, the Executive Director may initiate additional targeted or randomly selected audits of any committee, irrespective of whether the committee received any public funds.” While audits of other than publicly financed candidate committees, therefore, are not required by law, such audits are a fundamental tool to promote accountability and transparency in City campaigns.

In recent years, the Commission’s general practice has been to select committees for audit in addition to its mandatory audits through a random selection process. That process was typically agendized as an action item for the Commission at a regularly scheduled meeting no later than March of the year following a City election.¹

The random selection process has been used to serve two important auditing goals. First, to ensure the integrity of the Commission’s audits, the selection of committees for audit must fairly apply an objective standard without any regard to any particular candidate, issue, or matter supported or opposed by the potential auditees’ activities. Second, to promote broad accountability across the range of entities engaged in City campaigns, Commission audits should include representation from each *type* of committee, including:

- candidate-controlled committees, *formed by candidates to support their own election campaigns;*
- ballot measure committees, *formed to qualify, support or oppose one or more measures on the City’s ballot; and*
- general purpose committees, *those recipient committees and primarily formed candidate committees also active in a City election.*

By way of example, for the November election in calendar year 2015, 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 appeared on the ballot. Because two of the three candidates running for the District 3 seat received public funding and subject to a mandatory audit, while they were part of the overall audit pool that year they were not part of the random selection process.

¹ Effective July 26, 2014, the San Francisco Campaign and Governmental Conduct Code provides for lobbyists to be audited by the Ethics Commission. Section 2.135(c) provides: “On an annual basis, the Executive Director shall initiate audits of one or more lobbyists selected at random.” Unlike campaign audits, no date exists in statute or regulations by which the audit of a lobbyist randomly selected must begin. Random selection of lobbyist audits for 2015 occurred at the Commission’s March 2016 regular meeting, with four lobbyists identified for audits. Similarly, four prior lobbyists were randomly selected in 2015 for 2014. Due to staff resource constraints, however, the four 2014 audits remain underway, and the four 2015 audits have not yet begun. Lobbyist audit selection for 2016 is therefore planned for later this calendar year at the completion of these eight already selected audits that remain pending from prior audit cycles.

For the 2015 audit cycle, based on guidelines established previously by the Commission, committees that had activity of \$10,000 or less were not subject to audit. In 2015, resulting expenditures by campaign committees with activity above that threshold represented 99.7 percent of all committee spending for that election.

The campaign audit pool also excluded committees of candidates for county central committees because those seats are not City elective offices and thus are not subject to the various local rules regarding contributions and expenditures. It also excluded any general purpose committee that had been previously selected for audit as part of the 2014 audit cycle.

For the 2015 audit cycle, 24 percent of committees in the audit pool were audited. For purposes of non-mandatory audits, staff proposed a target of 20 percent, or 11 committees, for audit.² The approach first sorted committees by type, then by expenditure level. The pre-selected number of committees to be audited were then selected randomly from among each type, and within each of three activity levels: above \$100,000; between \$50,000 and \$100,000; and between \$10,000 and \$50,000.

Attachment 1 provides a table summarizing the percent of campaign committees and the percent of funds audited over the past five audit cycles. Overall for the 2011-2015 audit cycles, using a random selection methodology for the non-mandatory campaign audits resulted in from 16 to 24 percent of committees in the audit pool being audited during an audit cycle. Overall, between 8 and 64 percent of these committees' reported expenditures were audited those cycles.

Campaign Audits for the 2016 Cycle

This year, Staff proposes to implement a new "objective criteria" method for the selection of campaign audits based on the following guiding principles:

- To preserve the impartiality of the Commission's audit process, the **audit selection of campaign committees should continue to be objective and transparent**. Transparency is served by ensuring methods for selecting committees for random or targeted audit as provided by Sec. 1.150(a) are reported to the Commission and subject to public discussion.
- Audits should continue to **focus most significantly on committees where the public interest is likely to be the highest** – that is, on political committees with higher activity levels aimed at influencing voters. Committees that engage in relatively low levels of campaign fundraising and expenditure activity -- \$10,000 or less – would continue to be excluded from the audit pool in election years where the level of committees' spending far exceeds that amount.

