



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

FY22 Lobbying Audit Project Plan

July 1, 2021

Mission

The mission of the Ethics Commission is to practice and promote the highest standards of integrity in government. We achieve that by delivering impactful programs that promote fair, transparent, and accountable governmental decision making for the benefit of all San Franciscans. With public service a public trust, our aim is to ensure that San Franciscans can have confidence that the operations of the City and County and the decisions made by its officials and employees are fair, just, and made without any regard to private or personal gain. In an era that has challenged the public's faith in government, the audit and oversight functions of the Ethics Commission play a vital role in supporting its core mission to help build trust in governmental institutions.

Audit Mandate

As part of its independent oversight mandate, the Ethics Commission is authorized under City Charter Section C3.699-11(4) to conduct campaign audits and mandates certain campaign audits to be conducted under Sec. 1.150 of the San Francisco Campaign & Governmental Conduct Code (SF CGCC). Separately, SF CGCC Sec. 2.135 mandates annual audits of one or more lobbyists. To carry out these duties, the Audit Division performs audits to assess compliance with applicable laws and issues public reports that promote improved understanding of the laws and accountability to the public. The Division also has responsibility for developing and conducting the annual post-filing compliance reviews of Statements of Economic Interests (Form 700) filings recommended in the Controller's June 2020 Public Integrity Review.

Written audit reports issued by the Audit Division to auditees are publicly posted on the Commission's website. They are also referred to the Commission's Enforcement Division for routine review and for any further action that may be warranted. Findings of non-compliance that result in enforcement action by the Commission may be resolved by approval of a Stipulated Settlement with the five-member Ethics Commission in which the Respondent acknowledges responsibility for the violation and agrees to pay a monetary penalty, or by imposition of monetary penalties levied by the Commission as provided for under the law following a public hearing on the merits by that body and a determination that a violation occurred.

Guiding Principles

Principles that guide the Commission’s audit work in practice include the department’s strategic operational goals. To improve program impact, heighten awareness of the laws, and ensure public service excellence through its work, the Audit Division:

- determines, documents, and publicly reports on the extent to which those subject to Commission audit or post-filing reviews are in compliance with applicable laws, along with instances and patterns of material non-compliance;
- promotes compliance with the laws and administrative enforcement as may be warranted through objective, thorough, and timely audits of city campaigns and of lobbying interests that seek to influence city decision-making;
- supports effective laws by evaluating audit findings to identify where there may be a need for additional training or information to help address gaps in filer awareness and practices, or where the laws may benefit from strengthening; and
- seeks to maximize audit program effectiveness through standardized methodologies, flexibility of operations, and continuous improvement.

As the Audit Division places renewed focus in FY22 on establishing an effective and sustainable lobbying audit program going forward, this Project Plan maps the essential components and timeframes for developing and conducting lobbying audits beginning in FY22. It addresses the general scope, phases, and planned approaches to lobbying audit work that will be taken in the fiscal year that starts July 1, 2021, and it incorporates the recommendations of the August 2020 *Budget & Legislative Analyst Performance Audit of the Ethics Commission* to enhance audit program management and impact:

	Produce a summary of audit findings after each audit cycle and submit to the Director of the Engagement and Compliance Division to inform compliance efforts. <i>(Recommendation 3)</i>
	Establish overall goals for completing audits as well as goals for review of audit reports by the Executive Director, and report on results in relation to goals after completion of each audit cycle to the Ethics Commission. <i>(Recommendation 5)</i>
	Approve procedures for a lobbyist audit program and conduct an initial lobbyist audit by end of FY21. <i>(Recommendation 6)</i>
	Develop an updated audit manual or standard operating procedure that provides auditors with a step-by-step guide to conduct audits. <i>(Recommendation 7)</i>
	Establish a formal training program for the Audit Division , which includes: (a) identification of training needs based on discussions with the acting audit supervisor and auditors; (b) training goals for each employee; (c) A process for tracking progress towards achieving training goals; and (d) a process for routinely evaluating, updating, and revising the training program. <i>(Recommendation 8)</i>

Resource Commitment

The Commission’s Audit Division consists of four position authorities. In addition to the Audit and Compliance Review Manager position, the Division has three Auditors. At the time this Project Plan was established, one of the Auditor positions was vacant and was in active recruitment in June 2021 with the goal of filling that position by August 31, 2021.

