

**San Francisco
Ethics Commission**



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**2018 Election Cycle
Haney for Supervisor 2018
FPPC ID # 1398951
Report posted October 9, 2020**

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:**

Matt Haney for District 6 Supervisor 2018

September 15, 2017 through December 31, 2018



Certified
Public
Accountants

Matt Haney 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 Matt Haney for District 6 Supervisor Committee (Candidate Committee, or Committee) for the period September 15, 2017 through December 31, 2018 as follows:

Background

The Committee was formed on September 15, 2017, to support the election of Matt Haney to the City and County of San Francisco (City) Board of Supervisors, to represent District 6, in the general election of November 6, 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 September 15, 2017 through December 31, 2018.¹ The assessment included determining whether funds remaining in the Campaign Contribution Trust Account on December 6, 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 contributions and expenditures after this date to ensure compliance with campaign finance laws during the reporting period.

² December 6, 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 September 15, 2017 through December 31, 2018, the Committee received \$407,932 in monetary contributions, and \$155,000 in public funds – or a total of \$562,932 – and expended \$552,771. The Committee owes no unexpended funds to the City. We found that the Committee, in general:

- Accurately and completely reported all campaign contributions and expenditures.
- Did not support reported contributions and expenditures with sufficient documentation. We identified 33 cash contributions that totaled \$1,279 that the Committee did not provide contributor cards for, as noted in observation 2019-01 below. Also, we identified differences between the supporting documentation and the unitemized contributions reported on the Form 460s, as noted in observation 2019-02 below. In addition, we identified 57 expenditures that totaled \$8,591 for which the Committee did not provide supporting documentation, as noted in observation 2019-03 below.
- Accepted only contributions that complied with State and City campaign finance laws.
- Only made expenditures that complied with State and City campaign finance laws with the exception of 34 expenditures that were not directly related to the Committee's primary objective or a political, legislative, or governmental purpose, as noted in observation 2019-04 below.
- Did not comply with applicable campaign disclosure and disclaimer requirements and timeframes. We identified three mass mailings that the Committee submitted to the Ethics Commission that did not contain the Committee's address, as noted in observation 2019-05 below. We also identified two mass mailings that were not submitted within the requirements, as noted in observation 2019-06 below.

The exceptions are noted below:

Observation 2019-01 – The Committee did not provide contributor cards for 33 contributors that made cash contributions that totaled \$1,279.

Our assessment procedures included reviewing 100% of all contributions reported by the Committee on the Form 460s and reviewed supporting documentation for each contribution. The Committee received 33 cash contributions during the following three reporting periods, and the Committee did not provide contributor cards to support these contributions: 1/1/17-12/31/17; 1/1/18-6/30/18; and 10/21/18-12/31/18. See Exhibit

³ California Form 460 – Recipient Committee Campaign Statement.

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

1 below for the number and amount of cash contributions within each reporting period that lacked contributor cards. This represents less than one percent of the overall contributions received by the Committee. The Committee stated that contributor cards were not obtained for these contributions.

Exhibit 1		
Cash Contributions Without Contributor Cards		
Reporting Period	Number of Cash Contributions	Amount
1/1 - 12/31/17	9	\$ 215.00
1/1 - 6/30/18	11	275.00
10/21 - 12/31/18	13	789.00
Total	33	\$ 1,279.00

According to the *Supplemental Guide for Board of Supervisor Candidates Seeking Public Funding in the June and/or November 2018 Election*, "Contributions made by cash require a contributor card that was signed and dated at the time the contribution was made from each contributor. The contributor cards for cash contributors must clearly state: the committee's name, the amount of the contribution, that the method of payment was 'cash,' the date of contribution, the contributor's name, and contributor's residential address." Without a contributor card, it cannot be determined who made the contribution.

Observation 2019-02 – The Committee did not provide supporting documentation for the unitemized contributions reported on the Form 460 during two reporting periods.

Based on documentation reviewed, we were unable to reconcile the unitemized contributions⁵ during two reporting periods: 1/1/18-6/30/18 and 7/1/18-9/22/18. See Exhibit 2 below for the reporting periods that we were unable to reconcile the unitemized contributions to supporting documentation. The Committee stated that reconciliations for the unitemized contributions were not available.

Exhibit 2			
Unitemized Contributions			
Reporting Period	Committee	MGO	Over/(Under)
1/1 - 6/30/18	\$ 8,640.00	\$ 8,406.00	\$ 234.00
7/1 - 9/22/18	3,815.75	3,775.75	40.00
Total	\$ 12,455.75	\$ 12,181.75	\$ 274.00

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."

⁵ A contribution may be recorded as an unitemized contribution if the contributor has contributed less than \$100 during the election period.

Observation 2019-03 – Out of almost 700 expenditures, the Committee did not provide supporting documentation for 57 expenditures that totaled \$8,591.

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 699 expenditure transactions, we identified 57 expenditures (approximately eight percent of the total number of expenditure transactions) that totaled \$8,591 (approximately one and one half 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 four reporting periods: 1/1/18-6/30/18; 7/1/18-9/22/18; 9/23/18-10/20/18; and 10/21/18-12/31/18. See Exhibit 3 below for the number and amount of expenditures within each reporting period that lacked supporting documentation.

