



San Francisco Ethics Commission

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February 6, 2023

To: Members of the Ethics Commission

From: Linda Fong, Audit and Compliance Review Manager

Subject: Agenda Item 10 – Discussion of the BOS Resolution No. 528-22 (File No. 221211) urging the Ethics Commission to timely complete backlog of outstanding audits, and updates from the Audit program

Summary and Action Requested

This memorandum provides programmatic updates from the Audit Division in relation to the Board of Supervisors Resolution No. 528-22 (File No. 221211).

No action is required by the Commission, as this item is for informational purposes only.

Background

The Board of Supervisors (BOS) introduced [Resolution No. 528-22 \(File No. 221211\)](#) during its December 6, 2022, meeting urging the Ethics Commission to timely complete its backlog of outstanding campaign finance and lobbyists audits. The Resolution urges the Ethics Commission to:

- (1) create the core components of a long-term, sustainable, and timely auditing function with ongoing audit plans to be reviewed by the Commission and promptly implemented; and
- (2) immediately seek and obtain external auditing services or auditing services from the City Controller to substantially shorten the projected time frames for the outstanding audit backlog for mandatory campaign and lobbyist audits.

This item has been included in the agenda to share an update regarding the Audit Division's work plans and to receive any feedback that the Commission may provide. To provide the Commission and the public greater visibility into the status of audits conducted, staff will provide bi-annual progress updates of the audit programs at future Commission meetings.

Audit Program Overview

The Commission has a duty and responsibility under San Francisco Charter Section C3.699-11(4) to audit campaign statements and other relevant documents that are filed with the Commission to ensure compliance with applicable state and city campaign finance laws and regulations. Under San Francisco Campaign and Governmental Conduct Code (SFC&GCC) Section (Sec.) 1.150(a), all candidate committees whose candidates have received public financing must be audited and committees that have not received public financing may be randomly selected for audit at the discretion of the Executive Director of the Commission.

In addition, under SFC&GCC Sec. 2.135(c), the Executive Director shall initiate audits of one or more lobbyists selected at random on an annual basis and undertake any other audits or investigations of a lobbyist authorized by law or regulation.

Written audit reports issued by the Commission are available on the [Campaign Audits](#) and [Lobbying Audits](#) web pages.

Audit Division Duties and Staffing

The Commission's Audit Division performs a range of required oversight functions. It has responsibility to plan and conduct the Commission's mandatory and discretionary campaign audits, and its mandatory lobbying audits. In addition, the Audit Division has responsibility for developing and implementing the post-filing compliance review program for electronically filed Statements of Economic Interests (Form 700) that was recommended in the Controller's June 2020 Public Integrity Review. During election years, the Audit Division also performs reviews of candidate eligibility and public funds disbursements as part of the City's public financing program for qualified Supervisorial and Mayoral candidates. The Audit Division is currently staffed with one Audit and Compliance Review Manager (1824 Principal Administrative Analyst) and three Auditors (1822 Administrative Analysts).

August 2020 BLA Performance Audit Recommendations

The Board of Supervisors directed the Budget and Legislative Analyst's Office (BLA) to conduct a performance audit of the Commission through a motion passed on January 28, 2020. The performance audit looked for opportunities to improve the effectiveness and efficiency of Commission operations across all functions. The audit noted the following recommendations that related to the Commission's Audit Division:

- 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.
- 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.
- Approve procedures for a lobbyist audit program and conduct an initial lobbyist audit by the end of FY 2020-21.
- Develop an updated audit manual or standard operating procedure that provides auditors with a step-by-step guide to conduct audits.
- Establish a formal training program for the Audit Division.

In addition, the audit recommended to ensure adequate staffing in the Ethics Commission.

Audit Division Program Improvements

Prior to the hiring of the Audit and Compliance Review Manager in April 2021, the Audit Division was operating at 25% capacity due to staff vacancies and Disaster Service Worker (DSW) assignments related to the City's COVID-19 response. With the filling of another staff vacancy and the return of staff from DSW service, the Audit Division was at 100% capacity by November 2021. At that time, staff focused on

the evaluation of the division’s existing campaign finance audit program, and the development of a lobbying audit program, before commencing any new audits to adequately address the BLA recommendations and build a foundation of a long-term and sustainable audit function. The evaluation included information and data gathering, program analysis and design, and the development of audit processes and procedures. This work resulted in the establishment of standardized campaign finance and lobbying audit processes and procedures by March 2022 that provide auditors with a step-by-step guide to conduct those audits and to document and report on work performed. The evaluation also resulted in a standardized method for tracking audit work that allows for the measurement of established audit goals against actual audit results, and the subsequent reporting of such results. Additionally, an internal process was established to provide a summary of audit findings to the Engagement and Compliance Division to inform compliance efforts.

In conjunction with these efforts, a Training Program Plan for the Audit Division was established that includes the regular assessment of training needs and internal knowledge transfer opportunities.

