

BOARD OF SUPERVISORS:

Political Activity Audit:
The Allen Group, LLC

FINANCIAL AUDITS



July 24, 2006
05081



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

July 24, 2006

Audit Number 05081

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 The Allen Group, LLC and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The Allen Group entered a contract on March 27, 2002, with the Department of Public Works (department) to provide construction management services on an as-needed basis for an amount not to exceed \$937,500. The contract became subject to the City's prohibition on political activity when the department modified the contract on November 24, 2003. The contract term ended on December 30, 2004.

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.

While The Allen Group made contributions of \$8,500 for political campaigns from November 24, 2003, through December 30, 2004, The Allen Group, however, had sufficient profit from its contract with the department to pay for these costs. The Controller's procedures for implementing this Administrative Code requirement allow a contractor to use the profits it earns on a contract to pay for political activities.

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 (Controller) to audit at least 10 persons or entities that enter contracts, grants, or loan agreements with the City. This year we randomly selected The Allen Group, LLC, a construction management firm, as one of our 10 mandated audits.

The Allen Group entered a contract on March 27, 2002, with the Department of Public Works (department) to provide construction management services on an as-needed basis for an amount not to exceed \$937,500. The department modified the contract on November 24, 2003, which added the prohibition of using city funds for political activities and extended the contract term to December 30, 2004. The Allen Group received \$96,161 from the department under this contract for work performed between November 24, 2003, and December 30, 2004.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if The Allen Group 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 The Allen Group 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 The Allen Group under the contract for work performed

from November 24, 2003, through December 30, 2004. We also assessed The Allen Group's procedures for approving and recording financial transactions and tested, on a sample basis, expenditures we identified in The Allen Group's accounting records. Additionally, we inquired of The Allen Group's president whether The Allen Group 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 any political contributions by The Allen Group were reported.

AUDIT RESULTS

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

The Allen Group, LLC made contributions of \$8,500 for political campaigns during our audit period of November 24, 2003, through December 30, 2004. The Allen Group's records did not show the source of funds for these costs. However, we found that The Allen Group had sufficient profit from its contract with the Department of Public Works to pay for these costs. The Controller's procedures for implementation of the requirement to prohibit using city funds for political campaigns allows a contractor to use the profits it earns on a contract to pay for political activities.

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: Ben Carlick, Audit Manager
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cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
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