² Of the 11 campaign audits selected in 2016 for the 2015 cycle, eight audits have been completed and three remain underway. Two additional mandatory audits of publicly-financed candidates from the 2015 election were completed and issued in 2016.

- To promote more seamless accountability across City campaigns in any audit cycle, **“targeted” audits should identify objective criteria that is applied across committees, without any regard to any particular candidate, issue, or matter the committee supported or opposed.** Staff reviews or inquiries targeting any particular committee would be treated as an investigation into alleged violations of the law, and handled under the Commission’s enforcement authority and the regulations that govern the enforcement process, including its confidentiality provisions.
- The **thoroughness and impact of Commission audits could benefit from varying the objective criteria applied in the selection methodology from one audit cycle to another.** No committee could consider itself exempt from the possibility of being selected for audit. Flexibility would exist to broadly address different areas of the law or campaign activities through objectively targeted audits. All selection criteria would continue to reported on publicly to the Commission.

The 2016 Campaigns

Overall for the November 8, 2016 election, 165 campaign committees reported roughly \$70.7 million in spending on City campaigns.

Table 1 below summarizes the level of campaign spending reported for that election by committee type for the 165 committees based on whether committees had activity greater than \$10,000. As shown below, 114 committees reported expenditure activity of greater than \$10,000 for the election. Together, expenditures reported by these 114 committees account for 99.8% of total reported spending in connection with the 2016 City election.

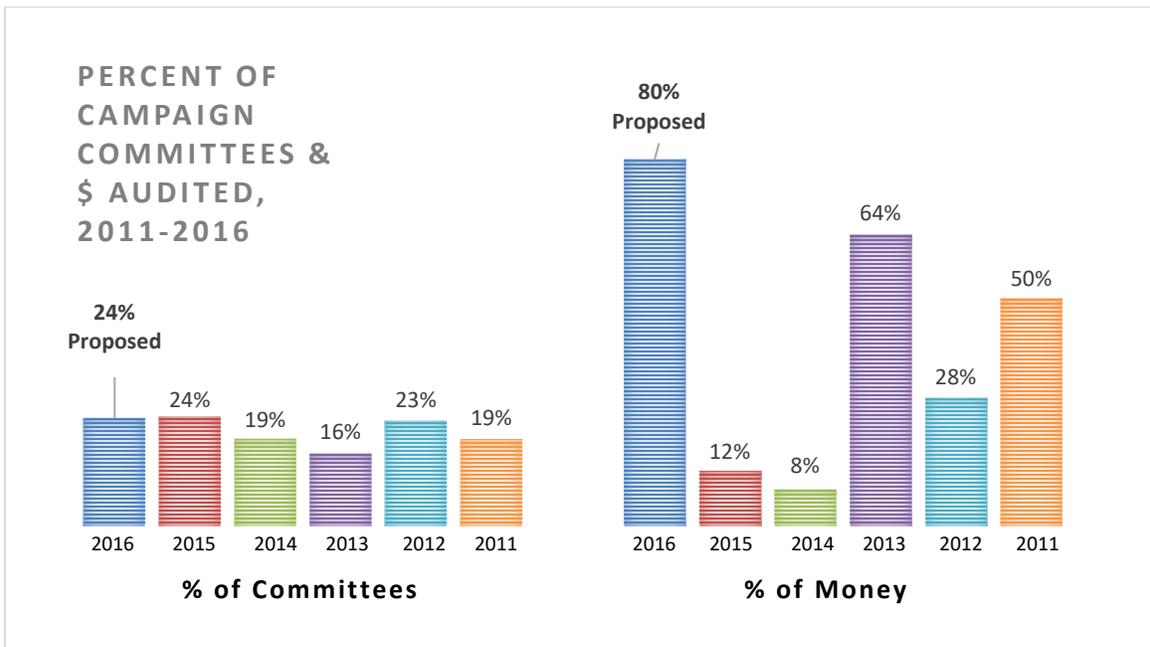
Table 1 Summary of 2016 Campaign Spending, by Committee Type

