



**CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER**

**Ben Rosenfield
Controller**
**Monique Zmuda
Deputy Controller**

MEMORANDUM

TO: Mayor and Board of Supervisors

FROM: Tonia Lediju, Director of City Audits
City Services Auditor Division

DATE: October 8, 2014

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

The Office of the Controller's (Controller) City Services Auditor Division (CSA) presents its assessment of ten organizations' compliance with Chapter 12G of the San Francisco Administrative Code, which prohibits the use of city funds for political activity. CSA engaged Sjoberg Evashenk Consulting, Inc., 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 to ensure that the selected entities complied with the prohibition. The assessment found that nine of the ten organizations assessed did not use city funds they received under city grants, contracts, or loans in fiscal year 2012-13 for political activity. However, one organization, San Francisco Parks Alliance, was unable to demonstrate that staff did not spend time on political activities while on work time.

The responses of the Office of the City Administrator and San Francisco Parks Alliance are attached to this memorandum.

CSA appreciates the assistance and cooperation of city departments and city vendors 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: Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Public Library



MEMORANDUM

TO: Tonia Lediju, Director of City Audits
City Services Auditor Division

FROM: Marianne Evashenk, President
Sjoberg Evashenk Consulting, Inc.

DATE: October 1, 2014

SUBJECT: Nine of 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, six nonprofit and four 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 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. Nine of the ten organizations assessed did not use for political activity city funds they received under city grants, contracts, or loans in fiscal year 2012-13. However, one organization was unable to demonstrate that staff did not spend time on political activities while on company time.

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 contract, grant, or loan agreements with the City. San Francisco voters caused 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 EQUATION FOR EXCELLENCE

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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 illegally 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 2012-13 (July 1, 2012, through June 30, 2013). 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 2012-13	
Payment Category	Total Payments
Contracts	\$1,508,954,397
Grants	279,966,404
Loans	65,919,452
Other*	100,592,263
Total	\$1,955,432,516

Note: *In-kind payments including services such as equipment and building maintenance provided by departments.

Source: Auditor's analysis of data from the City's accounting system, Financial Accounting and Management Information System.

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 was made to include various types of organizations and agreements, and considered other factors, such as the amount of political contribution made by the organizations—higher amounts increased the likelihood of selection—and whether the organization had been selected for a previous Proposition Q assessment—if it had, this reduced the likelihood of selection. Exhibit 2 lists the organizations SEC selected for the assessment.

**EXHIBIT 2 Ten Organizations Selected for Political Activity Assessment
Fiscal Year 2012-13**

Organization	Type	Category
Asian Inc.	Nonprofit	Grants
Bode Concrete LLC	For-profit	Contracts
Chinese Newcomers Service Center	Nonprofit	Contracts, Grants
Friends of the Urban Forest	Nonprofit	Contracts, Grants
Hotel Whitcomb	For-profit	Contracts, Loans
NEXT Village San Francisco	Nonprofit	Contracts
Reading Partners	Nonprofit	Grants
San Francisco Health Plan	For-profit	Contracts
San Francisco Parks Alliance	Nonprofit	Contracts, Grants
Tom Eliot Fisch	For-profit	Contracts

To conduct the assessment, we verified that the selected organizations' agreements with the City included the prohibition on using city funds for political activity. We reviewed invoices submitted by the organizations, inspected tax returns, financial statements and accounting records, and verified certain payments that the City made to each organization during fiscal year 2012-13.

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 non-audit 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 non-audit service.

RESULTS

Nine of the ten organizations assessed complied with the prohibition on using for political activity city funds received under grants, contracts, and loans from or with city departments. 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 2012-13.

However, one organization, the San Francisco Parks Alliance (SFPA) was unable to demonstrate that it did not use city funds to support a political campaign on the November 2012 ballot. Specifically, we verified that the actual monetary campaign contribution was made using unrestricted interest income that exceeded the value of the contribution and therefore did not constitute non-compliance with Administrative Code provisions.

Yet, when asked about non-cash contribution to that particular ballot measure, management indicated that while staff time was dedicated to the campaign, those hours are not tracked on timesheets. We further learned that SFPA's legal counsel advised SFPA not to track staff hours

spent on participating in campaigns as they were insignificant and therefore detailed time-keeping was not necessary.

