

**San Francisco
Ethics Commission**



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2018 Election Cycle
London Breed for Mayor 2018
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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 received public financing in their campaigns and authorizes other audits to be initiated of other committees irrespective of whether the committee received any public funds. The Ethics Commission's audit program issues public reports that detail these committees' compliance with applicable campaign finance and reporting laws. The Commission posts its reports to its website and, in cases of apparent violations of law, forwards them to the appropriate enforcement agency.

As part of its audit program in connection with the June and November 2018 elections, the Ethics Commission engaged Macias Gini & O'Connell LLP (MGO) to assess compliance with applicable campaign laws for the 14 committees of candidates that received public funds during those elections. The report that follows is one of the reports issued by MGO pursuant to that engagement.

**CITY AND COUNTY OF SAN FRANCISCO
ETHICS COMMISSION**

**CANDIDATE COMMITTEE 2018 ELECTION
ASSESSMENT REPORT:
London Breed for Mayor 2018**

January 7, 2018 through December 31, 2018



Certified
Public
Accountants

London Breed Committee 2018 Election Assessment Report

Executive Director, Ethics Commission
City and County of San Francisco

Macias Gini & O'Connell LLP (MGO) presents its report concerning the assessment of the London Breed for Mayor Committee (Candidate Committee, or Committee) for the period January 7, 2018 through December 31, 2018 as follows:

Background

The Committee was formed on January 7, 2018, to support the election of London Breed for Mayor of the City and County of San Francisco (City), in the special election held on June 5, 2018. During the period covered by the assessment, the Committee's Treasurer was Stacy Owens. During the assessment, MGO submitted inquiries to Marissa Quaranta.

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 laws;
- Accepted only contributions that comply with State and City campaign finance laws;
- Made only expenditures that comply with State and City campaign finance laws; and
- Complied with applicable campaign disclosure and disclaimer requirements and timeframes required by applicable laws and regulations.

The scope of our assessment included contributions and expenditures the Committee reported from January 7, 2018 through December 31, 2018.¹ The assessment included determining whether funds remaining in the Campaign Contribution Trust Account on July 5, 2018, were subsequently remitted to the Ethics Commission, as City campaign finance law requires.²

¹ Although the assessment period ended December 31, 2018, we reviewed documentation that supported expenditures after this date to ensure compliance with campaign finance laws during the reporting period.

² July 5, 2018 is 30 days after the date of the election. Section 1.148(c) of the City's Campaign Finance Reform Ordinance states, "Any candidate who received public financing and whose committee has unexpended public funds shall pay to the City and County of San Francisco and deliver to the Ethics Commission those funds for deposit in the Election Campaign Fund no later than 30 days after the Ethics Commission completes its audit of the candidate's committee." The City's Campaign Finance Reform Ordinance defines unexpended public funds as, "... all funds remaining in the candidate committee's account on the 30th day after the candidate controlling committee is either elected or not elected to office regardless of the source of the funds, but shall not exceed the amount of public funds provided to the candidate."

Methodology

To meet the objectives of this assessment, we tested and reconciled contributions listed on the Form 460s³ 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 of contributions and expenditures to confirm that proper documentation was obtained, and reviewed mailings and other advertisements that were listed on the Form 161s⁴ for compliance with City campaign finance laws.

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 January 7, 2018 through December 31, 2018, the Committee received \$1,254,197 in monetary contributions, and \$975,000 in public funds – for a total of \$2,229,197 – and expended \$2,277,535.⁵ The Committee owes no unexpended funds to the City. We found that the Committee, in general:

- Accurately and completely reported most of the campaign contributions with the exception of the unitemized contributions⁶, as noted in observation 2019-01 below.
- MGO was unable to determine whether the Committee accurately and completely reported campaign expenditures, as noted in observations 2019-02 and 2019-03 below.
- Supported reported contributions with sufficient documentation with the exception of the unitemized contributions, as noted in observation 2019-01 below.
- The Committee did not provide sufficient documentation to support 80 expenditures that totaled \$6,130.51, as noted in observation 2019-02 below. The Committee did not provide sufficient documentation for the unitemized expenditures⁷, as noted in observation 2019-03 below.
- Accepted only contributions that complied with State and City campaign finance laws with the exception of one \$500 contribution that was received from a corporation, as noted in observation 2019-04 below.
- Only made expenditures that complied with State and City campaign finance laws.
- Generally complied with applicable campaign disclosure requirements and timeframes with the exception of one mass mailing that was not submitted within the required timeframe, as noted in observation 2019-05.

The exceptions are noted below:

³ California Form 460 – Recipient Committee Campaign Statement.

