



ETHICS COMMISSION CITY AND COUNTY OF SAN FRANCISCO

PETER KEANE
CHAIRPERSON

July 3, 2017

DAINA CHIU
VICE-CHAIRPERSON

Joe Butler
Joe Butler for D3 Supervisor 2012, ID#1350508
324 Chestnut Street
San Francisco, CA 94133

PAUL A. RENNE
COMMISSIONER

Re: Final Audit Report

QUENTIN L. KOPP
COMMISSIONER

Dear Mr. Butler:

VACANT
COMMISSIONER

Thank you for your response to the San Francisco Ethics Commission's Draft Audit Report of the Joe Butler for D3 Supervisor 2012 committee ("the Committee"). Attached, please find the final audit report of 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 three 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.

As is our standard practice, audit reports 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,

A handwritten signature in black ink, appearing to read "LeeAnn Pelham".

LeeAnn Pelham
Executive Director

cc: Emily Andrews, Olson Hagel & Fishburn LLP, 555 Capitol Mall, Suite 1425, Sacramento, CA 95814



SAN FRANCISCO ETHICS COMMISSION
AUDIT REPORT:
Joe Butler for D3 Supervisor 2012
FPPC ID # 1350508

I. Introduction

This Audit Report summarizes the audit results of the committee, Joe Butler for D3 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 August 2012 to support the election of Joe Butler for D3 Supervisor in the November 6, 2012 election. Joseph Butler served as the Committee's treasurer. In June 2013, the Committee filed a Statement of Termination.

V. Audit Findings

For the period covered by the audit, the Committee received \$27,364 in contributions and \$34,540 in public funds and incurred qualified campaign expenditures of \$62,205. 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)).

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

- 1) the Committee failed to maintain complete campaign records for expenditures as required by Government Code section 84104 and S.F. C&GC Code sections 1.106 and 1.109;
- 2) the Committee expended \$1,851 that was not allowed by Government Code Section 85201; and
- 3) the Committee did not report in the required campaign disclosure statements \$2,081 of expenditures as required by California Government Code Section 84211.

Finding 1: Insufficiently Documented Expenditures Made

Government Code Section 84104 and Campaign and Governmental Conduct Code Sections 1.106 and 1.109: Recordkeeping Regarding Expenditures 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 maintain complete records for all expenditures made. The Committee failed to maintain supporting documentation for expenditures totaling

\$7,846 or 13 percent of total expenditures. The table below lists the Committee's expenditures for which no invoices or receipts were provided to support whether the expenditure was allowable.

Expenditures With No Invoices or Receipts^a		
Expenditure Description	Date per Bank Statement	Amount
SFMTA Parking	9/4/12	\$1.75
IPS Parking	9/11/12	1.00
Check ^b	9/14/12	256.02
Victoria Pastry	9/17/12	14.00
Walgreens	9/17/12	2.48
Flax Art & Design	9/18/12	43.94
Check 5009 (Kelsey Brown)	9/20/12	30.00
Graffeo Coffee	9/24/12	16.00
Check 5018 (EA Law Office)	10/1/12	1,128.74
SFMTA Parking	10/1/12	3.25
SFMTA Parking	10/9/12	2.25
Check 5028 (Henry C. Levy & Company)	10/12/12	4,111.00
SFMTA Parking	10/31/12	2.00
Radioshack	11/6/12	27.11
Rent-A-Center	11/7/12	593.62
D&M Wine	11/8/12	75.93
Mollie Stone's	11/8/12	69.40
Port IPS Parking	11/8/12	1.00
Safeway	11/8/12	89.85
Check 5049 (Carolyn Butler)	11/21/12	191.48
Check 5056 ^c	3/6/13	157.50
Check 5057 ^d	4/8/13	1,027.50
Total		\$7,845.82

Notes:

- ^a All payments in this exhibit except the three addressed in the notes below were made with a debit card, which allows the payee, but not the nature of goods or services purchased, to be identified.
- ^b The committee did not provide an invoice for this transaction, but a check copy shows that the payment was made to the campaign manager for an Ethics Commission registration.
- ^c Per the bank statement, this was check 5056. The corresponding invoices were requested of the committee but not provided, so the assessment could not determine whether the committee accurately reported the payee
- ^d Per the bank statement, this was check 5057. The corresponding invoices were requested of the committee but not provided, so the assessment could not determine whether the committee accurately reported the payee.