	Publicly-Funded Candidate Committees (PF)	Non Publicly-Funded Candidate Committees (NPF)	General Purpose Committees (GPC)	Ballot Measure Committees (BMC)	Total
Number of committees with activity greater than \$10,000	12	17	49	36	114 (69%)
Total reported spending	\$3,300,049	\$1,063,984	\$12,583,674	\$53,636,007	\$70,583,714 (99.8%)
Number of committees with activity less than or equal to \$10,000	n/a	12	36	3	51 (31%)
Total reported spending	n/a	\$9,871	\$82,225	\$19,732	\$111,828 (0.2%)

Continuing the Commission’s practice of focusing its resources on committees with higher levels of spending, Staff proposes that for the 2016 audit cycle, the top five highest spending committees among each type of committee be selected for audit. This would include the five top-spending non publicly-funded candidates; the five top-five spending general purpose committees; and the five top-spending ballot measure committees. With this approach, 15 “targeted” audits would be conducted in addition to the 12 publicly-financed candidate committees, for a total of 27 committees for campaign audits in connection with the 2016 election.

Together, these 27 committees represent 24 percent of all committees in the 2016 audit pool and 80 percent of total 2016 audit pool expenditures. As illustrated in Chart 1 below, applying this standard is consistent with the percentage of committees audited in prior audit cycles under the random selection method. It has the advantage, however, of expanding the reach of funds audited to 80 percent of all expenditures – up from a previous high of 64 percent in 2013.

Chart 1 - Campaign Audits, 2011-2015, and as Proposed for 2016



This objective criteria approach to “targeted” audits would continue to serve the twin goals of (1) ensuring audit selection is conducted fairly by an objective standard without any regard to the particular candidate, issue, or matter supported or opposed by the committee’s activities; and (2) ensuring each type of committee is represented among the Commission’s audits.

For reference, the 114 committees that make up the 2016 audit pool appear at Attachment 2, shown by committee type, name, and spending.

We look forward to the Commission’s discussion and to answering any questions you may have at your meeting on March 27th.

Agenda Item 5 - Attachment 1

March 27, 2017

Campaign Audits, 2011-2015, and as Proposed for 2016 Cycle							
	# Committees in Audit pool	# Audited	% of # Audited	\$ in Audit Pool	\$ Audited	% of \$ Audited	Selection Method
2016	114	27	24%	\$ 70,583,714	\$ 56,747,648	80%	Objective Criteria
2015	55	13	24%	\$ 26,732,569	\$ 3,254,387	12%	Random selection
2014	62	12	19%	\$ 23,845,821	\$ 1,937,818	8%	Random selection
2013	32	5	16%	\$ 5,829,075	\$ 3,755,062	64%	Random selection
2012	83	19	23%	\$ 15,740,796	\$ 4,466,222	28%	Random selection
2011	75	14	19%	\$ 23,100,113	\$ 11,442,015	50%	Random selection

By Committee Type

Committee Type	Publicly Financed Candidate (PF)		Non-Publicly Financed Candidate (NPF)		General Purpose Recipient Comte (GPC)		Ballot Measure Comte (BMC)	
	% of #	% of PF \$	% of #	% of NPF \$	% of #	% of GPC \$	% of #	% of BMC \$
2016	100	100	29	67	10	58	14	85
2015	100	100	17	15	26	44	14	2
2014	100	100	17	20	15	11	18	5
2013	n/a	n/a	0	0	13	19	40	81
2012	100	100	11	7	9	8	11	23
2011	100	100	31	50	3	2	0	0

By Commission policy, committees included in pool for potential audit include only those committees that reported spending more than \$10,000 in the covered period

