



San Francisco Ethics Commission

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Campaign Finance Audit Report: Myrna Melgar for Supervisor 2020 FPPC ID #: 1425021 January 1, 2020 – December 31, 2020

Introduction

Public disclosure of election campaign activity is essential to voters making informed decisions. The Political Reform Act (California Government Code [CA Gov. Code] Section [Sec.] 81000 et seq.) and supporting regulations, and the San Francisco Campaign Finance Reform Ordinance (San Francisco Campaign & Governmental Conduct Code [SFC&GCC] Sec. 1.100 et seq.) and supporting regulations, were established to impose reasonable disclosure requirements to reveal information about election campaign activity. By requiring proper and timely disclosure of campaign activity pertaining to contributions, loans, expenditures, and accrued expenditures, the laws and regulations are designed to inform voters and deter improper practices.

To promote campaign compliance with laws and regulations, the San Francisco Ethics Commission (hereinafter "the Commission") conducted an audit of **Myrna Melgar for Supervisor 2020: 1425021** (hereinafter "the Committee") covering the audit period January 1, 2020, through December 31, 2020. This Audit Report summarizes the results for the audit.

Authority

The Commission has a duty and responsibility under San Francisco Charter 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 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.

Objectives and Scope

The objective of the audit was to reasonably determine whether the Committee substantially complied with requirements of the Political Reform Act Sec. 81000 et seq. and supporting regulations, and the San Francisco Campaign Finance Reform Ordinance Sec. 1.100 et seq. and supporting regulations. The audit was performed based on a review of the Committee’s filings and records covered by the audit period to determine, among other things:

- Compliance with campaign activity disclosure and record-keeping requirements, and
- Compliance with applicable campaign activity limits, restrictions, and prohibitions.

As a recipient of public financing, the Committee was subject to mandatory audit.

Nothing in this report shall be interpreted to prevent an enforcement action by the Commission or another appropriate agency for conduct in violation of the law, whether or not that conduct is covered by this report.

This report will be forwarded to the Commission’s Enforcement Division for review to determine whether any further action may be warranted.

Auditee Information

Background

At all times relevant to the audit, the Committee’s primary purpose was to support the election of Myrna Melgar to the Board of Supervisors, District 7, for the City and County of San Francisco in the November 3, 2020, election. During the period covered by the audit, the Committee’s Treasurer was Stacy E. Owens. The Committee was established on February 4, 2020, and terminated on January 4, 2022.

Committee Reported Activity

	<u>Total Funds Raised</u>	<u>Total Expenditures Made</u>
Private Contributions	\$143,637	
<u>Public Funds Received</u>	<u>\$255,000</u>	
	\$398,637	\$443,556

The committee activity totals were taken from disclosure statements filed with the Commission covering the period January 1, 2020, through December 31, 2020.

Audit Respondent

The Audit Respondent identified below was the primary audit contact during the audit and responded to audit inquiries and requests on behalf of the Committee.

Marissa Quaranta, Director
S.E. Owens & Company
312 Clay Street, Suite 300
Oakland, CA 94607

Audit Findings

The CA Gov. Code Sec. 81000 et seq. and supporting regulations, and SFC&GCC Sec. 1.100 et seq. and supporting regulations, require campaign committees to timely disclose information about election campaign activity and adhere to applicable campaign activity limits, restrictions, and prohibitions.

The following findings were noted during the audit:

Expenditures

1. Under Cal. Code Regs. Tit. 2 Sec. 18421.6(a), accrued expenses (excluding loans) owed by a recipient committee which remain outstanding shall be reported on each campaign statement until extinguished. Per review of documents and records, Auditor determined that three accrued expenditures totaling \$646 incurred with Whitehurst Mosher Campaign Strategy & Media during the period ending October 17, 2020, were not disclosed timely on the campaign statement (CA Form 460). They were disclosed after the November 3, 2020, election on an amendment to the statement filed for the period ending October 17, 2020. The amendment was filed on January 19, 2021. The Respondent stated that the campaign statement was amended to correctly report the accrued expenditures that were mistakenly left out of prior filings/reportings.
2. Under SFC&GCC Sec. 1.118, accrued expenses shall be paid in full no later than 180 days after receipt of a bill or invoice and in no event later than 180 calendar days after the last calendar day of the month in which the goods were delivered or the services rendered. Per review of documents and records, Auditor determined that three accrued expenditures incurred with Whitehurst Mosher Campaign Strategy & Media, totaling \$18,293.55, were paid later than 180 calendar days after the last calendar day of the month in which the goods were delivered or the services

rendered. These accrued expenditures were paid between 29 and 202 days later than required. See Table below.

