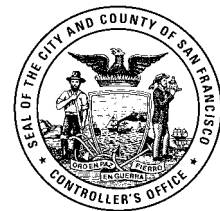


BOARD OF SUPERVISORS:

Political Activity Audit:
Footloose Dance Company, Inc.

FINANCIAL AUDITS



June 8, 2006
05077



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

June 8, 2006

Audit Number 05077

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 Footloose Dance Company, Inc. (Footloose), and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. Footloose entered three grant agreements for a total of \$47,400. Two of the grant agreements were between Footloose and the Grants for the Arts, San Francisco Hotel Tax Fund, and one was between Footloose and the San Francisco Arts Commission. Footloose was to use these grant funds to present a multidisciplinary series of performances in San Francisco, to make improvements to Shotwell Studios' main studio, and to conduct a feasibility/planning study. All three grant agreements are subject to the City's prohibition on political activity.

We conducted this audit to meet the San Francisco Administrative Code's (Administrative Code) requirement that the Controller audit annually at least 10 persons or entities that enter contracts, grants 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.

Footloose received \$35,400 in total grant fund disbursements from July 1, 2004, through June 30, 2005. The audit results indicate that Footloose did not use for political activity any of the \$35,400 of city funds that it received under its three grant agreements.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller

INTRODUCTION

BACKGROUND

The prohibition on the use of 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, grants 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, grants or loan agreements with the City. This year we randomly selected Footloose Dance Company, Inc. (Footloose), an arts-presenting and producing organization, as one of our 10 mandated audits.

Between July 1, 2004, and June 30, 2005, Footloose received \$35,400 in city funds under the following three grant agreements:

- Grant agreement entered on July 1, 2004, for \$27,600 with Grants for the Arts, San Francisco Hotel Tax Fund for Footloose to present a multidisciplinary series of performances in San Francisco.
- Grant agreement entered on December 12, 2003, for \$4,800 with Grants for the Arts, San Francisco Hotel Tax Fund, for Footloose to make improvements to Shotwell Studios' main studio. Shotwell Studios is a space that Footloose leases and uses as a performance venue, an educational center to provide workshops and classes, and as a rental space for the use of other artists.
- Grant agreement entered on February 14, 2004, for \$15,000 with the San Francisco Arts Commission, for Footloose to hire a nonprofit development coach to conduct a feasibility/planning study for a proposed capital campaign for relocation and marketing strategies.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Footloose 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 first verified that Footloose had grant agreements with the City that included the prohibition of using city funds for political activity. We verified all payments that the City made to Footloose from July 1, 2004, to June 30, 2005. We also assessed Footloose's procedures for approving and recording financial transactions and tested, on a sample basis, expenditures we identified in Footloose's accounting records. Additionally, we reviewed Footloose's federal information return for its 2004-05 fiscal year and inquired of its officers whether Footloose 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 Footloose were reported.

AUDIT RESULTS

FOOTLOOSE COMPLIED WITH THE REQUIREMENT TO NOT USE CITY FUNDS TO PAY FOR POLITICAL ACTIVITIES

Footloose did not use any of the \$35,400 of city grant 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 Footloose's records, we found no evidence of expenditures for political activities. Additionally, we obtained written management representation that Footloose had no expenditures 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 Footloose or its executive director 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.

Staff: Elisa Sullivan, Audit Manager
Houman Boussina

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