⁴ San Francisco Ethics Commission Form 161 – Itemized Disclosure Statement for Mass Mailings.

⁵ In addition to monetary contributions, the Committee reported that it received \$48,851 in miscellaneous increases to cash – refunds for previously reported expenditures – which were not identified as contributions on the Form 460.

⁶ A contribution may be recorded as an unitemized contribution if the contributor has contributed less than \$100 during the election period.

⁷ 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.

Observation 2019-01 – The Committee did not provide supporting documentation for some of the unitemized contributions reported on the Form 460 during three reporting periods.

Based on documentation reviewed, MGO was unable to reconcile some of the unitemized contributions the Committee reported during three reporting periods: 1/1/18-4/21/18, 4/22/18-5/19/18, and 5/20/18-6/30/18. See Exhibit 1 below for the reporting periods that MGO was unable to reconcile the unitemized contributions to supporting documentation. The Committee was unable to provide a reconciliation of the unitemized contributions reported on the Form 460s to the Committee's accounting records.

Exhibit 1		Unitemized Contributions	
Reporting Period	Committee	MGO	Over/(Under)
1/1 - 4/21/18	\$ 21,096.00	\$ 21,051.00	\$ 45.00
4/22 - 5/19/18	8,137.00	8,052.00	85.00
5/20 - 6/30/18	1,329.00	1,589.00	(260.00)
Total	\$ 30,562.00	\$ 30,692.00	\$ (130.00)

According to the City's Campaign Finance Reform Ordinance, Section 1.109(a), "All candidates and committees that are required to file statements prescribed by this Chapter shall maintain detailed accounts, records, bills, and receipts as necessary to prepare those statements. Each candidate or committee shall retain for a period of four years detailed information and original source documentation supporting those statements."

Observation 2019-02 – Out of over 1,100 total expenditure transactions during the reporting period, the Committee did not provide supporting documentation for approximately 7 percent of the reported expenditure transactions (80) that totaled \$6,130.51.

Our assessment included reviewing supporting documentation for 100% of all expenditures incurred by the Committee and determining whether the expenditures were appropriately recorded. Out of 1,109 expenditure transactions, MGO identified 80 expenditures (approximately 7 percent of the total number of expenditure transactions) that totaled \$6,130.51 (approximately two-one hundredths of a percent of the total campaign expenditures), for which the Committee failed to maintain appropriate documentation. The expenditures for which there was a lack of supporting documentation were made over all four reporting periods: 1/1/18-4/21/18; 4/22/18-5/19/18; 5/20/18-6/30/18; and 7/1/18-12/31/18. See Exhibit 2 below for the number and amount of expenditures within each reporting period that lacked supporting documentation. The Committee was unable to provide the invoices or receipts for the expenditures summarized below.

Exhibit 2		Expenditures Reported Without Supporting Documentation	
Reporting Period	Number of Expenditures	Amount	
1/1 - 4/21/18	21	\$	3,214.49
4/22 - 5/19/18	17		815.55
5/20 - 6/30/18	27		1,194.02
7/1 - 12/31/18	15		906.45
Total	80	\$	6,130.51

According to the City's Campaign Finance Reform Ordinance, Section 1.109(a), "All candidates and committees that are required to file statements prescribed by this Chapter shall maintain detailed accounts, records, bills, and receipts as necessary to prepare those statements. Each candidate or committee shall retain for a period of four years detailed information and original source documentation supporting those statements."

Observation 2019-03 – The Committee did not provide supporting documentation for some of the unitemized expenditures reported on the Form 460 during two reporting periods.

Based on documentation reviewed, MGO was unable to reconcile some of the unitemized expenditures the Committee reported during two reporting periods: 4/22/18-5/19/18 and 5/20/18-6/30/18. See Exhibit 3 below for the reporting periods that MGO was unable to reconcile the unitemized expenditures to supporting documentation. The Committee was unable to provide a reconciliation of the unitemized expenditures reported on the Form 460s to the Committee's accounting records.

Exhibit 3		Unitemized Contributions	
Reporting Period	Committee	MGO	Over/(Under)
4/22 - 5/19/18	\$ 844.78	\$ 846.59	\$ (1.81)
5/20 - 6/30/18	886.53	877.15	9.38
Total	\$ 1,731.31	\$ 1,723.74	\$ 7.57

According to the City's Campaign Finance Reform Ordinance, Section 1.109(a), "All candidates and committees that are required to file statements prescribed by this Chapter shall maintain detailed accounts, records, bills, and receipts as necessary to prepare those statements. Each candidate or committee shall retain for a period of four years detailed information and original source documentation supporting those statements."

Observation 2019-04 – The Committee accepted a \$500 contribution from a corporation.

