



San Francisco Ethics Commission

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Campaign Finance Audit Report Sharon Lai for Supervisor 2024 (ID # 1463350)

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I. Introduction

This Audit Report summarizes the audit results for the committee Sharon Lai for Supervisor 2024, FPPC ID # 1463350 (the "Committee"), for the period July 1, 2023, through December 31, 2024. The audit was conducted by Ethics Commission audit staff to determine whether the Committee materially complied with applicable state and local campaign finance laws during the November 2024 election.

II. Audit Authority

San Francisco Charter Section C3.699-11 authorizes the Ethics Commission (the "Commission") to "audit campaign statements and other relevant documents" of campaign committees that file with the Commission. San Francisco Campaign and Governmental Conduct Code ("C&GCC") Section 1.150(a) requires the Commission to audit all committees of candidates who have received public financing and authorizes the Commission to initiate targeted audits of other committees at its discretion.

III. Objective and Scope

The objective of the audit was to reasonably determine whether the Committee materially complied with requirements of the San Francisco Campaign Finance Reform Ordinance (C&GCC Section 1.100, et seq., and supporting regulations) and the California Political Reform Act (California Government Code Section 81000, et seq., and supporting regulations).

The audit was conducted based on an analysis of the Committee's filings and support documentation obtained from the Committee. A complete summary of the audit's objectives and the methods used to address those objectives appears in Appendix A.

IV. Committee Information

The Committee qualified as a committee on October 11, 2023, as a candidate-controlled committee supporting the election of Sharon Lai to the office of District 3 Supervisor in the November 5, 2024, election. The Committee was terminated on April 29, 2025.

Stacy Owens, President of S.E. Owens & Company, served as the Committee's treasurer (the "Treasurer") for the full period covered by the audit. Marissa Quaranta, an employee of S.E. Owens & Company, was the primary audit contact on behalf of the Committee during the audit.

For the period covered by the audit, the Committee reported receiving \$193,059 in contributions—including \$192,728 in monetary contributions, \$331 in nonmonetary contributions, and \$255,000 in public financing—and making or incurring \$429,583 in expenditures.

V. Material Audit Findings

Auditors identified the following material findings during the audit. These findings represent instances of noncompliance that Auditors determined to be significant based on the frequency of occurrence within a representative sample, or based on the significance of the dollar amount, the percentage of total activity, or the importance of the item to the purposes of state or local law.

Finding V-1. The Committee did not properly accrue goods and services received in prior campaign reporting periods

Applicable Law

Committees must report an accrued expense as of the date on which the goods or services are received, and must report outstanding accrued expenses on each campaign statement until extinguished. 2 CCR § 18421.6(a)-(b).

Analysis

From a sample of 108 expenditures, Auditors determined that 43 expenditures were required to be reported as accrued expenses, of which seven (16%) totaling \$7,690 were not properly accrued on Schedule F (Accrued Expenses) of the Form 460. Supporting documentation for these expenditures, consisting of subvendor reports provided by Rough House Productions, invoices for canvassing services, and an invoice for banner removal, included the dates on which the goods or services were provided.

For each of the expenditures summarized in the table below, the earliest date indicated in the support records occurred in a reporting period before the period in which the Committee reported the expenditure. The Committee reported these expenditures on Schedule E (Payments Made) of the Form 460 when they were paid, but due to the timing of the receipt of the goods and services, these expenditures should have been accrued in accordance with Regulation 18421.6.

In several instances, the invoice included multiple periods of dates in which services were provided. In these instances, Auditors separated the distinct periods that should have been accrued in the “Accruable Amount” column of the table below. The cost of these services should have been reported to the Committee by the vendor, and the Committee, in turn, should have accrued them.

The table on the following page summarizes the expenditures discussed in this finding:

Vendor	Description	Period Goods or Services Received	Period Reported	Amount	Accruable Amount
Ka Lau Construction	Banner Removal & Cleaning	7/1/2024 – 9/21/2024	10/31/2024 – 12/31/2024	\$1,030	\$1,030
Qixin Kuang	Canvassing Services	10/20/2024 – 10/30/2024	10/31/2024 – 12/31/2024	\$238	\$88
Rough House Productions	Buttons	1/1/2024 – 6/30/2024	7/1/2024 – 9/21/2024	\$151	\$118
Rough House Productions	Signs	1/1/2024 – 6/30/2024	7/1/2024 – 9/21/2024	\$3,286	\$2,418
Rough House Productions	Field Literature	1/1/2024 – 6/30/2024	7/1/2024 – 9/21/2024	\$5,055	\$3,511
Jiang Ying Xu	Canvassing Services	10/20/2024 – 10/30/2024	10/31/2024 – 12/31/2024	\$300	\$300
Xiaoling Zheng	Canvassing Services	10/20/2024 – 10/30/2024	10/31/2024 – 12/31/2024	\$550	\$225

