

**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:
Kimberly Alvarenga for District 11 Supervisor 2016**

November 6, 2015, Through December 31, 2016



Certified
Public
Accountants



Kimberly Alvarenga 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 Kimberly Alvarenga for District 11 Supervisor Committee (Candidate Committee, or Committee) for November 6, 2015, through December 31, 2016 as follows:

Background

The Committee was formed on November 6, 2015, to support the election of Kimberly Alvarenga to the City and County of San Francisco (City) Board of Supervisors, to represent District 11, in the general election of November 8, 2016. During the period the assessment covered, the Committee's treasurer was Esther Marks.

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 6, 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 460s the Committee filed and the supporting documentation; conducted non-statistical testing of a random

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.

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 November 6, 2015, through December 31, 2016, the Committee received \$100,059 in monetary contributions, \$822 in in-kind contributions, and \$143,749 in public funds—or a total of \$244,630—and expended \$245,209.³ The Committee owes no unexpended funds to the City. We found that the Committee, in general:

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

The exceptions are noted below:

Observation 2016-01 – The Committee overreported contributions by \$400 and received but did not remit \$800 in associated matching funds to the Ethics Commission.

During the period from January 1 through June 30, 2016, the Committee reported receiving a \$500 contribution, but based on our review the contribution was only \$100, thus the Committee overreported contributions by \$400. The Treasurer explained that an error was made when recording the contribution. This represents less than 1 percent of the total monetary contributions that the Committee received during the reporting period. The Committee received public matching funds of \$1,000 for the incorrectly recorded \$500 contribution. However, the Committee should have only received \$200 in public matching funds for a \$100 contribution. Therefore, the Committee owes \$800 to the Ethics Commission for additional matching funds received due to this reporting error.

According to the California Government Code, Section 84211(a), “Each campaign statement required by this article shall contain all of the following: The total amount of contributions received during the period covered by the campaign statement and the total cumulative amount of contributions received.”

³ In addition to monetary contributions, the Committee reported that it received \$608 in miscellaneous increases to cash—including refunds of previously reported expenditures, refunds of security deposits, etc.—which are not identified as contributions on Form 460.

Observation 2016-02 –The Committee underreported \$215 of unitemized contributions.

The Committee underreported unitemized contributions⁴ as follows:

Reporting Period	Committee Reported	Reviewed	(Under)/Over Reported
January 1 through June 30, 2016	\$4,566	\$4,616	(\$50)
July 1 through September 24, 2016	\$3,010	\$3,075	(\$65)
September 25 through October 22, 2016	\$1,442	\$1,542	(\$100)
		Total	(\$215)

The Treasurer could not provide an explanation for the underreported unitemized contributions.

According to the California Government Code, Section 84211(a), “Each campaign statement required by this article shall contain all of the following: The total amount of contributions received during the period covered by the campaign statement and the total cumulative amount of contributions received.”

Observation 2016-03 – The Committee could not provide support for the following: 1)\$3 of unitemized expenditures, 2)\$3,628 of expenditures, and 3)\$125 of in-kind contributions.

Unitemized Expenditures

We vouched all unitemized expenditures⁵ during the reporting period and identified a minor exception for the period from October 23 through December 31, 2016. For that period, the Committee reported paying \$843 in unitemized expenditures. However, based on our review, the Committee paid \$840 in unitemized expenditures. The Treasurer could not provide support for the remaining \$3 of reported unitemized expenditures.

Expenditures

The Committee could not provide receipts or invoices for expenditures identified through bank statements for purchases totaling \$3,628 for the reporting period. These expenditures represent almost 1.5 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.

Exhibit 1	Expenditures Reported Without Supporting Documentation by Type	
Amount	Expenditure Type	
\$ 2,842	Professional Services (Legal, Accounting)	
753	Phone Banks	
33	Office Expenses	
Total	\$	3,628

In-Kind Contributions

From September 25 through October 22, 2016, the Committee could not provide supporting documentation for in-kind contributions totaling \$125. This in-kind contribution represents 15 percent of the Committee’s total in-kind contributions. The Treasurer explained that the Committee lost the supporting documentation that was provided by the contributor.

⁴ A contribution may be recorded as an unitemized contribution if the contributor has contributed less than \$100 during the election period.

⁵ 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.

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 contributions and expenditures listed, it cannot be determined whether the contributions and expenditures are allowable per campaign finance laws. Also, insufficient documentation increases the risk that questionable or illegal expenditures may have occurred without detection.

Observation 2016-04 – The Committee made an expenditure of \$125 from the petty cash fund.

From July 1 through September 24, 2016, the Committee paid an expenditure from the petty cash fund totaling \$125. Expenditures paid from the Committee’s petty cash fund are not to exceed \$100. The Treasurer explained that she was unaware of the \$100 expenditure limit for the petty cash fund.

According to the California Code of Regulations, Title 2, Division 6, Chapter 5, Section 18524, “No expenditure of \$100 or more shall be made from a petty cash fund.”

Observation 2016-05 – The Committee underreported three contributions totaling \$175.

The Committee underreported contributions as follows:

Reporting Period	Underreported Contribution
January 1 through June 30, 2016	\$100
July 1 through September 24, 2016	\$50
October 23 through December 31, 2016	\$25
Total	\$175

The Treasurer could not provide an explanation for the underreported contributions.

According to the California Government Code, Section 84211(c) and (d), “Each campaign statement required by this article shall contain all of the following information:

- c) The total amount of contributions received during the period covered by the campaign statement from persons who have given a cumulative amount of one hundred dollars (\$100) or more.
- d) The total amount of contributions received during the period covered by the campaign statement from persons who have given a cumulative amount of less than one hundred dollars (\$100).”

Observation 2016-06 – The Committee’s Form 460s did not flow accurately from one period to the next, which resulted in overreported contributions by \$110, underreported expenditures by \$691, and overstated the cash balance by \$894.

From the reporting period, July 1 through September 24, 2016, to September 25 through October 22, 2016, we identified the following reporting inconsistencies:

- 1. Reported contributions were \$110 higher than our calculated amounts when adding the reported amounts to the prior period’s year-to-date “calendar year total” amounts.
- 2. Reported expenditures were \$691 lower than our calculated amounts when adding the reported amounts to the prior period’s year-to-date “calendar year total” amounts.
- 3. The beginning cash balance was \$894 higher than the prior period’s ending cash balance.

These reporting differences were not detected nor corrected by the Treasurer, therefore the inconsistencies carried forward to the final reporting period. The Treasurer could not explain the cause for these differences.

The Form 460s are formatted specifically for the purpose of tracking the Committee's contributions, expenditures, and cash balance during the specific reporting period and for the calendar year. Due to this, a Committee's Form 460s for the reporting period should flow and the calendar year to date amounts are intended to be traceable to the previous Form 460s.

Conclusion

Based on the exceptions noted in observations 2016-01 through 2016-06, 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