Committees Active in 2016	FPPC ID Number	Total Reported Expenditures
Publicly-Financed Candidate Controlled Committees		
Hillary Ronen for Supervisor 2016	1381294	\$427,244
Sandra Lee Fewer for Supervisor 2016	1382203	\$378,146
AHSHA SAFAI FOR DISTRICT 11 SUPERVISOR-2016	1378961	\$365,437
Vote Marjan Philhour for Supervisor 2016	1374373	\$356,514
Joshua Arce for Supervisor 2016	1381957	\$293,722
Dean Preston for Supervisor 2016	1381505	\$286,239
Norman Yee for Supervisor 2016	1377719	\$250,545
Kimberly Alvarenga for Supervisor 2016	1381277	\$247,965
David Lee for Supervisor 2016	1384274	\$238,731
Ben Matranga for District 7 Supervisor 2016	1381670	\$189,795
Engardio for District 7 Supervisor 2016	1381692	\$168,412
Jonathan Lyens for Supervisor 2016	1379663	\$97,299
Total		\$3,300,049
Non Publicly-Financed Candidate Controlled Committees		
Re-Elect London Breed for Supervisor 2016	1379920	\$396,040
Matt Haney for School Board 2016	1384026	\$89,839
Ian Kalin for School Board 2016	1380968	\$82,946
Aaron Peskin for Supervisor 2016	1382556	\$81,719
Stevon Cook for School Board 2016	1382554	\$60,158
Tom Temprano for College Board 2016	1382724	\$55,082
Alex Randolph for Community College Board 2016	1384825	\$52,212
Rafael Mandelman for College Board 2016	1382411	\$46,298
Shanell Williams for Community College Board 2016	1381312	\$42,923
Melissa San Miguel for Supervisor 2016	1383307	\$38,858
Mike Young for Supervisor 2016	1381928	\$23,456
John Farrell for D7 Supervisor 2016	1386283	\$23,421
Lindo For D9 Supervisor 2016	1381141	\$17,097
De Guzman for Supervisor 2016	1386717	\$16,571
Bacharach for SF Community College Board 2016	1384154	\$12,626
Phil Kim for School Board 2016	1385718	\$12,510
Re-Elect Rachel Norton for Board of Education 2016	1382145	\$12,228
Total		\$1,063,984
Ballot Measure Committees		
NO SF GROCERY TAX, WITH MAJOR FUNDING BY AMERICAN BEVERAGE ASSOCIATION CALIFORNIA PAC	1382995	\$22,645,556
Yes on Prop V, San Franciscans United to Reduce Diabetes in Children by Imposing a 1 Cent Per Ounce Tax on the Distribution of Sugary Drinks with major funding by Michael Bloomberg & Action Now	1377697	\$12,078,033
JOBS, HOUSING AND PARKS NOW FOR CANDLESTICK POINT & HUNTERS POINT SHIPYARD, YES ON O, WITH MAJOR FUNDING BY FIVE POINT HOLDINGS, LLC	1386199	\$4,536,001
Action Now Initiative (nonprofit 501(c)(4))/Yes on V	1384702	\$3,260,000

Committees Active in 2016	FPPC ID Number	Total Reported Expenditures
San Franciscans Against Wasteful Spending (Formerly No on Propositions D, H, L & M)	1388893	\$2,921,881
Yes on Public Health and Safety Bond 2016, Yes on A	1382223	\$1,019,108
San Franciscans for Housing Not Tents - Yes on Q with major funding by Committee on Jobs Government Reform Fund and San Francisco Forward.	1387859	\$826,571
Coalition for Healthy Trees and Safe Sidewalks, with Major Funding by Friends of the Urban Forest & Yes on E	1386655	\$690,974
YES ON U, WORKING FAMILIES FIGHTING TO STAY IN SAN FRANCISCO, FUNDED BY NATIO	1386507	\$628,338
YES ON P, COMPETITIVE BIDDING FOR CITY CONTRACTS, FUNDING BY NATIONAL ASSN. OF REALTORS, CALIFORNIA ASSN. OF REALTORS ISSUES MOBILIZATION PAC & SAN FRANCISCO ASSN. OF REALTORS	1386505	\$607,940
YES ON B, SAN FRANCISCANS FOR BETTER, SUSTAINABLE PARKS, WITH MAJOR SUPPORT BY SAN FRANCISCO PARKS ALLIANCE AND COMMITTEE TO EXPAND THE MIDDLE CLASS SUPPORTED BY AIRBNB, INC.	1379182	\$501,516
Great Schools for All with major funding from Chan Zuckerberg Initiative, LLC., Parents and Teachers	1387393	\$498,855
Friends of the Urban Forest (nonprofit 501(c) (3)), Yes on E	1387128	\$495,112
Yes on S, San Franciscans for the Arts & Ending Family Homelessness	1386300	\$446,552
San Franciscans for Housing & Transit Now, Yes on Propositions J and K	1389993	\$315,231
Affordable San Francisco for All, Yes on Proposition C, an affordable housing coalition sponsored by Yerba Buena Consortium	1384144	\$280,528
Coalition to Save Affordable Housing, Yes on C with major funding by Related California and Kilroy Realty.	1388733	\$270,775
MAYOR ED LEE FOR SAN FRANCISCO COMMITTEE, YES ON J AND K	1347217	\$197,557
Stop the Developer Giveaway, No on P & U	1388289	\$171,798
Dignity Fund Coalition, Yes on I	1381446	\$168,135
SF Reform Coalition, Yes on H, supported by Labor Unions, Major funding by UNITE HERE California Ballot Measure Committee	1387395	\$166,668
Save City College with major funding by the Foundation of City College of San Francisco - Yes on B	1388075	\$146,906
Vote 16, Yes on Measure F, A Diverse Coalition to Expand Voting Rights with Major Funding from Ian Simmons and Blue Haven Initiative, LLC	1386915	\$138,174
Yes on Prop W, Fair Share for Free City College and Stronger SF Services, a coalition of educators, community and labor organizations. Major funding by American Federation of Teachers 2121 COPE Issues	1389010	\$123,324