Committee Response to Finding

The Treasurer provided the following comment: “It is our process to report accrued dates in the proper manner. Due to circumstances (in a very busy election period) below, we had discrepancies on these items. We will be working internally and with vendors in the future closely to avoid this occurring again. Additionally, due to low dollar amounts, we believe that this should be immaterial. Everything was reported, nothing was omitted and was reported before the election.

Rough House sent us an invoice that was six months later than the date of services. Kau Lau Construction sent us an invoice that was four months later than the date of services. We tried to be careful with dates of service, but these were difficult to track due to timeline. For the canvasser items, the services were provided during the period of the short third pre-election report period. The invoices were submitted later.”

Auditor Comment

Auditors considered this finding to be material because one of the factors considered for purposes of materiality is the frequency of occurrence of a particular type of noncompliance within a representative sample. In this case, out of a sample of 43 expenditures that were required to be reported as accrued expenses, Auditors identified 16%, or approximately one of every six transactions, for which the accompanying support records indicated that services had been provided in a prior reporting period but had not been reported in the Form 460 covering that period.

VI. Other Identified Findings

Auditors identified the following non-material findings during the audit. These findings represent instances of noncompliance discovered through review of the Committee’s filings and support documentation and through testing of sampled transactions that were determined not to be material in

terms of frequency or dollar amount. This information is reported for the awareness of committees and treasurers and to facilitate the tracking of trends across audit reports.

Finding VI-1. Contributor occupation information reported by the Committee for several contributions did not match support records

Applicable Law

For each individual from whom a committee has received cumulative contributions of \$100 or more, the committee must disclose the contributor's full name, street address, occupation, employer, or if self-employed, the name of the business, the date and amount of the contribution, and the cumulative amount of contributions received. Gov't Code § 84211(f).

For each contribution received of \$25 or more, committees must maintain records containing the date and amount of the contribution and the full name and street address of the contributor, and original source documentation including copies of contributor checks, any other record of all items deposited, and contributor cards. 2 CCR § 18401(a)(2)(A)-(B). For each contribution received of \$100 or more, committees must additionally maintain records of the contributor's occupation and employer and any communication used to secure that information. *Id.* § 18401(a)(3)(A)-(B).

A committee must return any contribution of \$100 or more within 60 days if the committee does not have on file in its records the name, address, occupation, and employer of the contributor. Gov't Code § 85700(a). Fair Political Practices Commission (FPPC) Advice Letter A-04-110 notes that the information required to be obtained by Section 85700 does not need to be obtained firsthand from a contributor, and no particular method for obtaining the information is required. However, "recordkeeping is a separate obligation of candidates and treasurers" and "the sufficiency of any recordkeeping in a particular instance will be assessed against the requirements of regulation 18401."

Analysis

Auditors reviewed a sample of 131 contribution transactions for compliance with the above reporting and recordkeeping requirements and identified five contributions for which the reported occupation or employer did not match support records. These support records include third-party credit card contribution transaction activity, contributor cards accompanying contributions made by check, and third-party online sources obtained by the Committee.

In three instances, the reported employer did not match support records. For a \$50 contribution from Kunoor Ojha—which was required to be reported because the contributor had cumulatively contributed more than \$100—the support records showed that the reported information was for a previous position that was no longer current at the time of her contribution. For a \$150 contribution from Michael Nelson made via the platform ActBlue, the contributor entered generic or placeholder information, "Employee" at "Organization," and the Committee did not maintain records to support the reported occupation and employer. For a \$100 contribution via check from Kingman Ho, the Committee did not receive a contributor card but provided a screenshot of a website with occupation information. However, the Contributor was reported as self-employed while the support indicated he had an employer.

In two instances, a \$500 contribution from Jerry Yang and a \$100 contribution from Katherine Zhang, employer information matched support records, but occupation information did not. The support records showed that the contributors held executive leadership roles with their employers, namely Executive Director and CEO, respectively. However, the reported occupation information did not match the support records and indicated that the contributors held lower-level positions.

