



San Francisco Ethics Commission

25 Van Ness Avenue, STE 220
San Francisco, CA 94102-6053
ethics.commission@sfgov.org
415-252-3100 | sfethics.org

August 14, 2023

To: Members of the Ethics Commission
From: Linda Fong, Audit and Compliance Review Manager
Subject: Agenda Item 11 – Audit Division Update

Summary and Action Requested

This memorandum provides programmatic updates from the Audit Division.

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

Background

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

Audit Program Overview

The Commission has a duty and responsibility under San Francisco Charter Section (Sec.) 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) 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 [Audit Reports](#) web page.

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 and three Auditors.

Audit Division Initiatives

On November 8, 2022, San Francisco voters approved Proposition H, which changed the election cycle for Mayor, Sheriff, District Attorney, City Attorney, and Treasurer from odd-numbered years to even-numbered years concurrent with presidential elections. Proposition H also moved the election scheduled for these offices to be held on November 7, 2023, to November 5, 2024. This change potentially impacts candidates for these offices and their committees, particularly those who had already formed their committees and those seeking or planning to seek public financing.

Staff updated public financing material on the Commission's web site to provide guidance to committees about the impacts of Proposition H on the public financing program. Additional updates to public financing guidance material for supervisorial and mayoral candidates are planned in advance of the November 5, 2024, election.

Status of Audits

Campaign Finance Audits

A major focus of the Audit Division's work since January 2023 has been addressing the backlog of outstanding campaign finance audits. The backlog was the subject of a Board of Supervisors (BOS) resolution introduced last December 2022. In response to the resolution, the Audit Division focused on the following:

- (1) conducting mandatory campaign finance audits; and
- (2) partnering with the Office of Contract Administration (OCA) to establish a contract with an external vendor to assist with the audit backlog.

Contracting Effort to Secure External Auditor

To address the backlog of mandatory audits of publicly financed campaign committees, 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. Commission staff and OCA staff continue to work 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 were subject to audit by the Commission. No additional committees were selected for discretionary audits.

The tables below summarize (1) completed audits conducted by Commission staff (as of the date of this memorandum) and (2) in-progress audits conducted by Commission staff.

Completed Audit Conducted by Commission Staff *

* Written audit report issued by the Commission is available on the [Audit Reports](#) web page.

CANDIDATE NAME	PUBLIC FINANCING DOLLARS RECEIVED
Brown, Vallie	\$152,500.00

In-Progress Audits Conducted by Commission Staff **

**Audit completion pending resolution of committee response to audit findings.

CANDIDATE NAME	START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Preston, Dean	11-12-21	8-31-23	\$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) completed audits conducted by Commission staff (as of the date of this memorandum), (2) in-progress audits conducted by Commission staff, (3) planned audits conducted by Commission staff, and (4) planned audits conducted by an external vendor.

Completed Audits Conducted by Commission Staff ***

*** Written audit reports issued by the Commission are available on the [Audit Reports](#) web page.

CANDIDATE NAME	PUBLIC FINANCING DOLLARS RECEIVED
Brown, Vallie	\$255,000
Engardio, Joel	\$255,000
Melgar, Myrna	\$255,000

In-Progress Audits Conducted by Commission Staff

CANDIDATE NAME	START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Nguyen, Vilaska	7-5-23	12-31-23	\$255,000
Preston, Dean	5-18-23	11-30-23	\$252,000

Planned Audits Conducted by Commission Staff

CANDIDATE NAME	TARGET START DATE	TARGET COMPLETION DATE	PUBLIC FINANCING DOLLARS RECEIVED
Philhour, Marjan	9-1-23	2-29-24	\$255,000

Planned Audits 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

Lobbying Audits

With the February 2023 completion of six lobbying audits covering calendar year 2021 registration and monthly disclosure activity, the Audit Division focused on conducting mandatory campaign finance audits as described above. Assuming a contract is established with an external vendor by Q3 FY24 to provide assistance with the remaining mandatory campaign finance audits, the Audit Division expects to begin planning for lobbying audits covering calendar year 2022 registration and disclosure activity by Q3 FY24.

Post-Compliance Reviews of Form 700

In addition to the above efforts, the Audit Division continues to develop a Form 700 (Statements of Economic Interest) post-filing compliance review program. Development of the review program continues to be 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 by Q3 FY24.