

City and County of San Francisco

Office of the Controller - City Services Auditor

BOARD OF SUPERVISORS:

Political Activity Audit:
Ace Legal Assistance

**FINANCIAL AUDITS
DIVISION**



May 24, 2006
05072



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

May 24, 2006

Audit Number 05072

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

President and Members:

The Office of the Controller (Controller) presents its report concerning the audit of Ace Legal Assistance (Ace Legal), and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. Ace Legal entered a contract for \$24,000 with the Department of Human Services (department) to provide legal court notification and service of documents for the department and to parents involved in cases with the Family and Children's Services Division from July 1, 2004, through June 30, 2006. The contract is subject to the City's prohibition on political activity.

We conducted this audit to meet the requirement of the San Francisco Administrative Code (Administrative Code) that the Controller annually audit at least 10 persons or entities that enter contracts, grant or loan agreements with the City. The Controller seeks to ensure that the persons or entities comply with Chapter 12G of the Administrative Code, which prohibits the use of city funds for political activity. The Administrative Code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

During the 2004-05 fiscal year, Ace Legal received \$11,106 in fees for services provided to the department. The audit revealed that Ace Legal did not use for political activity any of the \$11,106 of city funds that it received under its contract.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller

INTRODUCTION

BACKGROUND

The prohibition against using city funds for political activity became part of the San Francisco Administrative Code (Administrative Code) after voters in the City and County of San Francisco (City) passed Proposition Q on November 5, 2002. The former proposition is now Chapter 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Chapter 12G also requires that all City contracts, grant and loan agreements disclose the prohibition.

Each fiscal year, to ensure compliance with this prohibition, the Administrative Code requires the Office of the Controller to audit at least 10 persons or entities that enter contracts, grant or loan agreements with the City. This year we randomly selected Ace Legal Assistance (Ace Legal), a domestic general partnership, as one of our 10 mandated audits.

Ace Legal entered an agreement on July 1, 2004, with the Department of Human Services (department), for \$10,000, to provide legal court notification and service of documents for the department and to parents involved in cases with the Family and Children's Services Division. On June 1, 2005, the department revised the agreement to increase the payment amount to \$24,000 and extended the expiration date from June 30, 2005, to June 30, 2006. The audit period is from July 1, 2004, through June 30, 2005. During the audit period, Ace Legal received fees for services provided to the department totaling \$11,106.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Ace Legal inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

To conduct the audit, we identified that Ace Legal had a contract with the City that included the prohibition of using city funds for political activity. We verified all payments that the City made to Ace Legal during the fiscal year. We also assessed Ace Legal's procedures for approving and recording financial transactions and reviewed all disbursement checks for the audit period.

Additionally, we reviewed Ace Legal's partnership tax returns for 2004 and inquired of its partners whether Ace Legal had spent city or other funds for purposes related to political activity. Finally, we searched the San Francisco Campaign Finance Database and the State of California's Cal-Access database, which both report campaign contributions, to verify that no political contributions by Ace Legal were reported.

AUDIT RESULTS

ACE LEGAL ASSISTANCE COMPLIED WITH THE REQUIREMENT TO NOT USE CITY FUNDS FOR POLITICAL ACTIVITIES

Ace Legal Assistance did not use any of the \$11,106 of city funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. During our audit of Ace Legal's records, we found no evidence of political activity expenses. Additionally, we obtained written management representation that Ace Legal had no expenses related to any political activity. Furthermore, the City's Campaign Finance Database and the State of California's Cal-Access database did not show any evidence that Ace Legal or its partners made any political contributions from July 1, 2004, through June 30, 2005, which was the period we reviewed.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

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cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library