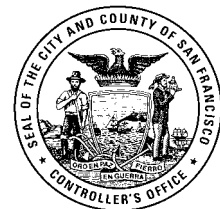


**BOARD OF
SUPERVISORS:**

Political Activity Audit:
Tigresse Fashion, LLC

**FINANCIAL AUDITS
DIVISION**



May 11, 2006
05073



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

May 11, 2006

Audit Number 05073

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 Tigresse Fashion, LLC (Tigresse) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. Tigresse has a loan agreement for \$25,000 with the San Francisco Mayor's Office of Community Development. The loan funds were to be used for equipment, training, inventory, and working capital. The loan 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 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.

The audit results indicate that Tigresse did not use for political activity any of the \$25,000 of city funds that it received under its September 14, 2004, loan 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 City contracts, grant agreements, 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 Tigresse Fashion, LLC (Tigresse), as one of our 10 mandated audits.

Tigresse is engaged in the custom garment design and production business. Tigresse entered a loan agreement on September 14, 2004, with the San Francisco Mayor's Office of Community Development (MOCD) for \$25,000 to be used for equipment, training, inventory, and working capital. Although the loan agreement was dated September 14, 2004, our audit period is from July 1, 2004, through June 30, 2005, because Tigresse incurred certain expenses prior to the loan agreement date, and was subsequently reimbursed through the loan agreement. Tigresse received the full amount of the loan during this period.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Tigresse 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 Tigresse had a loan agreement with the City that included the prohibition of using city funds for political activity. We verified all payments that the City made to Tigresse from September 14, 2004, through June 30, 2005. We also assessed Tigresse's procedures for approving and recording financial transactions and tested, on a sample basis, expenditures of loan funds. Additionally, we inquired of its owner whether Tigresse 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 Tigresse were reported.

AUDIT RESULTS

TIGRESSE FASHION COMPLIED WITH THE REQUIREMENT TO NOT USE CITY FUNDS FOR POLITICAL ACTIVITIES

Tigresse Fashion, LLC did not use any of the \$25,000 of city loan 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 Tigresse's records, we found no evidence of payments related to political activities. Additionally, we obtained written management representation that Tigresse 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 Tigresse or its owner 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