



OFFICE OF THE CONTROLLER


CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Mayor and Board of Supervisors

FROM: Tonia Lediju, PhD, Chief Audit Executive
Audits Division, City Services Auditor 

DATE: August 2, 2018

SUBJECT: All Ten Selected Organizations Complied With the San Francisco Administrative Code, Chapter 12G, by Not Using City Funds for Political Activity for Fiscal Year 2015-16

The Office of the Controller's (Controller) City Services Auditor Division (CSA) presents its assessment of ten organizations' compliance with the San Francisco Administrative Code, Chapter 12G, which prohibits the use of city funds for political activity. CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to conduct this assessment to meet the Administrative Code's requirement that the Controller annually review at least ten persons or entities that enter contract, grant, or loan agreements with the City and County of San Francisco to ensure that the selected entities complied with the prohibition. The assessment found that none of the ten organizations assessed used city funds they received under city grants, contracts, or loans in fiscal year 2015-16 for political activity.

CSA appreciates the assistance and cooperation of the city departments and city vendors with whom it and SEC worked during the assessment. For questions about the memorandum, please contact me at tonia.lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Attachment

cc: Ben Rosenfield
Todd Rydstrom
Tom DeCaigny, Arts Commission
Rebekah Krell, Arts Commission
Maria Su, Department of Children, Youth and Their Families
Leo Chyi, Department of Children, Youth and Their Families
Barbara Garcia, Department of Public Health
Greg Wagner, Department of Public Health
Naomi Kelly, General Services Agency, Office of the City Administrator
Kenneth Bukowski, General Services Agency, Office of the City Administrator
Nadia Sesay, Office of Community Investment and Infrastructure

Todd Rufo, Office of Economic and Workforce Development
Merrick Pascual, Office of Economic and Workforce Development
Kelly Kirkpatrick, Office of the Mayor
Harlan Kelly, Jr., Public Utilities Commission
Nancy Hom, Public Utilities Commission
Vicki Hennessy, Sheriff's Department
Crispin Hollings, Sheriff's Department
Lien Luu, SEC
Eugene Yano, Yano Accountancy

Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor's Office
Public Library



ENGAGEMENT MEMORANDUM

DATE: July 26, 2018

TO: Tonia Lediju, Chief Audit Executive
Office of the Controller, City Services Auditor Division

FROM: Lien Luu, Manager
Sjoberg Evashenk Consulting, Inc.

SUBJECT: All Ten Selected Organizations Complied with the San Francisco Administrative Code, Chapter 12G, by Not Using City Funds for Political Activity

EXECUTIVE SUMMARY

The City and County of San Francisco (City), Office of the Controller (Controller), City Services Auditor Division (CSA), engaged Sjoberg Evashenk Consulting (SEC) to assess the compliance of ten organizations, nine nonprofit and one for-profit, with Chapter 12G of the San Francisco Administrative Code (Administrative Code), which prohibits the use of city funds for political activity. CSA engaged SEC to conduct this assessment to meet the Administrative Code's requirement that the Controller annually review at least ten persons or entities that enter into contract, grant, or loan agreements with the City to ensure that the selected entities complied with the prohibition. The Administrative Code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. All ten organizations assessed did not use city funds they received under city grants, contracts, or loans in fiscal year 2015-16 for any political activities.

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

To ensure compliance with the prohibition on the use of city funds for political activity, Chapter 12G of the Administrative Code requires the Controller to annually review at least ten persons or entities that enter into contract, grant, or loan agreements with the City. San Francisco voters supported this prohibition to become city law when they passed Proposition Q in November 2002. The law defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure, and requires that all city contract, grant, and loan agreements disclose the prohibition.

The Controller's rules for implementing the Administrative Code's prohibition require the City to demand repayment of any city funds used for political purposes. Moreover, the rules specify penalties for recipients of city funds that use them for political purposes.

Objective

The assessment's primary purpose was to determine whether any of the ten selected organizations unlawfully expended city funds to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure.

Methodology

Using the City's financial system records, SEC selected ten organizations from among those that received city funds under contracts, grants, or loan agreements during city fiscal year 2015-16 (July 1, 2015 through June 30, 2016). Exhibit 1 summarizes amounts the City paid to organizations under *all* contracts, grants, and loans. SEC also obtained data from the City's campaign finance database to identify those organizations who made contributions to political groups.

EXHIBIT 1. CITY CONTRACT, GRANT, LOAN, AND OTHER PAYMENTS – FISCAL YEAR 2015-2016

Payment Category	Total Payments
Contracts	\$1,578,169,615
Grants	\$358,009,969
Loans	\$160,752,999
Other*	\$129,532,229
Total	\$2,226,464,812

Source: Auditor's analysis of data from City's financial system.

Note: *The "Other" payment category includes non-professional services such as equipment and building maintenance.

SEC then matched the names and addresses of organizations receiving city funds and the names and addresses of organizations that made contributions to political groups to serve as the universe of organizations selected for this assessment. The selection methodology considered and included various types of organizations and agreements, the amount of political contribution made by the organizations, and whether the organization had been selected for a previous Proposition Q assessment. Exhibit 2 lists all the organizations SEC selected for the assessment.

EXHIBIT 2. TEN ORGANIZATIONS SELECTED FOR POLITICAL ACTIVITY ASSESSMENT – FISCAL YEAR 2015-2016

Organization	Type	Category	City Funding Received
Alcohol Justice	Nonprofit	Grants	\$5,000
Alfred Williams Consultancy, LLC	For profit	Contracts	\$20,979
Asian Neighborhood Design	Nonprofit	Grants	\$749,673
Jamestown Community Center	Nonprofit	Grants	\$295,270
MyPath	Nonprofit	Grants	\$387,174
Roxie Theater	Nonprofit	Grants	\$36,763
Root Division	Nonprofit	Grants	\$162,850
SFJAZZ	Nonprofit	Grants	\$148,450
Shanti Project	Nonprofit	Contracts	\$1,385,407
Yerba Buena Center for the Arts	Nonprofit	Grants	\$3,330,000
Total			\$6,521,566

Source: Auditor's analysis of data from City's financial system.

As part of the assessment, we verified that the selected organizations' agreements with the City included prohibitions on using city funds for political activity. We reviewed invoices submitted by the organizations, inspected tax returns, reviewed financial statements and accounting records, and verified certain payments the City made to each organization during fiscal year 2015-16. Further, we inquired of the organizations' officers whether they had spent city or other funds for purposes related to political activity. We also obtained written management representation from each organization certifying that no city funds were used for political activity.

Generally accepted government auditing standards do not cover the conduct of nonaudit services, which are defined as professional services other than audits or attestation engagements. Therefore, SEC is not responsible for the substantive outcomes of the work performed during this assessment. Rather, management of the city departments that engaged the assessed organizations is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the nonaudit service.

RESULTS

All ten organizations assessed complied with the prohibition on using city funds received under grants, contracts, and loans from or with city departments for political activity. The organizations did not use city funds to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure during fiscal year 2015-16.