Committees Active in 2016	FPCC ID Number	Total Reported Expenditures
Protect the Best of San Francisco, Yes on Prop X, a community arts, small business, and neighborhood services coalition. Major funding by Yerba Buena Consortium LLC	1388283	\$118,999
Housing Forward SF, Yes on C & M, No on P & U. Major funding by Yerba Buena Consortium LLC.	1388285	\$94,540
San Franciscans for Public Safety Accountability Yes on G 2016	1389922	\$66,222
San Franciscans United to Bring Accountability and Transparency to Public Safety supported by Malia Cohen. Yes on D.	1384529	\$38,500
Friends of the Mayor, No Recall on Mayor Lee No on D, H, L, & M Committee	1389926	\$35,620
4 for Reform, Yes on D, H, L and M 2016	1391207	\$30,421
Artists and Makers Need Housing Too - No on Proposition X	1390355	\$25,744
Twitter, Inc. #PAC, sponsored by Twitter, Inc., Yes on Propositions A and RR, No on Propositions D, H, L, and M(Fed PAC ID# C00548065)	1392086	\$23,500
Coalition for Immigrant Parent Empowerment, Yes on N, 2016	1390722	\$21,849
San Franciscans for Democracy, Yes on D	1391630	\$19,695
Coalition for Safer Neighborhoods, Yes on Prop R	1389428	\$14,000
People for Housing and Homeless Solutions, 2016; A Committee Opposed to Propositions Q and R	1390770	\$11,383
Total		\$53,636,007
General Purpose Committees		
San Franciscans Against Wasteful Spending (Formerly No on Propositions D, H, L & M)	1388893	\$2,921,881
Progress San Francisco	1381519	\$1,435,998
Committee on Jobs Government Reform Fund	982683	\$1,116,770
Committee to Expand the Middle Class, supported by Airbnb, Inc.	1381999	\$1,006,237
Robert F. Kennedy Democratic Club, Supporting Philhour and Safai for Supervisor 2016, Sponsored and Major Funding by Progress San Francisco	1383372	\$814,539
PROTECT SF, A COMMITTEE SUPPORTING SAFAI FOR SUPERVISOR 2016 AND SPONSORED BY THE SAN FRANCISCO FIRE FIGHTERS...(see addt'l comments)	1390689	\$656,017
San Franciscans for a City that Works	1384192	\$614,659
San Francisco Tenants and Families for Affordable Housing, sponsored by community and labor organizations	1378915	\$547,424
Friends of the Urban Forest (nonprofit 501(c) (3)), Yes on E	1387128	\$495,112
SAN FRANCISCO DEMOCRATS UNITED FOR PROGRESS, SUPPORTING 23 CANDIDATES FOR THE 2016 SAN FRANCISCO DEMOCRATIC COUNTY CENTRAL COMMITTEE, INCLUDING TOM A. HSIEH JR. (COMPLETE COMMITTEE NAME ATTACHED)	1385333	\$326,204
SAN FRANCISCO ALLIANCE FOR JOBS AND SUSTAINABLE GROWTH PAC	1341796	\$282,620

