



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PETER KEANE
CHAIRPERSON

June 30, 2017

DAINA CHIU
VICE-CHAIRPERSON

Julian Davis
Julian Davis for Supervisor 2012, ID#1347852
885 Fulton Street
San Francisco, CA 94117

PAUL A. RENNE
COMMISSIONER

Re: Ethics Commission Final Audit Report

QUENTIN L. KOPP
COMMISSIONER

Dear Mr. Davis:

VACANT
COMMISSIONER

Attached is the final audit report for the Julian Davis for Supervisor 2012 committee ("the Committee") that was undertaken as part of the Ethics Commission's required audit work for the 2012 election.

LEEANN PELHAM
EXECUTIVE DIRECTOR

Only findings that are deemed material are included in the final audit report. As noted in the attached report, auditors concluded that there were material findings 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.

In addition, as is our standard practice, any audit report containing material 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.

If you have any questions please feel free to contact me or Manisha Lal at (415) 252-3100.

Sincerely,

LeeAnn Pelham
Executive Director

cc: David Looman, Looman & Associates; 325 Highland Ave, San Francisco, CA 94110



SAN FRANCISCO ETHICS COMMISSION
AUDIT REPORT:
Julian Davis for Supervisor 2012
FPPC ID # 1347852

I. Introduction

This Audit Report summarizes the audit results of the committee, Julian Davis for Supervisor 2012 ("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. It was performed in conjunction with the Controller's office pursuant to CFRO section 1.150. The audit involved a review of the Committee's records for the period covered by the audit. This audit 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 May 2012 to support the election of Julian Davis for District 5 Supervisor in the November 6, 2012 election. From May 2012 until July 2012, Hana Hardy served as the Committee's treasurer and from July 2012 until January 2013, Andrew Wood served as the Committee's treasurer and Julian Davis served as the Committee's assistant treasurer and from January 2013 until termination, Julian Davis served as the Committee's treasurer and David Looman as the assistant treasurer. In May 2013, the Committee filed a Statement of Termination.

V. Audit Findings

For the period covered by the audit, the Committee received \$53,695 in contributions and \$57,590 in public funds and incurred qualified campaign expenditures of \$110,944. The CFRO provides that any candidate who receives public funds must return unexpended campaign funds to the City up to the amount of public funds received by the candidate (San Francisco Campaign and Governmental Conduct Code (S.F. C&GC Code) § 1.148(d)). Auditors determined that the Committee had \$87 in unexpended funds that was subject to this requirement.¹

As detailed in the following sections, auditors determined that there were five other findings with respect to the audit of the Committee:

1) the Committee failed to maintain complete campaign records for contributions received totaling \$35,200, or 67 percent of total contributions received and the source for deposits of \$32,773 made to the committee's bank account could not be verified, in violation of Government Code section 84104 and S.F. C&GC Code sections 1.106 and 1.109;

2) the Committee failed to maintain complete campaign records for expenditures made totaling \$25,153, or 23 percent of total expenditures made in violation of Government Code section 84104 and S.F. C&GC Code sections 1.106 and 1.109;

3) the Committee failed to report \$11,599, or 10 percent, of expenditures made in violation of California Government Code Section 84211 and California Government Code Section 18401;

4) the Committee expended \$621 for items not clearly related to campaign activities and withdrew an additional \$64 from its campaign bank account for item(s) insufficiently documented to determine if they were related to campaign activities in violation of Governmental Conduct Code Section 1.122(b)(1); and

¹ Unexpended funds are calculated by subtracting any unpaid bills, on-going qualified campaign expenditures, and forfeitures from the amount of cash that the Committee had on the 30th day following the date of the election.

5) the Committee accepted \$500 in contributions that were unallowable or insufficiently documented in violation of S.F. C&GC Code section 1.114.

1. Insufficiently Documented Campaign Contributions

Government Code Section 84104 and Campaign and Governmental Conduct Code Section 1.106: Recordkeeping Regarding Contributions Received

Government Code section 84104 provides that it is the duty of each candidate, treasurer and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements, and to retain the documents for a period of four years following the date the appropriate campaign statement is filed. Section 84104 is incorporated into the Campaign Finance Reform Ordinance at S.F. C&GC Code section 1.106.

The committee did not provide the required supporting documentation for \$26,554 in contributions of \$100 or more or for \$1,809 in contributions between \$25 and \$100. Also, the committee did not report or support with documentation \$6,837 of deposits, and it is impossible to determine the source of these funds. Exhibit 1 summarizes the support for the contributions made to the committee.

