

2024 Public Finance Audit Cycle

Overview and Findings Trends

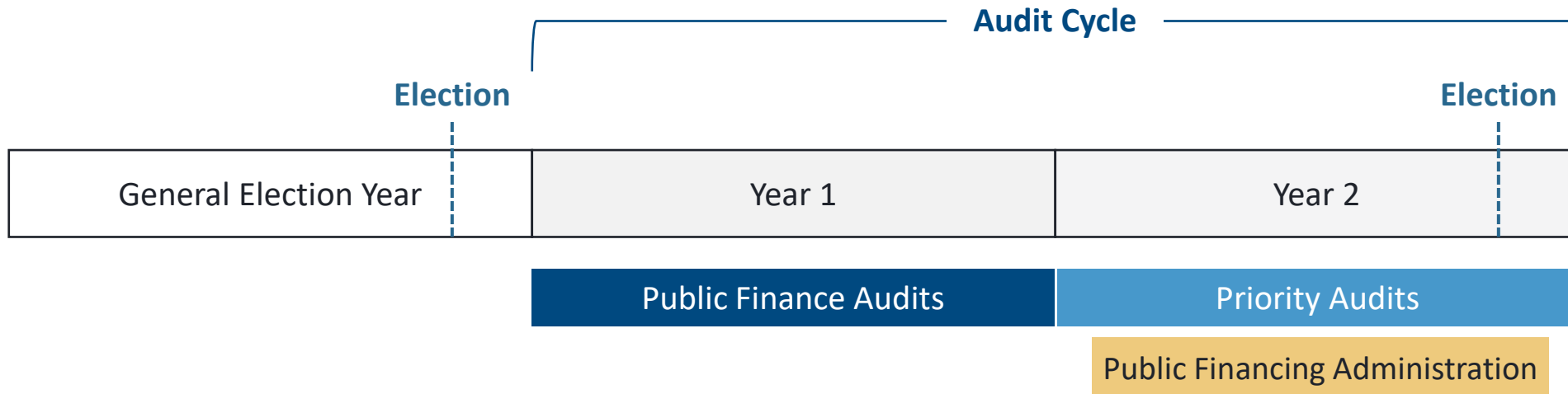
Background

- The Commission is required to audit all committees of candidates who have received public financing.
 - 27 publicly financed candidates in the 2024 election.
- The Commission is also authorized to initiate targeted audits of other committees at its discretion.

Race	Candidate
Mayor	London Breed
	Mark Farrell
	Aaron Peskin
	Ahsha Safai
D1	Connie Chan
	Jen Nossokoff
	Marjan Philhour
D3	Moe Jamil
	Sharon Lai
	Eduard Navarro
	Danny Sauter
	Matthew Susk
D5	Scotty Jacobs
	Autumn Looijen
	Bilal Mahmood
	Dean Preston

Race	Candidate
D7	Matthew Boschetto
	Stephen Martin-Pinto
	Myrna Melgar
D9	Trevor Chandler
	Jackie Fielder
	Roberto Hernandez
D11	Stephen Torres
	Chyanne Chen
	Adlah Chisti
	Ernest 'EJ' Jones
	Michael Lai

Audit Cycle



Audit Methodology

- Analysis based on review of representative samples.
- Audit fieldwork divided into two phases:
 - Contributions (credits, moneys in)
 - Expenditures (debits, moneys out)
- Reviewed transactions for compliance with full range of applicable laws.
- “Material Noncompliance” vs. “Substantially Complied.”
- Committee-specific conclusions vs. broader trends.

2024 Public Finance Audit Cycle

- Completed 27 audits in 13 months:
 - Ability to begin audits tied to 2024 semiannual report deadline, January 31, 2025.
 - Requested audit records in mid-January with deadline of mid-February.
 - 27th audit report published March 9, 2026.
- Auditors reviewed an average of:
 - 223 transactions per committee.
 - 2,010 transactions per auditor.
- 120 findings, including 24 material findings.

The background image shows a panoramic view of San Francisco, including the San Francisco City Hall dome and various skyscrapers. The image is overlaid with a semi-transparent white rectangular box containing the title text. A solid blue triangle is positioned in the top-left corner of the slide.

