

**San Francisco
Ethics Commission**



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San Francisco Charter section C3.699-11 authorizes the Ethics Commission to audit campaign statements that are filed with the Commission, along with other relevant documents, to determine whether a committee materially complied with applicable requirements of State and local laws. San Francisco Campaign & Governmental Conduct Code Section 1.150(a) requires audits of all candidates who receive public financing and authorizes other audits to be initiated of other committees irrespective of whether the committee received any public funds. As also provided in Sec. 1.150(a) at the request of the Executive Director, the Controller shall assist in conducting these audits.

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

This report was issued by the Office of the City Controller pursuant to a request by the Commission under Section 1.150. The Office of the Controller's City Services Auditor Division (CSA) conducted the assessments of candidates' compliance with state and city campaign finance laws for the 12 candidates who received public financing in connection with the November 8, 2016, general election held in the City and County of San Francisco. CSA engaged Macias Gini & O'Connell LLP to conduct these assessments.

**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER**

**CANDIDATE COMMITTEE ASSESSMENT REPORT:
Dean Preston for District 5 Supervisor 2016**

December 1, 2015, Through December 31, 2016



Certified
Public
Accountants



Dean Preston Committee Assessment Report

Chief Audit Executive
City and County of San Francisco

Macias Gini & O'Connell LLP (MGO) presents its report concerning the assessment of the Dean Preston for District 5 Supervisor Committee (Candidate Committee, or Committee) for December 1, 2015, through December 31, 2016, as follows:

Background

The Committee was formed on December 1, 2015, to support the election of Dean Preston to the City and County of San Francisco (City) Board of Supervisors, to represent District 5, in the general election of November 8, 2016. During the period the assessment covered, the Committee's treasurer was Nancy Warren.

MGO was engaged to assess candidate committees per the City's Campaign Finance Reform Ordinance, Section 1.150(a), which requires the Ethics Commission to audit all candidate committees that have received public financing.

Objectives and Scope

The objectives of this assessment were to reasonably conclude whether the Committee:

- Accurately reported all campaign contributions and expenditures, as required by city campaign finance law.
- Supported all contributions and expenditures with sufficient documentation, as required by city campaign finance law.
- Accepted only contributions that comply with state and city campaign finance laws.
- Made only expenditures that comply with state and city campaign finance laws.

The scope of our assessment included contributions and expenditures the Committee reported from December 1, 2015, through December 31, 2016.¹ The assessment included determining whether funds remaining in the Campaign Contribution Trust Account on December 8, 2016, were subsequently remitted to the Ethics Commission, as city campaign finance law requires.

Methodology

To meet the objectives of this assessment, we tested and reconciled contributions listed on the Form 460s² to deposits listed on the bank statements and vouched them to the Committee's verified records. We also reconciled expenditures listed on the Form 460s to the bank statements and vouched them to the Committee's verified records. We performed other tests to determine whether the Committee complied with state and city campaign finance laws. We performed the following procedures: reviewed the Form

¹ Although the assessment period ended December 31, 2016, we reviewed documentation that supported contributions and expenditures after this date to ensure compliance with campaign finance laws during the reporting period.

² California Form 460 – Recipient Committee Campaign Statement.

460s the Committee filed and the supporting documentation; conducted non-statistical testing of a random selection of contributions and expenditures to confirm that proper documentation was obtained; and verified the Committee's timeliness in submitting the Form 460s.

We conducted this assessment in accordance with the statements on standards for consulting services as issued by the American Institute of Certified Public Accountants (AICPA) and the terms of our contract agreement. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate data to provide a reasonable basis for our conclusions based on our objectives. We believe that the data obtained provides a reasonable basis for our conclusions based on our assessment objectives.

Assessment Results

From December 1, 2015, through December 31, 2016, the Committee received \$145,479 in monetary contributions, and \$143,407 in public funds—or a total of \$288,886—and expended \$273,394. The Committee owes no unexpended funds to the City. We found that the Committee, in general:

- Did not accurately and completely report campaign expenditures.
- Did not provide sufficient documentation and support for expenditures.
- Did not consistently make expenditures that comply with state and city campaign finance laws.
- Accurately and completely reported campaign contributions.
- Supported reported contributions with sufficient documentation.
- Accepted only contributions that comply with state and city campaign finance laws.

The exception is noted below:

Observation 2016-01 – The Committee could not provide support for \$12,813 of expenditures.

The Committee could not provide receipts or invoices for expenditures identified through PEX card³ statements for purchases totaling \$12,813. These expenditures represent almost 5 percent of the Committee's total expenditures. The Treasurer explained that the original purchaser lost the receipts/invoices related to these expenditures. Exhibit 1 details the unsupported expenditures by type as reported by the Committee.

³ PEX cards are similar to debit cards. The Committee transferred money from its bank account to the PEX account and used the PEX card to make purchases.

Exhibit 1 Expenditures Reported Without Supported Documentation by Type

<u>Amount</u>	<u>Expenditure Type</u>
\$ 3,478	Office Expenses/Information Technology Costs (internet, e-mail)
3,204	Office Expenses/Postage, Delivery and Messenger Services/Information Technology Costs (internet, e-mail)
2,191	Information Technology Costs (internet, e-mail)/Office Expenses/Campaign Paraphernalia/Misc.
1,079	Information Technology Costs (internet, e-mail)/Office Expenses/Staff/Spouse Travel, Lodging, and Meals
1,003	Fundraising Events/Office Expenses/Information Technology Costs (internet, e-mail)
803	Office Expenses/Postage, Delivery and Messenger Services/Information Technology Costs (internet, e-mail)/Meetings and Appearances
687	Office Expenses
288	Information Technology Costs (internet, e-mail)
80	Meetings and Appearances/Information Technology Costs (internet, email)
Total	\$ 12,813

According to the California Government Code, Section 84104, "It shall be the duty of each candidate, treasurer, political officer, and elected officer to maintain detailed accounts, records, bills, and receipts necessary to prepare campaign statements, to establish that campaign statements were properly filed, and to otherwise comply with provisions of this chapter." Without the supporting documentation for the expenditures listed, it cannot be determined whether the expenditures are allowable per campaign finance laws. Also, insufficient documentation increases the risk that questionable or illegal expenditures may have occurred without detection.

Conclusion

Based on the exception noted in observation 2016-01, we conclude that the Committee was non-compliant with state and city campaign finance laws as outlined in the objectives and scope section of this report.

This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone else.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 28, 2017