Committee Response to Finding 1

At this time, the Committee is unable to locate records for the missing information regarding expenditures made. Per San Francisco Campaign Finance Reform Ordinance Code Section 1.109, the Committee was only required to maintain documentation of

these records for four years. Unfortunately, the Committee is not currently in possession of the required records.

Finding 2: Unallowable Campaign Expenditures

California Government Code Section 85201(d)

With respect to expenditures, the Committee expended \$1,851 in a manner not allowable under state law and did not provide documentation for expenditures of \$7,846 (or 12.6 percent).

During the campaign cycle, the candidate incurred \$1,851 in expenses for which Carolyn Butler submitted receipts and received reimbursement, thereby circumventing California Government Code, Section 85201(d), which states that any personal funds which will be used to promote the election of the candidate shall be deposited in the candidate's bank account before such an expenditure is made. Therefore, the Candidate may not be reimbursed by the Committee for expenses that the Candidate incurred.

Committee Response to Finding 2

The report notes that during the campaign cycle, the candidate incurred \$1,851 in expenses for which Carolyn Butler submitted receipts and received reimbursement, thereby circumventing California Government Code, Section 85201(d), which states that any personal funds which will be used to promote the election of the candidate shall be deposited in the candidate's bank account before such an expenditure is made. I do not dispute this finding and note that the error was inadvertent and unintentional. At the time, I understood that my spouse could be reimbursed for campaign expenditures, but did not understand that she was required to sign all receipts and checks in order to be reimbursed.

Finding 3: Unreported Campaign Expenditures

California Government Code Section 84211

The Committee violated California Government Code, Section 84211 by not reporting in the required campaign disclosure statements \$2,081 (3 percent) of expenditures made from its bank account. Of this amount, \$1,995 was for a Payment to Office Rental, Inc. The remaining \$86 of expenditures did not need to be itemized, but should have been reflected in the un-itemized expenditures totals the Committee reported.¹

¹ According to California Government Code, section 84211, expenditures of less than \$100 need not be itemized in campaign committee disclosures.

Committee Response to Finding 3

The report indicates that the committee did not report \$2,081 (3 percent) of expenditures made from its bank account. Of this amount, \$1,995 was for a Payment to Office Rental, Inc. As the Candidate, I provided information on the \$1,995 Office Rental, Inc. expense to the firm handling my reporting, including my Treasurer, but due to an error, this expense was unfortunately not timely reported. Once the mistake was discovered, my report was amended to report this expense.

The draft audit report does not, however, provide any additional information on the remaining \$86 in unitemized expenditures that were not reported. Without a detailed list of the unreported expenditures, I am unable to adequately respond to this portion of the audit finding.

Additional Response Provided by Committee

The Committee was provided with an opportunity to comment on this audit report. The Committee stated the following:

“As noted in the draft audit report, my committee terminated in December 2013 and nearly five years has passed since my campaign for supervisor in November 2012.

While a substantial period of time has passed since conclusion of the audit work, in the interest of public disclosure, I am writing to respond to the findings contained in your draft audit report. My responses to each proposed finding are included below.

As noted in several of my responses, I am unfortunately no longer in possession of some of the noted missing records. Per San Francisco Campaign Finance Reform Ordinance Code Section 1.109, the required record-retention period is four years. Because such a significant amount of time has passed since my campaign ended and since the audit originally began in August 2014, I am not as well-positioned to respond to the proposed findings contained in the draft audit report as I would have been had the audit been concluded within a shorter time frame following my campaign in 2012. Never-the-less, I am endeavoring to respond based on the information I have available at this time.

Throughout my campaign, I made great efforts to ensure compliance with the San Francisco Campaign Finance Reform Ordinance, including hiring a professional firm to assist with my campaign filings and hiring campaign counsel. While the draft audit report reflects several shortcomings with

respect to the records originally provided for audit nearly 5 years ago, I believe that the vast majority of my campaign expenditures were timely disclosed and adequately documented.

I trust my responses have addressed your concerns. “