Description	Amount	(*)	<u>180 days Payment Due Date</u>	<u>Payment Dates</u>	Amount	<u>Days Late</u>
Campaign Literature and mailings	\$4,293.55	10/31/20	4/29/21	5/28/21	\$2,300.00	29
				6/30/21	\$1,993.55	62
Internet Ads	\$10,000.00	11/30/20	5/29/21	6/30/21	\$10,000.00	32
Campaign Consultants - November 2020	\$4,000.00	11/30/20	5/29/21	6/30/21	\$1,606.45	32
				10/8/21	\$1,500.00	132
				12/17/21	\$893.55	202
TOTAL	\$18,293.55					

(*) Last calendar day of the month in which the goods were delivered, or the services rendered.

Campaign Disclosure Statements

- Under CA Gov. Code Sec. 84101(a), a committee shall file a copy of the statement of organization with the local filing officer within 10 days after the committee has qualified as a committee. Per review of campaign statements filed by the Committee, Auditor determined that the Statement of Organization (CA Form 410) was filed four days late. The filer was required to file the form within 10 days of receiving \$2,000 in contributions. Committee reached the \$2,000 threshold on February 10, 2020. Therefore, the Statement of Organization was due on February 20, 2020. It was not filed until February 24, 2020.
- Under SFC&GCC Sec. 1.152(a)(2) and Regulation 1.152(a)-1, candidate committees are required to file Form SFEC-152: Threshold Notice with the Commission disclosing when they have received contributions or made expenditures that in the aggregate equal or exceed \$100,000 within 24 hours of reaching or exceeding the threshold. Thereafter, committees are required to file an additional Form SFEC-152 within 24 hours of every time they receive additional contributions or make additional expenditures that in the aggregate equal or exceed \$10,000. Per review of campaign statements filed by the Committee, and records submitted for audit, Auditor determined that Form SFEC-152 filed on October 26, 2020, to disclose the

committee reaching an additional \$10,000 threshold exceeding \$360,000 was filed eight days late. The committee reached the additional threshold on October 17, 2020. The form was required to be filed within 24 hours; thus, the due date was October 18, 2020. The Respondent stated that in reviewing checks for deposit, it was realized that some were missed, and in proper-dating them backward, became late in filing the form.

5. Under SFC&GCC Sec. 1.161(b)(3)(A) and Reg. 1.161(a)-1, each candidate committee that pays for a mass mailing shall, within five working days after the date of the mailing, file a copy of the mailing and an Itemized Disclosure Statement (SFEC-161) with the Commission for that mailing. Information disclosed on SFEC-161 may include the title or description, date, and total cost of the mailing. Information pertaining to vendors used in the creation of the mailing, such as vendor name, services provided, and cost of service provided by vendor, may also be disclosed. Per review of campaign statements filed by the Committee, Auditor determined the following:
 - The United States Postal Service (USPS) was not disclosed as a vendor on SFEC Form 161 filed on September 18, 2020. The filing was made to disclose a mass mailing sent on September 14, 2020, and to itemize the vendors used in producing the mass mailing. The vendor not disclosed, USPS, provided postage totaling \$1,200. The Respondent stated that the omission was an oversight.
 - Melissa Cetlin was not disclosed on SFEC Form 161 filed on September 18, 22, and 27, 2020, as the vendor that designed the mass mailings sent on September 14, 18, and 23, 2020. Instead, Basic 8 Creative was disclosed as the designer. Invoices maintained by the committee state that the designer of those mailings was Melissa Cetlin. The Respondent stated that the incorrect vendor was listed in error.

Conclusion

Except as indicated in the **Audit Findings** section above, and in our opinion, the Committee substantially complied with the requirements of the Political Reform Act Sec. 81000 et seq. and supporting regulations, and the San Francisco Campaign Finance Reform Ordinance Sec. 1.100 et seq. and supporting regulations.