Exhibit 3 Expenditures Reported Without Supporting Documentation		
Reporting Period	Number of Expenditures	Amount
1/1 - 6/30/18	6	\$ 1,093.95
7/1 - 9/22/18	13	466.87
9/23 - 10/20/18	11	1,284.05
10/21 - 12/31/18	27	5,746.45
Total	57	\$ 8,591.32

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 – Out of almost 700 expenditures, the Committee incurred 34 expenditures that totaled \$533.58 that are unallowable according to State campaign finance laws.

Our assessment included reviewing 100% of all expenditures reported by the Committee and determining whether the expenditures were compliant with State and City campaign finance laws. Out of 699 expenditures, the Committee incurred 34 expenditures that were not related to the Committee’s primary objective or a political, legislative, or governmental purpose. Based on discussion with the Committee, these 34 expenditures were for Lyft charges that were charged to the Committee in which the Committee’s credit card was accessed by an individual that was not part of the Committee. The Committee was unsuccessful in reversing these fraudulent charges due to the time that had lapsed between the dates that charges were incurred and the time that the fraud was identified by the Committee. These fraudulent expenditures were not related to the Committee’s primary objective or a political, legislative, or governmental purpose.

According to Section 89513 (a) (1) of Chapter 4 of the California Government Code, “Campaign funds shall not be used to pay or reimburse the candidate, the elected officer, or any individual or individuals with authority to approve the expenditure of campaign funds held by a committee, or employees or staff of the committee or the elected officer’s governmental agency for travel expenses and necessary accommodations except when these expenditures are directly related to a political, legislative, or governmental purpose.”

Observation 2019-05 - The Committee submitted copies for three mass mailings to the Ethics Commission that did not include the Committee’s address.

Our assessment included reviewing 100% of all Form 161s and mass mailings submitted to the Ethics Commission and determining whether the mass mailings contained the required campaign disclosures and

disclaimers. Out of 12 Form 161s submitted to the Ethics Commission, we identified three Form 161s that did not include the Committee's address. See Exhibit 4 below for the Form 161s that do not contain the Committee's address. The Committee stated that an error was made when submitting the Form 161s to the Ethics Commission, and the incorrect versions of the mass mailings were submitted. The Committee stated that they will submit the correct versions of the mass mailings to the Ethics Commission that contain the Committee's address. As of March 9, 2020, the correct version of the mass mailings has yet to be submitted to the Ethics Commission.

Exhibit 4		Form 161s Submitted Without Committee's Address	
Date Submitted	Report Number	Title of Mass Mailing	
10/22/2018	3	Kamala Harris Endorsement	
10/22/2018	4	Neighborhood Issues	
10/30/2018	9	Rent is too Damn High	

According to Section 84305 (b) of Chapter 4 of the California Government Code, "If the sender of the mass mailing is a single candidate or committee, the name, street address, and city of the candidate or committee need only be shown on the outside of each piece of mail."

Observation 2019-06 – The Committee submitted two Form 161s after the deadline for submitting Form 161s when mass mailings are made within 16 days before the election.

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 12 Form 161s submitted to the Ethics Commission, we identified two Form 161s that were submitted two days after the due date. The Committee did not have an explanation for why the two Form 161s were submitted after the due date. See Exhibit 5 below for the Form 161s that were submitted after the deadline.

Exhibit 5		Form 161s Submitted Late	
Report Number	Date of Mass Mailing	Due Date for Form 161	Date of Form 161 Submission
10	10/26/2018	10/28/2018	10/30/2018
11	10/26/2018	10/28/2018	10/30/2018

According to City's Campaign Finance Reform Ordinance, Section 1.161(b)(3)(B), "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), "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 for each mass mailing, \$100 in total, due to the late submissions.

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

April 30, 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

April 29, 2020

Dear Ms. Pelham,

Response to Candidate Committee 2018 Election Assessment Report for Matt Haney for District 6 Supervisor 2018 is below.

We believe that the committee materially complied with campaign finance laws.

Exceptions:

The Committee did not provide contributor cards for 33 contributors that made cash contributions that totaled \$1,279.

Cash contributors were reported by the committee accurately, based on who the cash was from. The amount of overall contributions in cash is less than one percent of overall contributions.

The Committee did not provide supporting documentation for the unitemized contributions reported on the Form 460 during two reporting periods.

The difference listed is an immaterial amount. We do not believe this constitutes a discrepancy that should be listed on an audit report as an exception.

Observation 2019-03 – Out of almost 700 expenditures, the Committee did not provide supporting documentation for 57 expenditures that totaled \$8,591.

The expenditures noted are debit card expenditures, details for which can be seen on campaign statements on provided debit card monthly statements.

Observation 2019-04 – Out of almost 700 expenditures, the Committee incurred 34 expenditures that totaled \$533.58 that are unallowable according to State campaign finance laws.

This section indicates that the committee intentionally spent funds on impermissible items. This is not the case. As stated in the report, the committee made a best effort attempt to remedy fraudulent charges.

Observation 2019-05 - The Committee submitted copies for three mass mailings to the Ethics Commission that did not include the Committee's address.

The committee's address is well known and publicly reported. Not reporting the committee address on Forms 161 was a clerical oversight, and should not be a material audit exception.

Observation 2019-06 – The Committee submitted two Form 161s after the deadline for submitting Form 161s when mass mailings are made within 16 days before the election.

Mailings were stated in the report to be two days late. We'd assume this to be cause for a small fine, but not an audit exception.

Thank you,



Marissa Quaranta | Director

(Pronouns: she/her/hers)

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