The development, execution, and monitoring of annual Project Plans is led by the Audit and Compliance Review Manager as head of the Audit Division, working with the Division’s team of Auditors and collaborating cross-functionally with other Commission staff for additional subject matter and program expertise and other support as may be necessary.

As with all Project Plans, implementation of the work and timelines identified is premised on the continued availability of existing Ethics Commission staffing resources.

FY22 Lobbying Audit Project Plan

I. Lobbying Audit Requirement

Effective July 2014, Section 2.135(c) of the San Francisco Campaign and Governmental Conduct Code (SF C&GGC) requires that the Executive Director, on an annual basis, “shall initiate audits of one or more lobbyists selected at random.” It further requires that within ten business days of a request by the Ethics Commission, a lobbyist or anyone required to register as a lobbyist shall provide the Ethics Commission with any documents required to be retained under the City’s lobbying ordinance.

II. Building on Prior Audit Work

The Commission’s Audit program in general was one of the central areas of focus in the performance audit of the Commission that was conducted by the Board of Supervisors’ Budget & Legislative Analyst (BLA) from February through August 2020. In part, the BLA final audit report noted the following with regard to lobbying audits specifically:

“The nature of lobbying activity and what is required to be disclosed makes it more difficult to verify the accuracy of lobbyist disclosures compared to campaign filings. For example, while campaign filing statements can be tested against bank records, invoices, and check copies, lobbyist activity is typically self-reported, and it is difficult to prove that meetings occurred between lobbyists and City officials. This reduces accountability for lobbyists and could result in underreporting of lobbyist activity.”

The BLA report also noted that initial considerations for establishing a lobbyist audit program, including the number of audits to conduct, how lobbyists could be selected, and potential audit testing methods, were outlined in a memo from Division Auditors to the Executive Director in January 2020. This memo, which met the first of two Audit Division lobbying audit program objectives for FY20, noted that the Department would have to decide between a purely random selection, which would place all lobbyists on notice that they may be audited, or selective criteria, that targets the most active lobbyists, but indicates to less active lobbyists that they are unlikely to be audited. According to the memo, testing procedures could include reviewing lobbyist statements and reconciling them with calendars, phone logs, email correspondence, Form 700 filings, and Behested Payment Filings. Auditors could review records to test for lobbyist registration date, compensation received, activity expenses, gifts to public officials, political contributions, contacts of public officials, and expenditures made. The memo concluded with Auditors' initial recommendation that lobbyists to be audited should be identified based on selective audit criteria rather than random selection, for example selecting 10 percent of the most active lobbyists on an annual basis. A second lobbying audit objective for the Division remaining from FY20 -- to prepare and implement a Lobbying Audit Plan -- was delayed due to a vacancy in the Audit Manager role and reprioritization of other staffing and operational priorities owing to the COVID19 public health emergency. With the April 2021 filling of the Audit and Compliance Review Manager position, steps to achieve that objective are now underway as indicated below.

III. Goals of Lobbying Audits

1. Improve oversight and promote the compliance and accountability of lobbying activities by regularly conducting timely and effective audits and assessments that document and publicly report on the extent to which those subject to lobbying regulation and public disclosure demonstrate material compliance and non-compliance with applicable laws.
2. Support effectiveness of the City's lobbying laws by evaluating findings to identify where additional training may remedy gaps in filer awareness or practices and to assess where laws may benefit from strengthening.

IV. FY22 Methods & Deliverables

Establish a Lobbying Audit Plan for FY22 that details specific and standardized approaches, methods, timeframes, and staff resource allocations to achieve the following deliverables:

1. Information and Data Gathering

- Gather and develop working knowledge of lobbying law, disclosure requirements, data newly available through SF OpenData, and procedures used in administration of lobbying registration and disclosure program
- Establishing methods and protocols for Division repository of knowledge files and working documents