Audit Findings: Categories & Trends

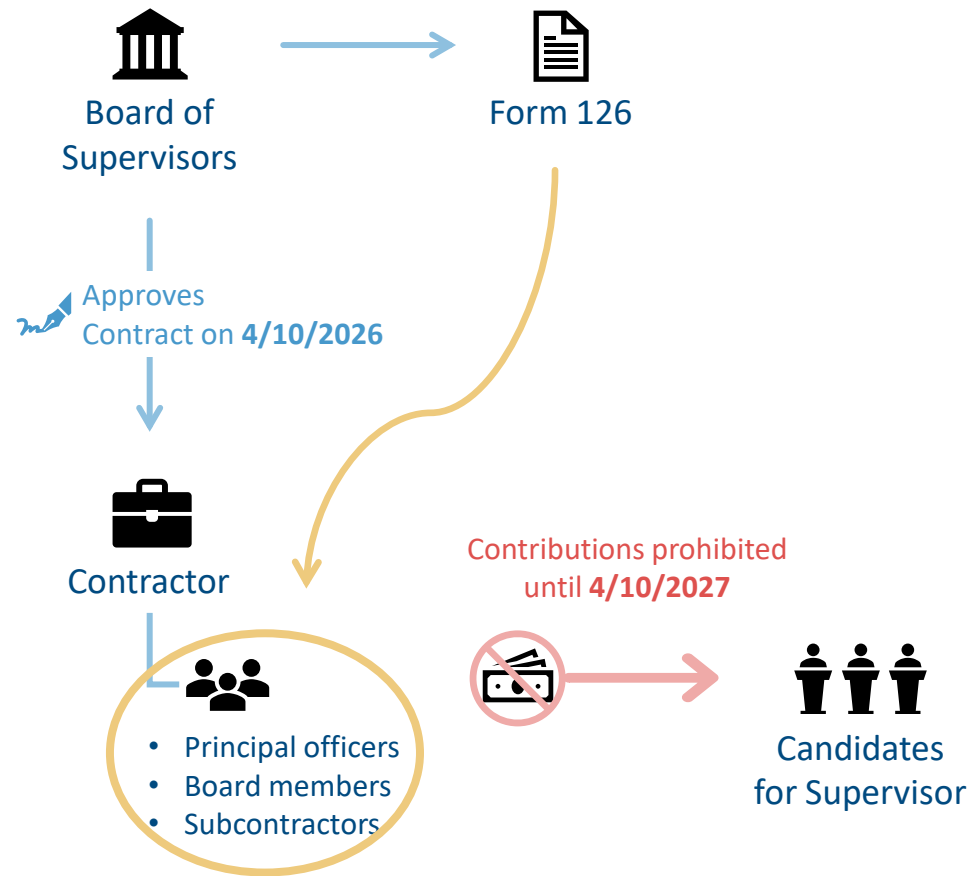
Reporting & Recordkeeping



- **Reporting:** For contributions/expenditures >\$100, committees must disclose:
 - Name, \$ amount, street address, contributor occupation & employer, expenditure description
- **Recordkeeping:** For contributions/expenditures >\$25, committees must maintain:
 - Records demonstrating name, \$ amount, street address, payment description
 - Original source records (checks, contributor cards, receipts, invoices, etc.)
 - For contributions >\$100, occupation/employer
- 62 findings (including 16 material findings) across all 27 candidates.
- Typically involved misreporting individual elements, or failing to maintain all required records.
- Generally considered low risk.
 - Unless transactions lack reporting or record-keeping altogether.

Contractor Contributions

- City contractors & affiliates are prohibited from making contributions to a candidate for the office that approved their contract for a period of 12 months following the approval.
- An elected officer (or clerk of the board) must file **Form 126** disclosing the contractor & their affiliates.
- Regulation includes a due diligence provision for committees accepting contributions.
 - Contributions found to be prohibited may still be required to be forfeited.