Committees Active in 2016	FPPC ID Number	Total Reported Expenditures
BUILDING OWNERS AND MANAGERS ASSOCIATION OF SAN FRANCISCO POLITICAL ACTION COMMITTEE - INDEPENDENT EXPENDITURES AKA BOMA-SF-PAC-IE	870449	\$241,442
SF FORWARD SPONSORED BY SAN FRANCISCO CHAMBER OF COMMERCE	891575	\$164,356
UNITE HERE LOCAL 2 PAC	1243324	\$154,388
San Francisco Police Officers Association Issues PAC	1317554	\$141,887
SAN FRANCISCO PARENT POLITICAL ACTION COMMITTEE	1330472	\$134,215
Alice B. Toklas Lesbian and Gay Democratic Club PAC	842018	\$123,747
Yes in my back yard June 2016 Political Action Committee	1384951	\$108,223
SAN FRANCISCANS FOR A LIVABLE CITY, LED BY NATIVE SON TOM A. HSIEH, OPPOSING 13 CANDIDATES FOR 2016 SF DCCC, SUPPORTED BY SF ASSOCIATION OF REALTORS (COMPLETE COMMITTEE NAME ATTACHED)	Pending	\$101,331
MAYOR ED LEE FOR SAN FRANCISCO COMMITTEE	1347217	\$98,965
Protect Our Benefits	990028	\$78,940
SAN FRANCISCO APARTMENT ASSOCIATION POLITICAL ACTION COMMITTEE	840002	\$71,413
UNITE HERE Local 2 Issues Committee	1384604	\$70,069
Yerba Buena Neighborhood Consortium LLC, a 501c3 status nonprofit organization	1392132	\$65,000
National Union of Healthcare Workers Candidate Committee for Quality Patient Care and Union Democracy	1318200	\$64,015
San Francisco Police Officers Association Independent Expenditure Committee	1318539	\$62,285
HOTEL COUNCIL OF SAN FRANCISCO PAC	1381090	\$57,028
SUPERVISOR MARK FARRELL FOR SAN FRANCISCO COMMITTEE	1381490	\$56,360
SAN FRANCISCO LABOR COUNCIL LABOR & NEIGHBOR PAC	941562	\$55,325
SAN FRANCISCO LABOR COUNCIL LABOR & NEIGHBOR INDEPENDENT EXPENDITURE POLITICAL ACTION COMMITTEE	991525	\$52,313
Working Families for Hillary Ronen for District 9 Supervisor 2016, sponsored by hotel and restaurant workers union UNITE HERE Local 2	1391755	\$51,828
United Educators of San Francisco Candidate PAC	1311218	\$47,725
San Francisco Police Officers Association PAC	1315969	\$40,375
Transport Workers Union Local 250A COPE Fund	1367704	\$38,165
Friends of the Mayor, No Recall on Mayor Lee No on D, H, L, & M Committee	1389926	\$35,620
STANDING UP FOR WORKING FAMILIES, A COALITION OF TEACHERS, NURSES, FIREFIGHTERS, PUBLIC EMPLOYEES AND HEALTH CARE ADVOCATES	1329001	\$34,765
Asian Pacific Democratic Club Political Action Committee	931558	\$26,285
GOLDEN GATE RESTAURANT ASSOCIATION PAC	932123	\$24,142
SF District 11 Democratic Club	991741	\$22,998

Committees Active in 2016	FPPC ID Number	Total Reported Expenditures
SF Moderates	1245538	\$19,431
SAN FRANCISCO LABOR & NEIGHBOR MEMBER EDUCATION./POLITICAL ISSUES COMMITTEE	970630	\$17,204
San Francisco League of Pissed Off Voters	1374879	\$16,034
BUILDING OWNERS AND MANAGERS ASSOCIATION OF SAN FRANCISCO POLITICAL ACTION COMMITTEE - BALLOT ISSUES (AKA BOMA-SF-PAC-BALLOT ISSUES)	970432	\$15,744
FDR Democratic Club of San Francisco	1351724	\$13,884
The Harvey Milk LGBT Democratic Club Political Action Fund	1383218	\$13,121
Residential Builders Association of San Francisco PAC	861576	\$12,500
Chinese Progressive Association, nonprofit 501(c)3	1380710	\$12,396
San Francisco Latino Democratic Club	1342652	\$11,694
SEIU Local 87 Political Action Committee	1366582	\$11,000
Total		\$12,583,674