2. Program Analysis and Design

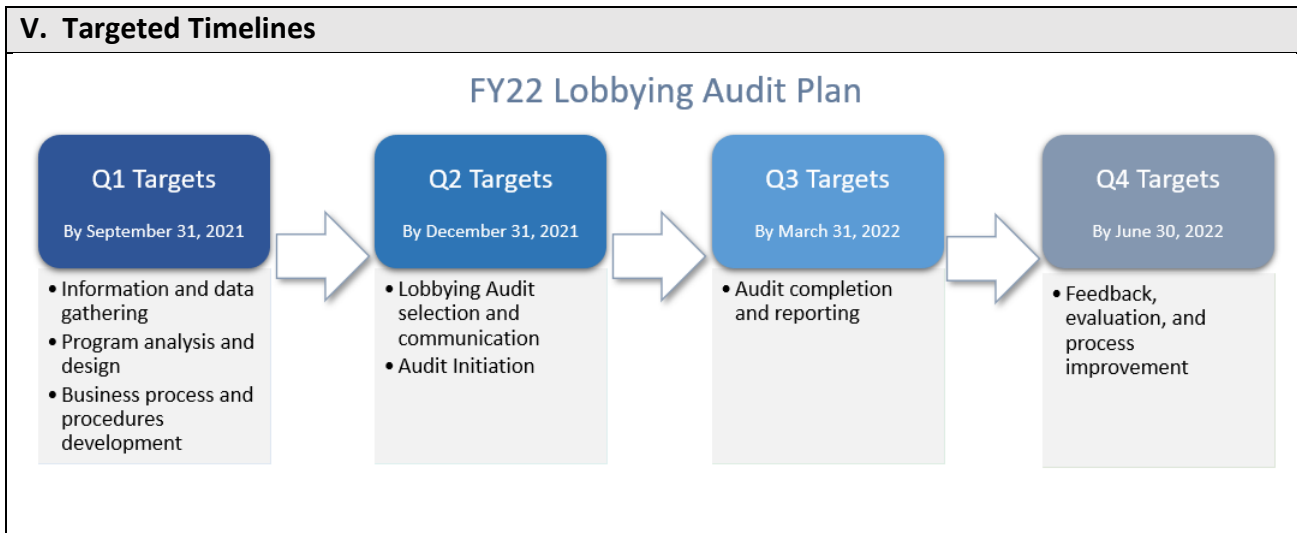
- Determine Audit Cycle Objectives, (e.g., specific goals audit seeks to accomplish), detailed timeframes, and indicators of progress toward achieving objectives established
- Determine scope for lobbying audits (e.g., breadth and depth of audit work needed to achieve goals)
- Determine Audit Population, Audit Selection Criteria, and Selects Auditees (e.g., breadth and depth of filer universe to be included in audit pool)
- Develop Audit Objectives (e.g., specific provisions against which audit pool will be tested for compliance)

3. Develop Business Processes and Procedures

- Develop and document standardized Audit Procedures and communication templates (e.g., specific methods for assessing compliance, and preparation of procedures manual for training, knowledge sharing, and to support consistency in application of ongoing audit work including web content for public awareness)
- Develop standardized Audit Workpapers (to ensure consistency, quality, and accuracy in evaluating material compliance across audits)
- Develop standardized templates for written Audit Reports (to ensure consistency, clarity, and comparability in reporting material compliance across audits)
- Develop Supervisory Review Processes for Division Manager and Executive Director (e.g., scope, depth, and timeframes for standardization of supervisory review and consistency in revisions)
- Develop standard Audit Reporting Process (for clarity, consistency, and predictability for public and entities audited)
- Standardize Post-Audit Processes, including records archiving (to support effective program operations across audit cycles and ensure clear, consistent, efficient, and predictable processes for entities audited)
- Develop, document, and implement standard operating procedures for reporting out on overall findings from audits conducted (e.g., public report to the Commission, feedback

to Engagement & Compliance, referrals to Enforcement Divisions) to support effectiveness of compliance support, lobbying program administration and outreach, and administrative enforcement role as may be indicated by audit findings

4. **Lobbyist audit selection using established criteria and initiation of audit using outreach and communication templates**
5. **Perform audit work per standardized business procedures**
6. **Audit completion and reporting**
7. **Feedback, Evaluation, and Process Improvement**
 - Evaluate, refine, and improve business processes, templates, and Plan implementation, including as informed by feedback from auditees, Commission, and public, to enhance FY23 lobbying audit program



- VI. Tracking Progress**
- Division Manager to regularly monitor key progress indicators with Audit team, including to enable snapshots of audit status and evaluate any emerging trends or progress impediments.
 - Division Manager and Exec. Director to jointly review progress against program elements no less than monthly to enable adjustment of goals, approaches, or milestones as may be necessary.
 - Reporting/discussion at program managers’ roundtable no less than quarterly to help ensure emerging cross-functional needs or issues are addressed timely.
 - Public reporting to stakeholders and Ethics Commission on Lobbying Audit Plan implementation and progress no less than semi-annually.
 - Public reporting project progress and impact to be included in Ethics Commission Annual Report.

7/1/2021