Our assessment included reviewing 100% of the contributions received by the Committee to determine whether contributors did not contribute in excess of the contribution limit and that no corporations made contributions. During the reporting period of 1/1/18-4/21/18, the Committee received a \$500 contribution from a corporation. MGO confirmed that this was a corporation by conducting a search of the entity's name on the California Secretary of State's website, and the entity was listed as an active corporation. The Treasurer stated that the Committee reviewed contributions to make sure corporations did not make contributions to the Committee, but that this entity, when entering information into Democracy Engine, entered the name of the business as the first and last name while making the contribution. The Committee did not receive matching funds for this contribution.

According to the City's Campaign Finance Reform Ordinance, Section 1.114(b), "No corporation, limited liability company, or limited liability partnership organized pursuant to the laws of the State of California, the United States, or any other state, territory, or foreign country, whether for profit or not, shall make a contribution to a candidate committee, provided that nothing in this subsection (b) shall prohibit such a corporation, limited liability company, or limited liability partnership from establishing, administering, and soliciting contributions to a separate segregated fund to be utilized for political purposes by the corporation, limited liability company, or limited liability partnership, provided that the separate segregated fund complies with the requirements of Federal law including Sections 432(e) and 441b of Title 2 of the United States Code and any subsequent amendments to those Sections."

Observation 2019-05 – The Committee submitted one Form 161 after the reporting deadline.

Our assessment included reviewing 100% of all Form 161s and mass mailings submitted to the Ethics Commission and determining whether the Form 161s were submitted within the required timeframe. Out of 14 Form 161s submitted to the Ethics Commission, we identified one Form 161 that was submitted after the due date. The Committee did not have an explanation for why the Form 161 was submitted after the due date. See Exhibit 4 below summarizing information related to the Form 161 that was submitted after the deadline.

Exhibit 4		Form 161s Submitted Late	
Report Number	Date of Mass Mailing	Due Date for Form 161	Date of Form 161 Submission
7	5/21/2018	5/23/2018	5/25/2018

According to the City's Campaign Finance Reform Ordinance, Section 1.161(b)(3)(A), "Each candidate committee that pays for a mass mailing shall, within five working days after the date of the mailing, file a copy of the mailing and an itemized disclosure statement with the Ethics Commission for that mailing." Also, Section 1.161(b)(3)(B) of the City's Campaign Finance Reform Ordinance states, "Each candidate committee that pays for a mass mailing shall file a copy of the mailing and the itemized disclosure statement required by subsection (b)(3) within 48 hours of the date of the mailing if the date of the mailing occurs within the final 16 days before the election." In addition, the City's Campaign Finance Reform Ordinance, Section 1.170(d)(2) states, "In addition to any other penalty, any person who files an electronic copy of a statement or report after the deadline imposed by this Chapter shall be liable in the amount of twenty five dollars (\$25) per day after the deadline until the electronic copy or report is filed." As such, the Committee is liable to the Ethics Commission for \$50 (\$25 times 2 days).

Conclusion

The observations identified in this report will be reviewed further by the Ethics Commission's Enforcement Division, who will determine whether or not any further action is warranted based on the degree to which the Committee substantially complied with State and City campaign finance laws as outlined in the objectives and scope section of this report.

The Committee was provided a copy of this report and an opportunity to respond. The Committee's response is attached to this report.

This report is intended for the information and use of the Ethics Commission and the Committee. The report will be posted to the Ethics Commission website for the purpose of informing the public of the Committee's compliance with State and City campaign finance laws.

Macias Gini & O'Connell LLP

Walnut Creek, California
July 10, 2020

S.E. Owens & Company
312 Clay Street, Suite 300
Oakland, CA 94607

LeeAnn Pelham
Executive Director
San Francisco Ethics Commission
25 Van Ness Ave, Suite 220
San Francisco, CA 94102

July 10, 2020

Dear Ms. Pelham,

This responds to the “assessment report” prepared by MGO with respect to the London Breed for Mayor 2018 committee. The “observations” in that report are insubstantial and nonmaterial, particularly given the very significant amounts raised and spent by the committee. With respect to Observation 2019-02, we note that the campaign in fact has PEX card statements documenting these very typical campaign expenses – including payments for parking meters, the Department of Elections, the Post Office, food for staff or volunteers, cell phone bills, etc. – many of which were made to the same vendors. This fact should be reflected in the report. Moreover, many of these payments were for as little as a few dollars, so the observation’s main focus on the percentage of the reported expenditure transactions is misleading. The observation should instead focus on the fact that these expenditures only comprise .02 percent of the campaign’s total expenditures.

Thank you,



Marissa Quaranta | Director
(Pronouns: she/her/hers)
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