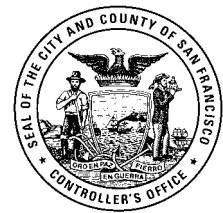


BOARD OF SUPERVISORS:

Political Activity Audit:
Up From Darkness Inc.

**FINANCIAL AUDITS
DIVISION**



May 15, 2006
05075



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

May 15, 2006

Audit Number 05075

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 Up From Darkness Inc. (Up From Darkness) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity.

Up From Darkness received two grants, one from the San Francisco Mayor's Office of Community Development for \$25,000 to fund various activities for the organization's Transitional Housing and Educational Program and, another from the Grants for the Arts, San Francisco Hotel Tax Fund for \$20,200 to fund Juneteenth activities in 2005. Both grants are 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, 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.

Up From Darkness received \$44,421 in advances and cost reimbursements from July 1, 2004, through October 31, 2005, for its two grants. Audit results indicate that Up From Darkness did not use for political activity any of the \$44,421 of city funds that it received under the grant agreements.

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, 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, grant or loan agreements with the City. This year, we randomly selected Up From Darkness Inc. (Up From Darkness), a California non-profit corporation, as one of our 10 mandated audits.

Up From Darkness entered a grant agreement on July 1, 2004, with the San Francisco Mayor's Office of Community Development (MOCD) for \$25,000 to finance the review of Up From Darkness' current financial and administrative operations, provide computer training, develop program strategies, and create fundraising plans for its Transitional Housing and Educational Program. Up From Darkness received a total of \$24,301 from MOCD during 2005.

Up From Darkness also entered a grant agreement on July 1, 2004, with the Grants for the Arts, San Francisco Hotel Tax Fund (Grants for the Arts) for \$20,200 for expenses related to the Juneteenth celebration in 2005, an annual African-American celebration in the Fillmore District of San Francisco. Up From Darkness received a total of \$20,120 from Grants for the Arts during 2005.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Up From Darkness 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 Up From Darkness had two grant agreements with the City that included the prohibitions of using city funds for political activity. We verified all payments that the City made to Up From Darkness from July 1, 2004, through October 31, 2005. We also assessed Up From Darkness' procedures for recording financial transactions and tested, on a sample basis, expenditures of grant funds. Additionally, we reviewed Up From Darkness' tax return for its 2004 calendar year and inquired of its officers whether Up From Darkness 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 report campaign contributions, to verify that no political contributions by Up From Darkness were reported.

AUDIT RESULTS

UP FROM DARKNESS COMPLIED WITH THE REQUIREMENT TO NOT USE CITY FUNDS FOR POLITICAL ACTIVITIES

Up From Darkness did not use any of the \$44,421 of grant funds that it received from MOCD and Grants for the Arts to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. During our audit of Up From Darkness' records, we found no evidence of political activity expenditures. We also obtained written management representation that Up From Darkness 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 Up From Darkness made any political contributions from July 1, 2004, through October 31, 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
Lily Chau

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