San Francisco
Ethics Commission

June 9, 2025

To:	Members of the Ethics Commission
From:	Eamonn Wilson, Audit Manager
Subject:	**Agenda Item 6 – Quarterly Audits Division Update**

Summary and Action Requested

This report provides general programmatic updates about the Ethics Commission's Audits Division (the "Division"). No action is required by the Commission as this item is for informational purposes only.

Audit Process Development

The Division has completed the design phase of developing its new audit process and has implemented the first iteration of this new process. Staff developed the new audit process based on a review of high-level government auditing standards—namely the Government Accountability Office's Generally Accepted Government Auditing Standards (the "Yellow Book")—the processes of other campaign finance auditing jurisdictions, and the Commission's own past auditing processes.

As noted in the Division's February 2025 update report, the Division's primary goal in calendar year 2025 is to complete audit reports for all 27 publicly financed candidate committees (the "mandatory audit committees") by January 2026. On a long-term basis, the Division's goal is to complete all audit reports for a given election by the end of the calendar year of the next regular election. In other words, the Division developed its audit procedures to facilitate the completion of as many audits as possible within a two-year period to ensure that the Commission can provide vital oversight San Francisco campaign committees without allowing the Commission's docket of audits to compound across election cycles.

Given its entirely new staffing and directive to develop a streamlined audit process, the Division was in the unusual position of developing its new audit processes as it completed actual audit work for the 2024 mandatory audit committees. The Division developed an initial audit workplan based on its review of the aforementioned standards, but remained flexible, such as adding additional testing as rules or common documentation errors were identified. Through this process, the Division has created protocols and methodologies that the Division will be able to reimplement through the rest of this audit cycle. By the end of July 2025 at the latest, the Division will consolidate and refine these protocol documents into a consolidated Audit Manual to ensure that the Division can replicate this process consistently across audits and across auditors. As the Division continues to conduct audits this year and encounter new situations or areas of law, the Manual will be updated accordingly.

Staff designed audit work in three phases. First, Staff conducted a "Scoping" phase for all 27 mandatory audits simultaneously, which included review of filing data for evidence of violations or of suspicious patterns, and a comparison of total reported activity to bank statements to assess the completeness of reported activity. After performing scoping and risk assessment for the full population of audits, Staff performed in-depth testing for an initial subsection of those audits, first assessing contributions and other credits, then assessing expenditures and other debits. Testing generally focused on three broad categories of campaign finance rules: allowability, disclosure, and recordkeeping.

To facilitate its primary goal of increasing the efficiency of its audits while maintaining an appropriate degree of rigor, Staff identified standards for determining a statistically significant sample size. Staff then used judgmental sampling techniques to select from a range of documentation sources, reporting periods, payment methods, vendors, committee agents, purposes, and dollar amounts. By selecting a representative sample, staff can draw conclusions about a committee's activities and compliance with campaign finance rules in an efficient and timely manner.

Audit Reports Status

As of Friday, June 6, the Division has completed audit work, prepared draft audit reports, and provided those reports to committee treasurers for nine mandatory audit committees. The Division has planned its completion of the 2024 mandatory audits by splitting the 27 committees into three tranches. Audit work has been completed for the nine committees included in Tranche 1. Committees have been given a two-week window to review the draft reports and provide comments, which will be included verbatim in the final reports. Staff will then write responding comments, or make edits as needed, and will aim to publish the Tranche 1 audit reports to the Commission's website by Friday, June 27, 2025.

Once the Tranche 1 audit reports have been published, Auditors will commence work on the Tranche 2 audits. Now that the Division has developed and applied its new audit process, we anticipate being able to complete Tranche 2 audit testing more quickly and efficiently than Tranche 1. Accordingly, Tranche 2 will consist of 12 committees, or four committees per Auditor. The current target date for Tranche 2 report publication is September 5, 2025. The Division will provide an update on the status of the Tranche 2 audits at the September 2025 Commission meeting. Tranche 3 will then consist of the remaining 6 mandatory audit committees. This final tranche will include the committees of the four publicly financed Mayoral candidates, which had considerably more financial activity than the Supervisorial candidates.

Audit Management System

The Division has adopted and implemented an audit management system using the program Jira Work Management. This software has already been utilized by the Electronic Disclosure & Data Analysis ("EDDA") and Engagement & Compliance teams, including the Work Management function, allowing the Division to quickly adapt its functionality to audit tracking needs. The new Audit Management System allows the Division to schedule the completion of its audits, including identifying and tracking target

milestone for distinct audit phases. Auditors can report when their work is ready to review and leave comments to note progress or issues associated with a specific phase of a specific audit.

The Audit Management System also allows the Division to track performance indicators. In the long term, the most useful performance indicators for the Division will be total number of audits completed per year, and average time to complete an audit or a tranche of audits. The Division can also measure productivity by tracking the number of individual transactions reviewed and the amount of time it takes to review those transactions. Because Auditors conduct audit work in tranches, the recorded start and end dates for a specific phase of a specific audit does not capture the time it takes to complete that phase for an individual audit, but rather all audits in that tranche. Therefore, a useful measure of performance is the average number of transactions reviewed per week.

For example, during the Contribution Testing phase, the Audit team assessed a total of 1,050 sampled contribution transactions in 4.4 workweeks for an average pace of 239 transactions per week. During the Expenditure Testing phase, the Audit team assessed 925 sampled expenditure transactions in 5 workweeks for an average pace of 185 transactions per week. The total average pace across the 10 workweeks of Tranche 1 sample testing was 198 transactions per week. While this metric is unable to capture holistic reviews Auditors perform of filing data, bank records, and transaction records, it nevertheless serves as a useful benchmark to assess the Division's ongoing efficiency.