

**San Francisco  
Ethics Commission**



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**2018 Election Cycle  
Schuyler Hudak for District 2 Supervisor 2018  
FPPC ID #1396875  
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:  
Schuyler Hudak for District 2 Supervisor 2018**

June 5, 2017 through December 31, 2018



Certified  
Public  
Accountants



Certified  
Public  
Accountants

## Schuyler Hudak 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 Schuyler Hudak for District 2 Supervisor Committee (Candidate Committee, or Committee) for the period June 5, 2017 through December 31, 2018 as follows:

### *Background*

The Committee was formed on June 5, 2017, to support the election of Schuyler Hudak to the City and County of San Francisco (City) Board of Supervisors, to represent District 2, 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 June 5, 2017 through December 31, 2018.<sup>1</sup> 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.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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 30<sup>th</sup> 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 460s<sup>3</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 of contributions and expenditures to confirm that proper documentation was obtained, and reviewed mailings and other advertisements that were listed on the Form 161s<sup>4</sup> 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 June 5, 2017 through December 31, 2018, the Committee received \$100,011 in monetary contributions, and \$101,432 in public funds – or a total of \$201,443 – and expended \$200,363. 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 with the exception of one expenditure that the Committee incorrectly reported as an unitemized expenditure, as noted in observation 2019-01 below.
- Supported reported contributions with sufficient documentation. However, we identified 118 expenditures that totaled \$7,395 in which the Committee did not provide supporting documentation, as noted in observation 2019-02 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.
- Complied with applicable campaign disclosure and disclaimer requirements and timeframes.

The exceptions are noted below:

*Observation 2019-01 – Out of over 50 unitemized expenditures, the Committee incorrectly unitemized one expenditure that should have been itemized since the Committee had made over \$100 of expenditures to the vendor.*

Our assessment procedures included reviewing 100% of all expenditures reported by the Committee on the Form 460s and reconciled the reported expenditures to the Committee's bank statements. The Committee incorrectly reported a \$66 expenditure as an unitemized expenditure<sup>5</sup> during the reporting period of October 21 through December 31, 2018. Since the Committee had incurred more than \$100 of expenditures to this vendor during the election period, this expenditure should have been itemized on the Form 460. Upon our inquiry to the Committee, the Committee stated that an error was made when recording this transaction and a new vendor was created. The Committee stated that a revised Form 460 will be prepared to correct this item. As of March 1, 2020, a revised Form 460 had not yet been submitted to the Ethics Commission.

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<sup>3</sup> California Form 460 – Recipient Committee Campaign Statement.

<sup>4</sup> San Francisco Ethics Commission Form 161 – Itemized Disclosure Statement for Mass Mailings.

<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.

According to the California Government Code, Section 84211(i), "Each campaign statement required by this article shall contain all of the following information: The total amount of expenditures made during the period covered by the campaign statement to persons who have received one hundred dollars (\$100) or more."

*Observation 2019-02 – Out of over 300 expenditures, the Committee did not provide supporting documentation for 118 expenditures that totaled \$7,395.*

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 349 expenditure transactions, we identified 118 expenditures (approximately 34% of the total number of expenditure transactions) that totaled \$7,395 (or less than four 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 1 below for the number and amount of expenditures within each reporting period that lacked supporting documentation.

<b>Exhibit 1                      Expenditures Reported Without Supporting Documentation</b>		
<b>Reporting Period</b>	<b>Number of Expenditures</b>	<b>Amount</b>
1/1 - 6/30/18	38	\$ 1,439.38
7/1 - 9/22/18	35	2,752.72
9/23 - 10/20/18	19	886.03
10/21 - 12/31/18	26	2,316.64
<b>Total</b>	<b>118</b>	<b>\$ 7,394.77</b>

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."

#### *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. However, the Committee elected to not provide a response to the 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  
March 31, 2020