EXHIBIT 1 Summary of Support for Contributions		
Description	Value	% of Total Deposit
Miscellaneous Increases to Cash Sufficiently Supported ^a	\$58,002	52%
Contributions \$100 or more Sufficiently supported	11,386	10%
Contributions under \$100 sufficiently supported	6,356	6%
Subtotal Sufficiently Supported	\$75,744	68%
Contributions \$100 or more insufficiently supported	26,554	24%
Contributions between \$25 and \$100 insufficiently supported	1,809	2%
Deposits not reported and not supported	6,837	6%
Subtotal Insufficiently Supported	\$35,200	32%
Total Committee Income	\$110,944	

Note:

^a Of this amount, \$57,590 is from public financing and \$412 is from miscellaneous increases to cash.

Source: Auditor's analysis of committee documents.

Of deposits made to the bank account, \$32,773 cannot be traced to the committee's financial disclosure reports. Conversely, of the contributions the committee reported, \$25,936 could not be traced to its bank account. Because the documentation provided by the committee is insufficient, it is impossible to determine whether any portion of the

\$25,936 and the \$32,773 offset one another. Exhibit 2 summarizes the committee's bank deposits and reported contributions.

EXHIBIT 2 Summary of Bank Deposits and Contributions Reported			
Description	Value Properly Reported	Items Missing Documentation	Total
Total Deposits Reported on Bank Statement			
Miscellaneous increases to cash reported properly	\$58,002		
Total contributions reported properly	20,169		
Deposits that cannot be traced to Form 460		\$32,773	
Subtotal	\$78,171	\$32,773	\$110,944
Total Contributions Reported on Form 460			
Contributions and miscellaneous increases to cash reported properly and traced to bank account	\$78,171		
Total contributions that cannot be traced to bank account		\$25,936	
Subtotal	\$78,171	\$25,936	\$104,107
Net deposited in bank but not reported			\$6,837

Source: Auditor's analysis of committee documents.

2. Insufficiently Documented Campaign Expenditures

Government Code Section 84104 and Campaign and Governmental Conduct Code Section 1.106: Recordkeeping Regarding Expenditures Made

Government Code section 84104 provides that it is the duty of each candidate, treasurer and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements, and to retain the documents for a period of four years following the date the appropriate campaign statement is filed. Section 84104 is incorporated into the Campaign Finance Reform Ordinance at S.F. C&GC Code section 1.106.

The committee did not provide sufficient support for \$21,231 of itemized expenses, \$1,286 of unitemized expenses, \$64 of cash withdrawals (petty cash transactions), and \$2,572 of expenditures that were neither reported nor supported with receipts or invoices, as shown in Exhibit 3.

EXHIBIT 3 Support for Expenditures From Bank Account

Sufficiency of Support	Value	% of Total Expenditures
Expenditures Sufficiently Supported	\$85,791	77.3%
Expenditures Insufficiently Supported:		
Itemized expenditures insufficiently supported	21,231	19.1%
Unitemized expenditures reported but not supported	1,286	1.2%
Petty cash expenditures insufficiently supported	64	0.1%
Net expenditures that were neither reported nor supported	2,572	2.3%
Subtotal	25,153	22.7%
Total	\$110,944	

3. Unreported and/or Misreported Campaign Expenditures**California Government Code Section 84211: Contents of Campaign Statement**

Each campaign statement required by this article shall contain...The total amount of expenditures made during the period covered by the campaign statement and the total cumulative amount of expenditures made.

California Government Code Section 18401: Required Record Keeping

The original source documentation shall consist of...credit card charge slips, bills, receipts, invoices, statements, vouchers, and any other documents reflecting obligations incurred by the candidate, elected officer, campaign treasurer, or committee, and disbursements made from any checking or savings account, or any other campaign accounts, in any bank or other financial institution.

The committee did not report expenditures of \$11,599 as required. Of this \$11,599, the committee did not itemize \$9,153 as required, did not report \$2,454 of unitemized expenses from its bank account, and misreported the amount of payments to certain vendors by a total of \$8.

Also, \$6,588 of expenses from the bank account could not be traced back to the committee's disclosure statements. Conversely, \$11,106 of expenses that the committee itemized in its disclosures could not be traced to its bank account. Because the committee provided insufficient documentation, it cannot be determined whether any portion of the \$6,588 and the \$11,106 offset. Also, in its campaign disclosures the committee reported payments twice for four items totaling \$244, thereby double-counting this amount. Exhibit 4 summarizes the expenditures that the committee made and reported.

