THE CITY OF SAN DIEGO

March 10, 2006

Friends of Toni Atkins (ID# 1253552)
F. Laurence Scott, Treasurer
Scott & Cronin, LLP
330 Encinitas Blvd., Suite 101
Encinitas, CA 92024

Re: Ethics Commission Audit

Dear Mr. Scott:

The Ethics Commission audit of the above-referenced committee is now concluded, and the Final Audit Report is enclosed. This report was delivered to the Ethics Commission at its regularly-scheduled meeting on March 9, 2006. Although the report reflects one finding that is material as defined in the Ethics Commission Audit Manual, the Commission does not believe that the finding warrants additional administrative remedies.

If you have any questions concerning the foregoing, please contact me at your convenience. Thank you for your assistance and cooperation during the course of the audit.

Sincerely,

DeeDee Alari, CPA
Financial Investigator

Enclosure

THE CITY OF SAN DIEGO

March 10, 2006

Councilmember Toni Atkins
Friends of Toni Atkins (ID #1253552)
202 C Street, 10th Floor
San Diego, CA 92101

Re: Ethics Commission Audit

Dear Councilmember Atkins:

The Ethics Commission audit of the above-referenced committee is now concluded, and the Final Audit Report is enclosed. This report was delivered to the Ethics Commission at its regularly-scheduled meeting on March 9, 2006. Although the report reflects one finding that is material as defined in the Ethics Commission Audit Manual, the Commission does not believe that the finding warrants additional administrative remedies.

If you have any questions concerning the foregoing, please contact me at your convenience. Thank you for your assistance and cooperation during the course of the audit.

Sincerely,

Stacey Fulhorst
Executive Director

SF/s

Enclosure

Ethics Commission
1010 Second Avenue, Suite 1530 • San Diego, CA 92101
Tel (619) 533-3476 Fax (619) 533-3448

THE CITY OF SAN DIEGO

FINAL AUDIT REPORT

March 9, 2006

Councilmember Toni Atkins
Friends of Toni Atkins (ID #1253552)
202 C Street, 10th Floor
San Diego, CA 92101

F. Laurence Scott, Treasurer
Scott & Cronin, LLP
330 Encinitas Blvd., Suite 101
Encinitas, CA 92024

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Friends of Toni Atkins

I. Introduction

This Audit Report contains information pertaining to the audit of the committee Friends of Toni Atkins, Identification Number 1253552 (the "Committee") for the period from January 1, 2003, through June 30, 2005. The audit was conducted to determine whether the Committee materially complied with the requirements and prohibitions imposed by the Political Reform Act ("the Act") (Government Code Section 81000, *et seq.*) and San Diego's Election Campaign Control Ordinance (San Diego Municipal Code Chapter 2, Article 7, Division 29). The Election Campaign Control Ordinance (ECCO) was amended on January 5, 2005. This Committee operated under the previous ECCO, therefore all Code references in this report relate to the provisions of ECCO effective prior to January 5, 2005.

During the period covered by the audit, the Committee reported total contributions of $213,454.00 (including non-monetary contributions of $161.24) and total expenditures of $211,647.10. **The audit revealed one material finding: (1) the Committee violated San Diego Municipal Code section 27.2944 by failing to report five accrued expenses.**

II. Committee Information

The Committee was formed to support the re-election of Toni Atkins for Council District 3 in the March 2, 2004, primary election. On February 28, 2003, Ms. Atkins filed a Candidate Intention Statement with the San Diego City Clerk. On March 20, 2003, the Committee filed a Statement of Organization with the San Diego City Clerk indicating it qualified as a committee on March 13, 2003. The Committee has not terminated. The Committee's treasurer is F. Laurence Scott.

III. Audit Authority

The San Diego Ethics Commission (the "Commission") is mandated by San Diego Municipal Code section 26.0414 to audit campaign statements and other relevant documents to determine whether campaign committees comply with applicable requirements and prohibitions imposed by State and local law.

IV. Audit Scope and Procedures

This audit was performed in accordance with generally accepted auditing standards. The audit involved a thorough review of the Committee's records for the time period covered by the audit. This review was conducted to determine:

1. Compliance with all disclosure requirements, pertaining to contributions, expenditures, accrued expenditures, and loans, including itemization when required;
2. Compliance with applicable filing deadlines;
3. Compliance with restrictions on contributions, loans and expenditures;
4. Accuracy of total reported receipts, disbursements and cash balances as compared to bank records; and
5. Compliance with all record-keeping requirements.

V. Summary of Applicable Law

San Diego Municipal Code section 27.2944(b) – Payment and Disclosure of Payment for Goods and Services

(b) Every candidate and committee shall disclose expenditures in the same time and manner required by California Government Code section 84211. An expenditure which has been incurred but not paid during a reporting period shall be disclosed as an accrued expense.

San Diego Municipal Code Section 27.2903 – Expenditure

"Expenditure"means a payment, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment, unless it is clear from the circumstances that it is not

made for political purposes. An expenditure is made on the date the payment is made or on the date consideration, if any, is received, whichever is earlier.

VI. Material Finding

A. Violation of San Diego Municipal Code section 27.2944 – Payment and Disclosure of Payment for Goods or Services

The Committee failed to disclose five accrued expenses as follows:

Period Ending		Payee	Amount	Invoice #	Invoice Date
1	06/30/03	Scott & Cronin LLP	$625.75	6469	07/01/03
2	09/30/03	Scott & Cronin LLP	$665.00	6722	10/01/03
3	12/31/03	Scott & Cronin LLP	$550.00	7048	01/01/04
4	02/14/04	Scott & Cronin LLP	$347.91	7273*	02/29/04
5	06/30/04	Scott & Cronin LLP	$390.00	7791	07/01/04
Total			$2,578.66		

* Total invoice amount was $985.39, of which $347.91 was incurred as of 02/14/04

The invoices were dated after each reporting period in which the services were actually provided; therefore, these expenses were never reported as "accrued". However, the Committee did report these expenses when the invoices were paid in the subsequent reporting period.

In a written response dated February 23, 2006, the Treasurer stated that it was their standard practice to not disclose small invoices for regular, on-going administrative expenses when the committee had not received an invoice from the vendor by the end of the reporting period. In addition, the Treasurer believes that the unreported amount is an insignificant percentage of total expenditures. Lastly, the Treasurer pointed out that the public was aware the Committee retained this vendor prior to the election.

At the post-audit conference, held on February 27, 2006, the Committee expressed its intent to fully disclose all activity, and stated that any reporting errors were unintentional mistakes or omissions.

VII. Conclusion

Through the examination of the Committee's records and campaign disclosure statements, the Auditor verified that the Committee timely filed all campaign statements and maintained the necessary documentation regarding contributions and expenditures. **However, the audit revealed one material finding: (1) the Committee violated San Diego Municipal Code section 27.2944 by failing to report five accrued expenses.**

_____ _____

DeeDee Alari, CPA
Financial Investigator

Date

_____ _____

Lauri Davis
Senior Investigator

Date