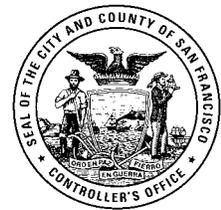


**BOARD OF
SUPERVISORS:**

Political Activity Audit:
Museo ItaloAmericano

**FINANCIAL AUDITS
DIVISION**



May 10, 2006
05078



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

May 10, 2006

Audit Number 05078

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 Museo ItaloAmericano (Museo) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. Museo had a \$36,800 grant agreement with the Grant for the Arts, San Francisco Hotel Tax Fund. The purpose of the grant was to support the exhibition of works by Italian and Italian-American artists. The grant is subject to the City's prohibition on political activity.

We conducted this audit to meet the San Francisco Administrative Code (Administrative Code) requirement that the Controller audit annually at least 10 persons or entities that enter into 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 fiscal year 2004-05, Museo received the full amount of the grant through reimbursements. The audit revealed that Museo did not use for political activity any of the \$36,800 of city funds that it received under the July 1, 2004 grant agreement.

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 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 Museo ItaloAmericano (Museo), a non-profit institution as one of our 10 mandated audits.

Museo had a grant agreement, dated July 1, 2004, with the Grant for the Arts, San Francisco Hotel Tax Fund for \$36,800 to support the exhibition of works by Italian and Italian-American artists. Museo received the full amount of the grant during fiscal year 2004-05.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Museo 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 identified that Museo had a grant agreement with the City that included the prohibition of using city funds for political activity. We verified all payments that the City made to Museo from July 1, 2004, through June 30, 2005. We also assessed Museo's procedures for approving and recording financial transactions and tested, on a sample basis, expenditures reimbursed by the grant funds. Additionally, we reviewed Museo's 2004 tax return and inquired of its officers whether Museo 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 Museo were reported.

AUDIT RESULTS

MUSEO ITALOAMERICANO COMPLIED WITH THE REQUIREMENT TO NOT USE CITY FUNDS FOR POLITICAL ACTIVITIES

Museo ItaloAmericano (Museo) did not use any of the \$36,800 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 Museo's records, we found no evidence of payment related to any political activity. Additionally, we obtained written management representation that Museo 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 Museo or its president 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: Kevin Baloca, Audit Manager
Edwin De Jesus

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