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Subject: Govt Audits and Oversight Committee Follow Up (File No 201158)
Date: Friday, November 20, 2020 1:57:16 PM

Re: November 19, 2020 Hearing on Budget and Legislative Analyst's Performance Audit – Ethics Commission

November 20, 2020

Dear Chair Mar, Vice Chair Peskin, and Member Haney,

Thank you for the opportunity to participate in yesterday's Government Audit and Oversight Committee meeting on Item 10, the BLA's performance audit of the Ethics Commission (File No 201158).

As a follow up to yesterday's discussion, I wanted to provide the information below regarding the Commission's audit process to more fully answer Chair Mar's question about the objective criteria method my office has used to select committees for discretionary campaign audits stemming from the 2016 and 2018 elections. for the Committee's meeting file

The selection process for discretionary audits is detailed on the Commission's website at <https://sfethics.org/compliance/campaigns/audits/audit-selection>. In sum:

- **For the 2016 election cycle, the Ethics Commission audited 27 campaign committees.**
 - Overall for the November 8, 2016 election, 165 campaign committees reported roughly \$70.7 million in spending on City campaigns.
 - The 27 committees audited represented 24% of all committees in the 2016 audit pool but 80% of total 2016 audit pool expenditures – a larger percentage of political money than previously audited by the Commission for a single election cycle.
 - For the 2016 election, **12 of the audits were of candidates who qualified for public financing** and were therefore subject to mandatory audit by the Commission.
 - The **15 committees selected for discretionary audit** were selected from a pool that was categorized into the three following categories: non-publicly-funded candidate-controlled committees, general purpose committees, and ballot measure committees.

The 15 committees selected for audit in this cycle were the top five highest spending committees among each of the three categories.

- The [revised selection method was discussed in detail and adopted at the March 2017 meeting of the Ethics Commission](#).
- Completed 2016 audit reports can be viewed at <https://sfethics.org/ethics/category/Audits-2016>.
- **[For the 2018 election cycle, the Commission audited 25 political committees.](#)**
 - that accounted for over 76% of all reported campaign expenditures reported in connection with the 2018 elections.
 - For the 2018 election, **14 of the audits were candidates qualified for public financing** and were subject to mandatory audit by the Commission. Together, the publicly-financed candidates reported spending over \$8.8 million on their campaigns, which represented roughly 16 percent of all campaign expenditures reported for the 2018 election cycle.
 - In addition, **11 other campaign committees were selected for discretionary audit** according to an objective criteria standard from a pool of 168 other committees that also were active in elections during 2018. Together, they accounted for \$34.3 million in reported spending, or 61% of the \$56.4 million reported overall in the 2018 election cycle.
 - These 11 committees were 1) recipient committees active in San Francisco’s 2018 elections, 2) not controlled by a candidate, and which 3) each reported spending more than \$1 million in their campaigns.
 - The audit selection method was discussed in detail at the [June 2019 monthly report of the Executive Director](#).
 - Completed 2018 audit reports can be viewed at <https://sfethics.org/ethics/category/Audits-2018>.

Lastly, regarding the status of lobbying audits, in the March 2017 campaign audit selection report to the Ethics Commission I noted that City law also provides for lobbyists to be audited by the Ethics Commission:

Effective July 26, 2014, the San Francisco Campaign and Governmental Conduct Code provides for lobbyists to be audited by the Ethics Commission. Section 2.135(c) provides: “On an annual basis, the Executive Director shall initiate audits of one or more lobbyists selected at random.” Unlike campaign audits, no date exists in statute or regulations by which the audit of a lobbyist randomly selected must begin. Random selection of lobbyist audits for 2015

occurred at the Commission's March 2016 regular meeting, with four lobbyists identified for audits. Similarly, four prior lobbyists were randomly selected in 2015 for 2014. Due to staff resource constraints, however, the four 2014 audits remain underway, and the four 2015 audits have not yet begun. Lobbyist audit selection for 2016 is therefore planned for later this calendar year at the completion of these eight already selected audits that remain pending from prior audit cycles. (p2).

My June 2019 Executive Director report to the Commission again referenced that information and also noted that due to 1) changes in the lobbying law that voters enacted in November 2016 and 2) continuing significant staff resource constraints, lobbyist audits had not been pursued given the competing demands in the audit division related to its ongoing campaign audit work and public financing activities in the 2018 and 2019 elections.

As I noted at yesterday's hearing, with a new lobbying audit program framework in development as of early 2020, the establishment of program performance goals for FY21, and the anticipated hiring of an Audit Manager in early CY2021, heightened staff resources and attention are now positioned to provide enhanced support of the lobbying audit program in the coming year. We look forward to updating you and the public going forward about our progress toward achieving that goal.

Sincerely,

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