RECOMMENDATION

To ascertain full compliance with the provisions of the City's Administrative Code Chapter 12G, the San Francisco Office of the City Administrator's General Services Agency (GSA) on behalf of the City should instruct the San Francisco Parks Alliance to ensure SFPA staff spending time on political activities on behalf of the organization is adequately recording those hours on timesheets. Further, the GSA should require the SFPA to maintain adequate and sufficient accounting records to demonstrate labor costs on political campaign activities were not paid for using city funds.

ATTACHMENT A: GENERAL SERVICES AGENCY RESPONSE



OFFICE OF THE CITY ADMINISTRATOR



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

September 29, 2014

Ms. Tonia Lediju
Director of City Audits
Office of the Controller
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Chapter 12G Compliance by City Contractors

Dear Ms. Lediju,

Thank you for providing me the opportunity to respond to the Chapter 12G Draft Report. Chapter 12G prohibits the use of City funds for political activity. I am pleased that the report found widespread compliance and concur with your findings that the San Francisco Parks Alliance ("SFPA") made an allowable monetary contribution.

With respect to the nonmonetary contributions, I partially concur. There is agreement that "GSA should require SFPA to maintain adequate and sufficient accounting records to demonstrate labor costs on political campaign activities were not paid for using City funds." After a thorough review, we are confident that the funds provided to SFPA in 2012 were used appropriately for intended purposes.

I agree that we should develop a system for better tracking of political activity hours of City contractors. Campaign disclosure matters are handled by the San Francisco Ethics Commission, and they have the expertise in this area. I will defer to them on the best approach to meet this goal. I look forward to their recommendations.

If I can be of assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Naomi M. Kelly".

Naomi M. Kelly
City Administrator

CC: John St. Croix
Director, San Francisco Ethics Commission

1 Dr. Carlton B. Goodlett Place, City Hall, Room 362, San Francisco, CA 94102
Telephone (415) 554-4852; Fax (415) 554-4849

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATION AND RESPONSE

Recommendation	Response
<p>To ascertain full compliance with the provisions of the City's Administrative Code Chapter 12G, the San Francisco Office of the City Administrator's General Services Agency (GSA) on behalf of the City should instruct the San Francisco Parks Alliance to ensure SFPA staff spending time on political activities on behalf of the organization is adequately recording those hours on timesheets. Further, the GSA should require the SFPA to maintain adequate and sufficient accounting records to demonstrate labor costs on political campaign activities were not paid for using city funds.</p>	<p>With respect to the nonmonetary contributions, I partially concur. There is agreement that "GSA should require SFPA to maintain adequate and sufficient accounting records to demonstrate labor costs on political campaign activities were not paid for using City funds." After a thorough review, we are confident that the funds provided to SFPA in 2012 were used appropriately for intended purposes.</p> <p>I agree that we should develop a system for better tracking of political activity hours of City contractors. Campaign disclosure matters are handled by the San Francisco Ethics Commission, and they have the expertise in this area. I will defer to them on the best approach to meet this goal. I look forward to their recommendations.</p>

ATTACHMENT B: San Francisco Parks Alliance Response



P.O. Box 170160
San Francisco, CA 94117-0160
415.621.3260
www.sfparksalliance.org

July 31, 2014

Tonia Lediju, Director of City Audits
Offices of the Controller, City Services Audit Division
City Hall, Room 476
One Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Management's Response to Compliance Assessment of Sjoberg Evashenk Consulting
with Chapter 12G of the San Francisco Administrative Code which prohibits the use of
City funds for political activity

Dear Ms. Lediju:

Thank you for providing us with the opportunity to review the audit recommendation status of the City Services Auditor (CSA) Division's memorandum dated June 16, 2014. CSA, based on the assessment by Sjoberg Evashenk Consulting (SEC), concluded that San Francisco Parks Alliance (SFPA) was unable to demonstrate that staff did not spend time on political activities while on company time. The recommendation of CSA is that SFPA staff record hours spent on political activities on behalf of the organization on time sheets, and maintain sufficient accounting records to demonstrate that labor costs on political activities are not paid for using City funds.

We appreciate the time and effort that your staff put forth in its review and subsequent recommendations. While SFPA maintains that it fully complied with the code in question, we will take the recommendations of the City Administrator's General Services Agency (GSA) under advisement so that it is clear, in the future, that the organization is not using City funds for political activity.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 621-3260 X117.

Sincerely,

A handwritten signature in black ink that reads 'John D. Stoner'.

John D. Stoner
Director of Finance and Operations

cc: Matt O'Grady, Chief Executive Officer