

**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:  
Hillary Ronen for District 9 Supervisor 2016**

November 18, 2015, Through December 31, 2016



Certified  
Public  
Accountants



## Hillary Ronen 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 Hillary Ronen for District 9 Supervisor Committee (Candidate Committee, or Committee) for November 18, 2015, through December 31, 2016, as follows:

### *Background*

The Committee was formed on November 18, 2015, to support the election of Hillary Ronen to the City and County of San Francisco (City) Board of Supervisors, to represent District 9, in the general election of November 8, 2016. During the period the assessment covered, the Committee's treasurer was Stacy Owens.

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 November 18, 2015, through December 31, 2016.<sup>1</sup> 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 460s<sup>2</sup> 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 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 460s the Committee filed and the supporting documentation; conducted non-statistical testing of a random selection

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<sup>1</sup> 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.

<sup>2</sup> California Form 460 – Recipient Committee Campaign Statement.

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 November 18, 2015, through December 31, 2016, the Committee received \$262,104 in monetary contributions, \$6,445 in in-kind contributions, and \$155,000 in public funds—or a total of \$423,549—and expended \$417,837. The Committee owes no unexpended funds to the City. However, per observation 2016-02 below, the Committee owes the Ethics Commission \$1,000 for receiving a contribution that exceeded the contribution limit and related public matching funds.

Although our assessment found three exceptions, they are immaterial in comparison to the magnitude of the total amounts in each category (contributions and expenditures). Therefore, we found that the Committee, in general:

- Accurately and completely reported all campaign contributions and expenditures.
- Supported reported contributions and expenditures with sufficient documentation.
- 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 exceptions are noted below:

*Observation 2016-01 – The Committee could not provide support for \$150 of itemized contributions and \$4,363 of unitemized contributions. Also, the Committee could not provide support for \$7,630 of expenditures and \$580 of unitemized expenditures.*

For the period of January 1 through June 30, 2016, the Committee reported receiving \$50 contributions from three contributors, totaling \$150. However, we did not find nor could the Treasurer provide any supporting documentation that these three contributions were made or received. The \$150 represents less than 1 percent of the total monetary contributions that the Committee received during the reporting period.

MGO vouched all unitemized contributions<sup>3</sup> during the reporting period except for the period ended September 24, 2016. For that period, the Committee reported \$4,363 as unitemized contributions. However, based on our review, the Committee received \$4,263 in unitemized contributions during the period. The Treasurer could not provide support for the remaining \$100 of reported unitemized contributions.

During the reporting period, the Committee could not provide receipts or invoices for expenditures identified through bank statements and PEX card<sup>4</sup> statements for purchases totaling \$7,630. These

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<sup>3</sup> A contribution may be recorded as an unitemized contribution if the contributor has contributed less than \$100 during the election period.

<sup>4</sup> 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.

expenditures represent almost 2 percent of the Committee’s total expenditures. The Treasurer explained that the original purchaser lost the receipts/invoices related to these expenditures.

MGO vouched all unitemized expenditures<sup>5</sup> during the reporting period except for the period ended June 30, 2016. For that period, the Committee reported incurring \$580 in unitemized expenditures. However, based on our review, the Committee incurred \$555 in unitemized expenditures during the period. The Treasurer could not provide support for the remaining \$25 of reported unitemized expenditures.

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 the 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.

*Observation 2016-02 – The Committee did not remit to the Ethics Commission a \$500 contribution that exceeded the per-contributor limit and the \$500 in associated matching funds. Therefore, the Committee owes the Ethics Commission \$1,000.*

The Committee received a \$1,000 contribution check from a joint bank account, and only one of the accountholders signed the check. The Committee did not obtain a signed statement from the accountholder who did not sign the check, as it should have, but identified the contribution as two \$500 contributions from each of the accountholders. According to the 2016 *Supplement for Candidates for the Board of Supervisors Seeking Public Funds*, “A contribution that is drawn on the account of two accountholders is considered to be from the accountholder who signs the check. Therefore, if the check is intended to be from both accountholders, they should both sign the check or the person who did not sign the check must provide a signed statement identifying the portion of the check that should be attributed to him/her.”

Therefore, \$500 should not have been credited to the second accountholder and the entire \$1,000 contribution should have been recorded as coming from the accountholder who signed the check. However, this would have resulted in the signer of the check contributing an amount exceeding the \$500 contribution limit and, consequently, the Committee would have been required to remit to the Ethics Commission the excess contribution of \$500. Further, the Committee should not have received public matching funds for the excess \$500 contribution, per city campaign finance laws. Therefore, the Committee owes \$1,000 to the Ethics Commission for the \$500 excess contribution and \$500 in matching funds it received.

*Observation 2016-03 – The Committee did not obtain contributor cards for cash contributions received.*

During the reporting period, the Committee received cash (currency) contributions of \$3,661, which represents slightly more than 1 percent of the contributions the Committee received. However, the Committee could not provide documentation—in the form of contributor cards—to support who made the contributions, as city guidance requires. According to the 2016 *Supplement for Candidates for the Board of Supervisors Seeking Public Funds*, “Contributions made by cash require a signed and dated contributor card from each contributor, clearly stating: the committee’s name, the amount of the contribution and that the method of payment was “cash, date of contribution, contributor’s name, and contributor’s residential address.” Without sufficient documentation, it cannot be determined who made the contribution.

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<sup>5</sup> An expenditure may be recorded as an unitemized expenditure if the Committee has incurred less than \$100 in charges to the same vendor during the election period.

Also, insufficient documentation increases the risk that questionable or illegal contributions may be made without detection.

*Conclusion*

Notwithstanding the exceptions noted in observations 2016-01, 2016-02, and 2016-03, we conclude that the Committee substantially complied 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