

**San Francisco
Ethics Commission**



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2018 Election Cycle
Jane Kim for Mayor 2018
FPPC ID #1400832
Report posted October 8, 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:
Jane Kim for Mayor 2018**

December 19, 2017 through December 31, 2018



Certified
Public
Accountants

Jane Kim 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 Jane Kim for Mayor Committee (Candidate Committee, or Committee) for the period December 19, 2017 through December 31, 2018 as follows:

Background

The Committee was formed on December 19, 2017, to support the election of Jane Kim 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 Chelsea Johnson.

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 December 19, 2017 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 December 19, 2017 through December 31, 2018, the Committee received \$637,329 in monetary contributions, and \$707,759 in public funds – or a total of \$1,345,088 – and expended \$1,312,732. The Committee owes the City \$21,835 in unexpended public funds. We found that the Committee, in general:

- Accurately and completely reported all campaign contributions and expenditures with the exception of one contribution that was credited to the incorrect contributor as noted in observation 2019-01 below.
- Supported reported contributions and expenditures with sufficient documentation with the exception of 31 expenditures that totaled \$2,836, which the Committee was unable to provide supporting documentation for, 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 2,500 contributors, the Committee incorrectly credited one contribution to the wrong contributor.

Our assessment procedures included reviewing 100% of all contributions received by the Committee and determining whether all contributions were recorded as being from the correct contributor. Out of over 2,500 contributors, we identified one contribution for \$25 that was incorrectly credited to the wrong contributor on the Form 460 for the period 4/22/18-5/19/18. Consequently, one contributor's contribution total is overstated by \$25; and the actual contributor's total is understated by \$25. The Treasurer acknowledged that an error was made when inputting the contribution.

³ California Form 460 – Recipient Committee Campaign Statement.

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

According to the California Government Code, Section 84211(f), "Each campaign statement required by this article shall contain all of the following information: If the cumulative amount of contributions (including loans) received from a person is one hundred dollars (\$100) or more and a contribution or loan has been received from that person during the period covered by the campaign statement, all of the following:

1. His or her full name.
2. His or her street address.
3. His or her occupation.
4. The name of his or her employer, or if self-employed, the name of the business.
5. The date and amount received for each contribution received during the period covered by the campaign statement and if the contribution is a loan, the interest rate for the loan.
6. The cumulative amount of contributions."

Observation 2019-02 – Out of over 600 expenditures, the Committee could not provide supporting documentation for 31 expenditures that totaled \$2,836.

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 over 600 expenditures, we identified 31 expenditures that totaled \$2,836, or less than one percent of the total campaign expenditures, that the Committee failed to maintain appropriate documentation for. The expenditures for which there was a lack of supporting documentation were made with the Committee's credit card and were incurred during 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 1 below for the number and amount of expenditures within each reporting period that lacked supporting documentation.

Exhibit 1 Expenditures Reported Without Supporting Documentation		
Reporting Period	Number of Expenditures	Amount
1/1 - 4/21/18	3	\$ 84.37
4/22 - 5/19/18	8	904.58
5/20 - 6/30/18	10	620.69
7/1 - 12/31/18	10	1,226.76
Total	31	\$ 2,836.40

According to the City's Campaign 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 owes the City \$21,835 in unexpended public funds.

Based on our calculations as of February 11, 2020, the Committee owes the City \$21,835 in unexpended public funds. The unexpended public funds are calculated by taking the Committee's bank balance on the 30th day following the date of the election and subtracting any expenditures incurred by the Treasurer for the preparation of post-election campaign statements or any expenditures associated with this assessment. According to the Treasurer, the Committee has not returned any unexpended funds to the City. However, it should be noted that if the Committee incurs any additional expenditures associated with this assessment or preparation of post-election campaign statements after January 15, 2020, the unexpended public funds amount will change. If no additional expenditures are incurred by the Committee after February 11, 2020, the Committee shall pay the unexpended funds balance of \$21,835 to the Ethics Commission within 30 days after the completion of this assessment.

According to the City's Campaign Finance Reform Ordinance, Section 1.104, unexpended public funds are defined as, "...all funds remaining in the candidate committee's account on the 30th day after the candidate controlling the 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. Funds raised after this date are not unexpended funds." Also, according to the same code, Section 1.148(c), "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. Unexpended funds may be used to pay for expenses associated with an audit such as bank fees, treasurer fees and storage fees until the Ethics Commission completes its audit of the candidate's committee."

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
March 10, 2020



March 4, 2020

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

Re: Jane Kim for Mayor 2018 Audit

To Whom It May Concern:

We have reviewed the audit report sent by Macias Gini & O'Connell, LLP (MGO) and agree with their assessment. We have been advised to respond to one of the exceptions MGO noted in the assessment.

Regarding the one contribution of \$25 that was incorrectly credited to the wrong contributor, the software provider, NetFile, had a bug that caused data records to be mis-applied to the wrong entity when a user was performing edits to multiple entities in multiple browser tabs. They were able to fix this bug in June of 2018, but unfortunately the error wasn't caught until the audit.

There will be additional Treasurer and Attorney expenditures associated with this assessment and preparation of post-election campaign statements that will be deducted from the unexpended funds balance. We estimate the total cost to be around \$11,000 if the review concludes by the end of April 2020. If the review should continue beyond April an estimated additional \$250 per month will need to be deducted from the unexpended funds balance.

Should you have any questions please contact Chelsea Johnson at chelsea@cjandassociatesinc.com.

Thank you,

A handwritten signature in blue ink, appearing to read "Chelsea Johnson", is written over a light blue horizontal line.

Chelsea Johnson
CJ & Associates, Inc.
Treasurer

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