

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

**CANDIDATE COMMITTEE 2018 ELECTION
ASSESSMENT REPORT:
Rafael Mandelman for District 8 Supervisor 2018**

April 17, 2017 through August 16, 2018



Certified
Public
Accountants



Rafael Mandelman 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 Rafael Mandelman for District 8 Supervisor Committee (Candidate Committee, or Committee) for the period April 17, 2017 through August 16, 2018 as follows:

Background

The Committee was formed on April 17, 2017, to support the election of Rafael Mandelman to the City and County of San Francisco (City) Board of Supervisors, to represent District 8, in the primary election of 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 April 17, 2017 through August 16, 2018. 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.¹

¹ 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, MGO 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. MGO also reconciled expenditures listed on the Form 460s to the bank statements and vouched to the Committee's verified records. MGO performed other tests to determine whether the Committee complied with State and City campaign finance laws. MGO 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 161s³ for compliance with City campaign finance laws.

MGO 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. MGO believes that the data obtained provides a reasonable basis for our conclusions based on our assessment objectives.

Assessment Results

From April 17, 2017 through August 16, 2018, the Committee received \$175,321 in monetary contributions, and \$155,000 in public funds – or a total of \$330,321 – and expended \$329,996. The Committee owes no unexpended funds to the City. MGO found that the Committee, in general:

- Accurately and completely reported most of the campaign contributions with the exception of the unitemized contributions⁴, as noted in observation 2019-01 below.
- MGO was unable to determine whether the Committee accurately and completely reported campaign expenditures, as noted in observation 2019-02 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 129 expenditures that totaled \$5,300.33, as noted in observation 2019-02 below.
- Accepted only contributions that complied with State and City campaign finance laws.
- MGO was unable to determine whether the campaign expenditures complied with State and City campaign finance laws, as noted in observation 2019-02 below.
- Complied with applicable campaign disclosure and disclaimer requirements and timeframes.

The exceptions are noted below:

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: 1/1/17-6/30/17, 7/1/17-12/31/17, and 1/1/18-4/21/18. 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.

² California Form 460 – Recipient Committee Campaign Statement.

³ San Francisco Ethics Commission Form 161 – Itemized Disclosure Statement for Mass Mailings.

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

Exhibit 1**Unitemized Contributions**

Reporting Period	Committee	MGO	Over/(Under)
1/1 - 6/30/17	\$ 4,583.88	\$ 4,443.08	\$ 140.80
7/1 - 12/31/17	4,398.50	4,331.50	67.00
1/1 - 4/21/18	771.00	1,218.00	(447.00)
Total	\$ 9,753.38	\$ 9,992.58	\$ (239.20)

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 900 total expenditures during the reporting period, the Committee did not provide supporting documentation for approximately 14 percent of the reported expenditure transactions (129 expenditures) that totaled \$5,300.33.

Our assessment included reviewing supporting documentation for 100% of all expenditures incurred by the Committee and determining whether the expenditures were accurately and completely reported. Out of 900 expenditure transactions, MGO identified 129 expenditures (approximately 14 percent of the total number of expenditure transactions) that totaled \$5,300.33 (approximately 1.6 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 five reporting periods: 1/1/17-6/30/17; 7/1/17-12/31/17; 1/1/18-4/21/18; 4/22/18-5/19/18; and 5/20/18-6/30/18. 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 - 6/30/17	1	\$ 35.78
7/1 - 12/31/17	29	928.71
1/1 - 4/21/18	49	1,712.38
4/22 - 5/19/18	15	729.64
5/20 - 6/30/18	35	1,893.82
Total	129	\$ 5,300.33

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.” Due to the lack of supporting documentation for the expenditures listed above, MGO was unable to determine whether these expenditures complied with State and City campaign finance laws.

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 informing the public of the Committee's compliance with State and City campaign finance laws.

Macias Gini É O'Connell LAP

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,

Response to Candidate Committee 'Rafael Mandelman for Supervisor 2018 Primary' Assessment Report.

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

Exceptions:

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.

In context of total funds, this is an immaterial amount. The Committee requests that the Ethics Commission takes this into account in the assessment of this report.

Observation 2019-02 – Out of 900 total expenditures during the reporting period, the Committee did not provide supporting documentation for approximately 14 percent of the reported expenditure transactions (129 expenditures) that totaled \$5,300.33.

The expenditures noted are debit card expenditures, which are listed on monthly statements. The Committee regrets that there was a breakdown in communication between the campaign Treasury firm and campaign staff regarding the maintenance of a portion of these receipts during the campaign. Since that time, the Treasury firm has put additional protocols in place directed at better assisting clients with these recordkeeping issues. The campaign made its best effort to recover these receipts, but a portion were not available. The missing receipts are under 2% of the dollar amount of total expenditures. The Committee requests that the Ethics Commission takes these mitigating factors into account in the assessment of this report.

Thank you,



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