The table below summarizes the contributions discussed in this finding:

Contributor	Date	Amount	Reported Employer/ Occupation	Information in Support Records
Kunoor Ojha	10/27/2023	\$50	Chief of Staff at Green New Deal Network	Independent Consultant at The Democracy Revival Center
Jerry Yang	11/22/2023	\$500	Executive Assistant at Kai Ming Head Start	Executive Director at Kai Ming Head Start
Katherine Zhang	6/5/2024	\$100	Transportation Coordinator at Kings VIP	CEO at King's VIP
Michael Nelson	7/21/2024	\$150	Owner of Nelson Nelson Insurance Service	Employee at Organization
Kingman Ho	11/11/2024	\$100	Self-employed (dba Kingman Ho) Real Estate Appraiser	Real Estate Appraiser at Expedia Appraisals, Inc

Committee Response to Finding

The Treasurer provided the following comment: "When occupations and employers are reported that are not sufficient, we carefully research and update the information per your regulations. Because these occupations/employers are between 1-2 years old, the information available may have changed, or not be available due to the time gap."

Finding VI-2. The Committee paid for a flyer promoting another candidate, or did not maintain records of a reimbursement from that candidate's committee

Applicable Law

City law prohibits candidates from expending contributions for the candidacy of any other candidate for local, state, or federal office. C&GCC § 1.122(b)(1).

Under City law, advertisements by candidate committees that support or oppose any candidate for City elective office must include the disclaimer statements, "Paid for by (insert the name of the candidate committee)," and "Financial disclosures are available at sfethics.org." *Id.* § 1.161(a)(4).

For each expenditure made of \$25 or more, or a series of payments for a single product or service totaling \$25 or more, committees must maintain records containing the date and amount of the expenditure, the full name and street address of the payee, and a description of the goods or services received, as well as original source documentation including cancelled checks, wire transfers, credit card charge slips, bills, receipts, invoices, statements, or vouchers. 2 CCR § 18401(a)(4)(A)-(B).

Analysis

The Committee made a \$139 expenditure to A Bright Printing Co. on November 6, 2024. An accompanying invoice provided by the Committee included the expenditure description “Voting fliers for Aaron and Sharon.” The flyers in question were primarily written in Chinese. One side featured Candidate Lai and stated in English, “Sharon Lai for D3 Supervisor,” and in Chinese encouraged voters to rank Lai first on the ballot and provided general information about how to fill out a ballot. The opposite side featured Mayoral candidate Aaron Peskin and stated in English, “Aaron Peskin for Mayor,” and in Chinese contained substantially similar language as described above. Each side included the disclaimer required by Section 1.161, attributed to the respective committee of the Candidate on that side. Neither side of the flyer contained any reference to the candidate featured on the opposite side.

Auditors were unable to locate any reimbursement received from Peskin’s candidate committee for any portion of the cost of the flyer. Auditors also reviewed the Peskin committee’s filings and identified no reported payment to A Bright Printing Co. or to the Committee. If no reimbursement was made, this payment was likely prohibited by Section 1.122(b)(1), as the Committee expended campaign funds to support another candidate. The disclaimer on the Peskin side of the flyer would also be inaccurate. Alternatively, if the Committee received but did not maintain any record of a reimbursement, the Committee did not comply with the recordkeeping requirements of Regulation 18401.

The table below summarizes the expenditure described in this finding:

Payee	Date	Amount
A Bright Printing Co.	11/6/2024	\$139

Finding VI-3. The Committee received contributions that were likely prohibited under the City’s contractor contribution prohibition

Applicable Law

Under local law, no City contractor or affiliate of a City contractor may make any contribution to a candidate for an office for which the individual holding that office, or the board on which such an individual serves, must approve the contractor’s contract, for a period of 12 months after the date of contract approval. C&GCC § 1.126(b)-(c).

An individual holding City elective office, or the clerk of the board on which such an individual serves, must notify the Ethics Commission by filing Form SFEC-126 within five business days of the approval of each contract by the relevant officer or board. *Id.* § 1.126(f)(4), C&GCC Reg. § 1.126-4(a)-(b).

Pursuant to the contribution ban in Section 1.126, a committee will meet due diligence requirements if the contributor certifies under penalty of perjury, in writing, including in an electronic format, that the contributor does not meet the aforementioned criteria in Section 1.126. C&GCC Reg. § 1.126-7.

Analysis

Utilizing Form SFEC-126 filing data made publicly available on the Ethics Commission’s website, Auditors compared the affiliates and subcontractors reported by the Board of Supervisors to the contributors disclosed by the Committee. Auditors identified seven contributors that appeared to be listed as either affiliates or subcontractors to contracts that were approved by the Board of Supervisors. Because Candidate Lai was a candidate for the office of District 3 Supervisor, these contributions appear to have been prohibited by the City’s contractor contribution prohibition.