EXHIBIT 4 Summary of Expenditures Made and Reported

Expenditure Description	Missing Documentation	Value Not Properly Reported	Value Properly Reported	Total
Expenditures Listed on Bank Statement				
Itemized			\$89,503	
Less than \$100 each		\$2,454	3,254	
Exceeding \$100 each and not reported (See Exhibit 5 below for details)		9,153		
Reported incorrect amount (underreported)		(8)		
Made from bank account but cannot be traced to committee reports due to lack of documentation	\$6,588			
Subtotal	\$6,588	\$11,599	\$92,757	\$110,944
Expenditures Reported on Campaign Disclosures				
Reported properly			\$92,757	
Reported twice (overreported)		\$244		
Itemized in committee disclosures but cannot be traced to bank account	\$11,106			
Subtotal	\$11,106	\$244	\$92,757	\$104,107
Net Discrepancy Between Bank Statement and Campaign Disclosures				\$6,837

Exhibit 5 lists the payments that should have been itemized but were not. The first section of the exhibit lists payments from the bank account exceeding \$100 that were not reported. The second section of the exhibit lists payments that can be traced to the bank and are each under \$100, but which should have been itemized because the total payments to these vendors exceed \$100 in a single reporting period. The third section of the exhibit lists payments for which the committee provided supporting documentation but did not itemize, and which could not be traced to the bank statement. It is impossible to determine whether any of these payments flowed through the bank account.

EXHIBIT 5 Payments From Bank That Should Have Been Itemized**Payments exceeding \$100 from the committee's bank account that were not itemized**

Bank Date	Payee	Amount
8/9/2012	Danielle Erville	\$124
8/14/2012	Unknown (Clubcard Purchase)	136
8/22/2012	Lowes	213
8/25/2012	State Farm Insurance	500
10/18/2012	Computerized Political Services	421
10/24/2012	Spotlight Design & Printing	2,061
10/26/2012	Spencer Cross	102
10/29/2012	PG&E	446
10/30/2012	Google.com	350
11/15/2012	Aaron Selverston	4,800
Subtotal: Unitemized payments from bank exceeding \$100		\$9,153

Payments of less than \$100 from bank that should have been itemized

Receipt Date	Payee	Amount
9/21/2012	Amazon.com	\$28
10/28/2012	Dwayne Crosby	22
9/5/2012	Estrella Taqueria	10
9/28/2012	Estrella Taqueria	28
11/24/2012	Nation Builder (3dna Corp)	93
10/28/2012	Robert Turner	36
10/30/2012	Safeway	58
6/28/2012	Safeway	10
10/24/2012	Safeway	56
10/25/2012	Safeway	69
10/28/2012	Thomas Coy	19
9/25/2012	Wonderland Restaurant	29
10/19/2012	Wonderland Restaurant	99
Subtotal: Payments less than \$100 from bank that should have been itemized		\$557

Payments for which documentation was provided and which should have been itemized, but could not be traced to the bank statement

9/16/2012	Estrella Taqueria	\$30
10/28/2012	Mike Hardesty	140
10/28/2012	Mike Hardesty	47
9/3/2012	Mythic Pizza	6
5/16/2012	3dna Corp	79
9/15/2012	New Santa Clara Market	26
10/2/2012	Office Max	21
10/4/2012	Office Max	10
10/6/2012	Office Max	69
11/3/2012	Safeway	182
Subtotal: Payments for which documentation was provided and which should have been itemized, but could not be traced to the bank statement		\$610

Grand Total: Payments that should have been itemized \$10,320

4. Unallowable Campaign Expenditures

Governmental Conduct Code Section 1.122(b)(1): Use of Campaign Funds

Except as otherwise provided in this Chapter, funds in a candidate committee's campaign account may be used only on behalf of the candidacy for the office specified in the candidate's declaration of intention filed under Subsection

The committee paid \$621 for items not clearly related to campaign activities, listed in Exhibit 6. Also, the committee withdrew \$64 from the campaign bank account and it is unclear whether this money was spent for an allowable expenditure.

EXHIBIT 6		Expenditures Not Clearly Related to Campaign Activities	
Vendor	Description		Value
Lowes	Nuts and bolts, auto repair kit		\$155
Thrift Town Thrift Store	Hardware		100
Martini Cleaners	Dry cleaning/clothes mending		79
Thrift Town Thrift Store	Hardware		72
Discount Builders Supply	Lumber and furring strips		44
Discount Builders Supply	Washers, nuts, bolts		35
Cole Hardware	Ironing board		33
Market St. Cyclery	Bike repair		30
Thrift Town Thrift Store	Dresser		30
Discount Builders Supply	Extension cord and rope		24
Mojo Bike Company	Bike repair		16
American Cyclery	Cable		3
		Total	\$621

5. Unallowable Campaign Contributions

San Francisco Campaign and Governmental Conduct Code Section 1.114: Contribution Limits

This Section states, "No person other than a candidate shall make, and no campaign treasurer for a candidate committee shall solicit or accept, any contribution which will cause the total amount contributed by such person to such candidate committee in an election to exceed \$500."

The Committee total contributions of \$1,000 from a single contributor, Pier 39, LLP. The contributor provided two \$500 contributions and due to missing documentation, it was impossible to determine whether either or both contributions were deposited.

Committee Response

The Committee did not provide any comment or documentation in response to this audit report.