Status of Audits

Lobbying Audits

A major focus of the Audit Division’s work since November 2021 has been the development of a lobbying audit program, as recommended by the 2020 BLA performance audit. Upon development of the audit program, the six lobbyists identified below were randomly selected for audit from all registered lobbyists that filed registration and/or monthly disclosures covering the period January 1, 2021, through December 31, 2021. As of the date of this memorandum, these audits have been completed, and written audit reports issued by the Commission are available on the [Lobbying Audits](#) web page.

LOBBYIST NAME	LOBBYIST TYPE	LOBBYIST ID NUMBER
Brackett-Thompson, Bivett	Contact	SFO-155915
CA Hotel & Lodging Association	Expenditure	SFO-155582
Miller, Martha	Contact	SFO-153848
Reyes, Rudolph	Contact	SFO-153977
Sarjapur, Melinda A.	Contact	SFO-153949
Shannon, Carl	Contact	SFO-153833

Campaign Finance Audits

Contracting Effort to Secure External Auditor

There is a backlog of mandatory audits of publicly financed campaign committees due to staff vacancies and the prioritization of (1) building a foundation of a long-term and sustainable audit function, (2) conducting lobbying audits, and (3) administering the City’s public financing program for the November 2022 election. The Commission has allocated funds from the Election Campaign Fund to seek assistance from the Office of Contract Administration (OCA) to establish a contract with an external vendor. This contract will be established with a vendor from a pre-qualified list of external audit firms provided by the Controller’s Office. Establishing such a contract will enable the Commission to secure external

resources to address the pending 2020 and 2022 campaign finance audits, and to routinely engage external auditing services as needed in the future over the duration of the contract. Commission staff and OCA staff are currently working on the necessary procedures to establish a contract. Staff will provide an update regarding the expected timelines of conducting the pending audits after the contract has been established.

2019

For the November 5, 2019, election, committees for the two supervisorial candidates identified below received public financing and are subject to audit by the Commission. The audits of these committees are currently in progress by Commission staff. No additional committees were selected for discretionary audits.

CANDIDATE NAME	START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Brown, Vallie	12-8-21	3-31-23	\$152,500.00
Preston, Dean	11-12-21	3-31-23	\$155,000.00

2020

For the November 3, 2020, election, 16 supervisorial candidates received public financing and are subject to audit by the Commission. The Commission prioritized the mandatory audits according to the total amount of public financing dollars received by the committees (from highest to lowest). No additional committees were selected for discretionary audits.

The tables below summarize (1) in-progress audits conducted by Commission staff, (2) planned audits to be conducted by Commission staff, and (3) planned audits to be conducted by an external vendor.

In-Progress Audits Conducted by Commission Staff

CANDIDATE NAME	START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Brown, Vallie	8-5-22	5-31-23	\$255,000
Melgar, Myrna	8-5-22	5-31-23	\$255,000

Planned Audits to be Conducted by Commission Staff

CANDIDATE NAME	TARGET START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Engardio, Joel	3-1-23	8-31-23	\$255,000
Nguyen, Vilaska	3-1-23	8-31-23	\$255,000
Philhour, Marjan	6-1-23	11-30-23	\$255,000
Preston, Dean	6-1-23	11-30-23	\$252,000

Planned Audits to be Conducted by External Vendor*

*Assumes contract with external vendor is established. Target Start and Completion Dates are contingent on contract terms and will be provided upon contract establishment.

CANDIDATE NAME	PUBLIC FINANCING DOLLARS RECEIVED
Avalos, John	\$254,430
Chan, Connie	\$255,000
Lee, David E.	\$255,000
Martin-Pinto, Stephen W.	\$101,478
Matranga, Ben	\$178,710
Murase, Emily	\$236,064
Peskin, Aaron	\$203,598
Safai, Ahsha	\$141,050
Sauter, Danny	\$234,381
Shinzato, Veronica	\$68,466

2022

For the November 8, 2022, election, committees for the five supervisorial candidates identified below received public financing and are subject to audit by the Commission. No additional committees have been selected for discretionary audits at this time.

The audits of these committees are planned to be conducted by an external vendor. This assumes a contract with an external vendor is established. Target Start and Completion Dates for the audits are contingent on contract terms and will be provided upon contract establishment.

CANDIDATE NAME	PUBLIC FINANCING DOLLARS RECEIVED
Dorsey, Matt	\$252,000
Engardio, Joel	\$255,000
Mahogany, Honey	\$255,000
Mandelman, Rafael	\$144,006
Mar, Gordon	\$252,000

Post-Compliance Review of Form 700s

In addition to the above efforts, the Audit Division has commenced the development of a Form 700 (Statements of Economic Interest) post-filing compliance review program as recommended in the Controller’s June 2020 Public Integrity Review report. Development of the review program was identified as a priority with the launch of Form 700 e-filing for Conflict of Interests Code-designated

filers in 2022. The Audit Division plans to establish the program based on information and data gathering, program analysis and design, and the development of processes and procedures, and projects Form 700 reviews to commence in July 2023.