Notwithstanding, Auditors verified that the Committee included the language specified in Regulation 1.126-7 on contributor cards and its online contribution landing platform, and the Committee thereby likely met the due diligence requirement of Regulation 1.126-7.

The table below summarizes the contributions discussed in this finding:

Contributor/ Affiliate Name	Contractor Name	Contract Approval Date	Contribution Date	Contribution Amount
Enrique Aguilar	Tenderloin Housing Clinic, Inc.	5/8/2023	11/6/2023	\$200
Linda Richardson	Bayview Hunters Point Multipurpose Senior Services Inc.	5/8/2023	12/4/2023	\$500
Jane Chin	Maceo May Apts., LP	12/9/2022	12/6/2023	\$500
Jenny Lam	San Francisco Unified School District	7/24/2023	12/6/2023	\$250
Carlos Serrano- Quan	San Francisco Pretrial Diversion Project	2/1/2024	5/11/2024	\$500
Sebastian Wong	Self-Help for the Elderly	3/21/2024	5/6/2024	\$50
			11/3/2024	\$100
Ringo Wong	Elevated Tastes SFO Inc.	4/8/2024	6/29/2024	\$500

Committee Response to Finding

The Treasurer provided the following comment: “Confirmed, the committee absolutely did comply because auditors verified that the Committee included the language specified in Regulation 1.126-7 on contributor cards and on its online contribution landing platform.”

VII. Conclusion

Except as noted in the audit findings sections above, and based on the evidence obtained, Auditors conclude that the Committee substantially complied with the requirements of the California Political Reform Act and the San Francisco Campaign and Governmental Conduct Code. The Committee was provided a copy of this report and an opportunity to respond. The Committee’s comments are included in this report alongside the relevant finding.

This report and the support documentation on which it is based will be forwarded to the Commission's Enforcement Division for further investigation and/or enforcement action as warranted. The scope of the audit is not exhaustive of all conduct of the Committee during the audit period, and any subsequent enforcement action may include conduct not covered in this report.

This Audit Report is intended to provide information about the Committee's activities and its compliance with campaign finance requirements to the Commission, the Committee and its Treasurer, and San Francisco voters. This report, and all Audit Reports prepared by the Commission, will be posted to the Commission's website at **sfethics.org**.

Appendix A

Objectives and Methodology

Audit Objective	Methodology
Determine whether disclosed campaign finance activity materially agrees with activity in the Committee's bank account.	<ul style="list-style-type: none"> • Calculated total reported contributions and expenditures in the Committee's filings and total reported credits and debits in the Committee's bank statements. • Applied adjustments as needed to account for variations in transaction reporting between sources.
Determine whether the Committee accepted contributions from allowable sources and in accordance with limits, appropriately disclosed those contributions, and maintained required contribution records.	<ul style="list-style-type: none"> • Reviewed contributions submitted for public funds matching for compliance with limits and accuracy of contributor information. • Selected a statistically significant sample at a 95% confidence level and a 3.5% margin of error based on the total number of reported contribution transactions. Selected samples for testing from a range of periods, sources, and payment methods. • Reviewed each sampled transaction for compliance with state and local requirements regarding contribution restrictions, disclosure, and recordkeeping. • Performed additional targeted testing of contributions identified through analysis of filing data and support records. • Utilized automated procedures to analyze data extracted from the Committee's filings. Identified contributions from prohibited sources and late-reported transactions. Verified identified noncompliance against support records.
Determine whether the Committee made expenditures for allowable purposes, appropriately disclosed those expenditures, and maintained required expenditure records.	<ul style="list-style-type: none"> • Selected a statistically significant sample at a 95% confidence level and a 3.5% margin of error based on the total number of reported expenditure transactions. Selected samples for testing from a range of periods, sources, amounts, vendors, and agents. • Reviewed each sampled transaction for compliance with state and local requirements regarding expenditure restrictions, disclosure, and recordkeeping, including any expenditures made to subvendors by agents or contractors of the committee. • Performed additional targeted testing of expenditures identified through analysis of filing data and support records. • Utilized automated procedures to analyze data extracted from the Committee's filings. Identified late-reported transactions and verified identified noncompliance against support records.
Identify any other evidence of potential noncompliance for inclusion in the audit report or referral for further investigation.	<ul style="list-style-type: none"> • Analyzed data extracted from the Committee's filings. • Analyzed support records obtained from the Committee.