Contractor Contributions



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- An elected officer (or clerk of the board) must file **Form 126** disclosing the contractor & their affiliates.
- Regulation includes a due diligence provision for committees accepting contributions.
 - Contributions found to be prohibited may still be required to be forfeited.
- Finding appears in 12 audit reports.
 - 68 identified contractor affiliates.
- Post-audit data analysis indicates there may be as many as 500+ contributors who made prohibited contractor contributions to 2024 candidates.
- Appears to be a lack of awareness/guidance:
 - Ethics Commission → Candidate committees
 - Committees → Contributors
 - Elected officer departments → Contractors
 - Contractors → Affiliates

Itemized Mass Mailing Disclosures

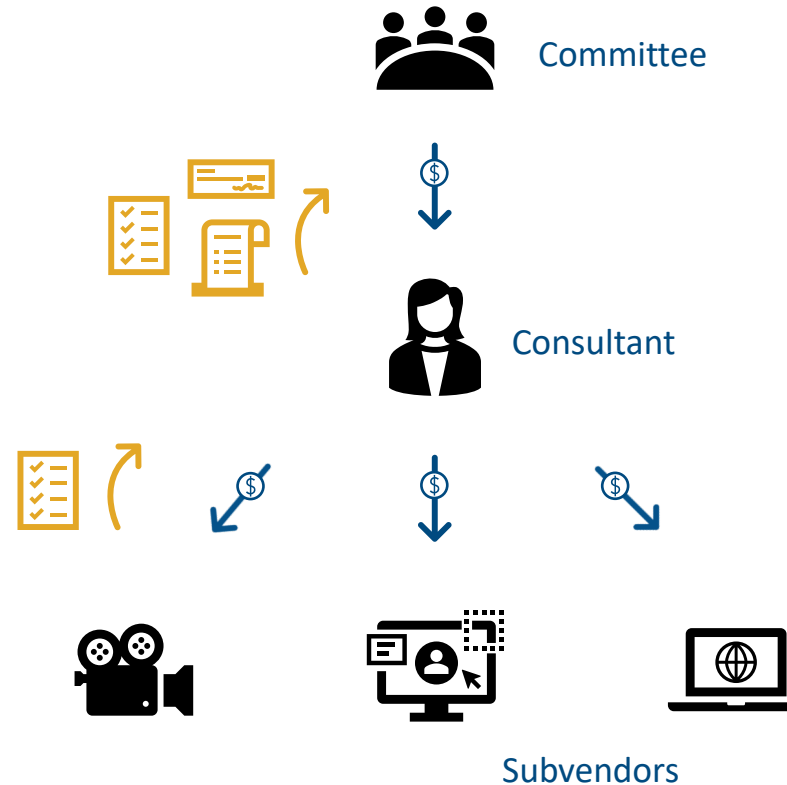


- Mass mailing: >200 pieces of mail advocating for/against a candidate for City office.
- Each time a committee pays for a mass mailing, the committee must file **Form 161**:
 - Copy of the mass mailing advertisement.
 - Itemized list of associated costs.
 - Within 5 business days (or 48 hrs in last 16 days before the election).
- Finding appears in 12 audit reports.
- Findings include:
 - Failure to file.
 - Late filing.
 - Incorrectly or incompletely reported itemized costs.
 - Copies of advertisements not included.
 - Filed under incorrect committee's account (technical error).

Subvendor Payments



- A **committee** must report payments *by* an agent or independent contractor >\$500.
 - Original source records required for payments by a committee *to* an agent.
- A **subvendor** must “make known” reportable information to the agent.
- The **agent** must “make known” reportable information to the committee.



Subvendor Payments



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 - Original source records required for payments by a committee to an agent.
 - A **subvendor** must “make known” reportable information to the agent.
 - The **agent** must “make known” reportable information to the committee.
- Finding appears in 9 audit reports.
 - Wide variation in types of records maintained for subvendor payments.
 - Areas of further exploration:
 - Consistent recordkeeping.
 - Confusion about the definition of “subvendor payments.”
 - Likely requires an investigation if subvendor payments appear to be underreported.
 - Payments to a consultant for subvendor expenses as “reimbursements”?

Campaign Assets, Equipment, & Gifts



- Certain expenditures must be *directly* related to a political purpose.
 - **Substantial personal benefit**
 - **Equipment**
 - **Personal gifts**
- After the election (or leaving office):
 - **Surplus funds**
 - **Physical assets** – continued applicability of “directly related.”
- **3 audit reports** contain related findings.
 - Additional instances deemed not reportable or not currently applicable.
- Inherent risk due to limited reporting/recordkeeping requirements for disposal of physical assets.
- Areas for further exploration:
 - Extent of occurrence.
 - Best practices for asset tracking/identification.
 - Consistent reporting/recordkeeping.
 - Establishing Enforcement precedent.



Thank You