



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PETER KEANE
CHAIRPERSON

June 30, 2017

DAINA CHIU
VICE-CHAIRPERSON

Friends of Thea Selby for District 5 Supervisor 2012, FPPC ID #1342843
Thea Selby, Candidate
One Polk Street, 2nd Floor
San Francisco, CA. 94102

PAUL A. RENNE
COMMISSIONER

QUENTIN L. KOPP
COMMISSIONER

Re: Ethics Commission Final Audit Report

Dear Ms. Selby:

VACANT
COMMISSIONER

LEEANN PELHAM
EXECUTIVE DIRECTOR

Thank you for your response to the San Francisco Ethics Commission's Draft Audit Report of the Friends of Thea Selby for District 5 Supervisor 2012 committee ("the Committee"). Please find attached the final audit report of the Committee that was undertaken as part of the Ethics Commission's required audit work for the 2012 election.

Only findings that are deemed material are included in the final audit report. As noted in the attached report, auditors concluded that there was one finding with respect to this audit.

We recognize and apologize for the significant delay of time that has passed since the conclusion of the initial audit work and the completion of this final audit report. As noted in my May 25, 2017 letter to you, we are revising our audit operations and methods for monitoring and reporting on the status of all committee audits to improve the day-to-day management of the program and to ensure such delays are not repeated going forward.

As is our standard practice, audit report containing findings are referred for enforcement review under San Francisco Charter section 3.699.11(4). Please note that Staff's delay in completing this final audit report will be considered a significant mitigating factor for the Committee in that review.

Thank you for your time and responsiveness during the course of the Commission's audit process. If you have any questions please feel free to contact me or Manisha Lal at (415) 252-3100.

Sincerely,

LeeAnn Pelham
Executive Director

cc: Tim Durning, Treasurer, 1050 Post Street #35, San Francisco, CA 94109



**SAN FRANCISCO ETHICS COMMISSION
AUDIT REPORT:**

Friends of Thea Selby for District 5 Supervisor 2012, FPPC ID # 1342843

I. Introduction

This Audit Report summarizes the audit results of the committee, Friends of Thea Selby for District 5 Supervisor 2012, Identification Number 1342843 ("the Committee"), for the period from January 1, 2012 through December 31, 2012. The audit was conducted to determine whether the Committee materially complied with the requirements of the Political Reform Act ("the Act") (California Government Code section 81000, *et seq.*) and San Francisco's Campaign Finance Reform Ordinance ("CFRO") (San Francisco Campaign and Governmental Conduct Code section 1.100, *et seq.*).

II. Audit Authority

San Francisco Charter section C3.699-11 authorizes the Ethics Commission ("the Commission") to audit campaign statements that are filed with the Commission along with other relevant documents to determine whether a committee complied with applicable requirements of State and local laws. Section 1.150(a) of the CFRO requires the Commission to audit all candidates who receive public financing.

III. Audit Scope and Procedures

This audit was performed in accordance with generally accepted auditing standards. The audit involved a review of the Committee's records for the period covered by the audit. This review was conducted to determine:

- A. Compliance with all disclosure requirements pertaining to contributions, expenditures, accrued expenditures, and loans, including itemization when required;
- B. Compliance with applicable filing deadlines;
- C. Compliance with restrictions on contributions, loans, and expenditures;
- D. Accuracy of total reported receipts, disbursements, and cash balances as compared to bank records;
- E. Compliance with all record-keeping requirements;
- F. Compliance with all provisions related to the Commission's public financing program; and
- G. Any unexpended public funds that must be returned to the City up to the amount of public funds received by the candidate.

The Commission posts audit reports to its web site and, in cases of apparent violations of law, forwards them to the appropriate enforcement agency.

IV. Committee Information

The Committee was formed in December 2011 to support the election of Thea Selby for District 5 Supervisor in the November 6, 2012 election. Timothy C. Durning served as the Committee's treasurer. In January 2014, the Committee filed a Statement of Termination.

V. Audit Findings

For the period covered by the audit, the Committee received \$70,332 in monetary contributions, \$620 of in-kind contributions and \$54,794 in public funds and incurred qualified campaign expenditures of \$125,123. CFRO provides that any candidate who receives public funds must return unexpended campaign funds to the Election Campaign Fund. The Committee did not have any unexpended funds.

Finding

Auditors determined that there was one finding regarding compliance with Government Code Section 84211 and 84303, California Code of Regulations Section 18431 and Campaign and Governmental Conduct Code Section 1.106: Reporting of Expenditures by an Agent or Independent Contractor (Subvendor Payments).

When an agent or an independent contractor of a committee makes a payment of \$500 (other than for overhead or normal operating expenses) to a subvendor on behalf of the committee, the agent or independent contractor must provide information about the expense to the committee. The committee must report the expenditure as if it were made directly by the committee. Information about subvendor payments is required to be reported on Schedule G of FPPC Form 460. Gov't Code Sections 84211 and 84303. California Code of Regulations, Title 2, section 18431 requires a committee to report expenditures for postage by a vendor on behalf of the committee or candidate.

The Committee did not report \$10,350 of postage payments made on the Committee's behalf by one of its vendors. The Committee was required to report the \$10,350 in postage costs on Schedule G of FPPC Form 460 as an expense paid for by its vendor, Spotlight Printing.

Committee Response

The Committee stated:

"The committee apologizes for any clerical error that may have occurred in regards to the line item listing of a sub-vendor. The committee would hope that the SFEC would take into consideration the fact that the postage was listed as a line item on the Form 161 reports. The committee always intended to abide by the letter of the law but would hope the SFEC would take into consideration that the committee did follow the spirit of the law as there was no malicious intent on the part of the committee. The committee has been transparent and has nothing to hide.

The committee always responded to any requests for clarification or documents when asked to by the SFEC auditors. The committee was unaware that there was a Schedule G issue until it received the letter from the SFEC dated May 25, 2017, otherwise it would have responded much sooner.

During the course of the campaign the committee had to re-enter data. The original software used was NetFile. The committee experienced a change in treasurers. The software being used by SFEC at the time would not support downloading data from NetFile. All the data had to be re-entered manually. In addition, SFEC then underwent a software change and again more data had to be re-entered manually. These technical issues were all documented in the Audit Questionnaire and put a strain on the committee staff and finances. The changes in software and the need to re-enter large amounts of data may have resulted in the loss of some data.

The committee audit was undertaken by several auditors and more than one governmental agency. Previous to the letter of May 25, 2017, the committee had not heard back from an auditor for a lengthy period of time as documented in the aforementioned SFEC letter.

It is the committee's understanding that the Statute of Limitations was reached quite some time ago.

A Personal Note:

As a treasurer of many committees over the years, and as a proponent of transparency in all aspects of government, I have tended to overreport campaign committee transactions. I would hope the SFEC would take into consideration my longstanding record of transparency and cooperation with the SFEC.”