



THE CITY OF SAN DIEGO

June 13, 2014

Mr. Carl DeMaio  
Carl DeMaio for Mayor 2012  
7185 Navajo Road, Suite P  
San Diego, CA 92119

Re: Carl DeMaio for Mayor 2012 (ID # 1334720)

Dear Mr. DeMaio:

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 held on June 12, 2014. Although the report reflects one material finding, the Commission does not believe that the findings warrant additional administrative remedies. In summary, the Commission determined that education was more appropriate than enforcement in this situation. As a result, the Commission voted to accept the report and take no further action.

Sincerely,

[REDACTED]

Rosalba Gomez  
Ethics Commission Auditor

Enclosure

cc: C. April Boling, CPA  
7185 Navajo Road, Suite P  
San Diego, CA 92119

**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

June 5, 2014

Mr. Carl DeMaio  
Carl DeMaio for Mayor 2012  
7185 Navajo Road, Suite P  
San Diego, CA 92119

Treasurer: C. April Boling, CPA  
7185 Navajo Road, Suite P  
San Diego, CA 92119

### SAN DIEGO ETHICS COMMISSION AUDIT REPORT: *Carl DeMaio for Mayor 2012*

#### I. Introduction

This Audit Report contains information pertaining to the audit of the committee, Carl DeMaio for Mayor 2012, Identification Number 1334720 ("the Committee") for the period from January 5, 2011, through April 11, 2013. The Committee was selected for audit by a designee of the City Clerk in a random drawing conducted at a public meeting of the Ethics Commission held on September 12, 2013. In addition, our Audit Manual states that if a committee controlled by a candidate is selected for audit, then any other City of San Diego committees controlled by the same candidate during the audit period shall be included in the audit. Therefore, we also audited the candidate controlled committee, Reform City Hall with Carl DeMaio, Identification Number 1335733, for the period from January 5, 2011, through April 11, 2013. The audit was conducted to determine whether the Committee materially complied with the requirements and prohibitions imposed by the City of San Diego's Election Campaign Control Ordinance (San Diego Municipal Code Chapter 2, Article 7, Division 29).

During the period covered by the audit, the Committee reported total contributions of \$3,675,569.90 (inclusive of \$16,656.38 in non-monetary contributions) and total expenditures of \$3,698,038.36. Total cash contributions relative to total expenditures resulted in a \$39,124.84 differential that was reconciled by the Committee's miscellaneous increase to cash. **The audit revealed one material finding: the committee failed to include a "paid for by" disclosure in a mass telephone communication in violation of San Diego Municipal Code section 27.2971.**

#### Ethics Commission

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## **II. Committee Information**

On January 5, 2011, the Committee filed a Statement of Organization with the San Diego City Clerk indicating that it qualified as a committee. The Committee was formed to support the election of Carl DeMaio for Mayor in the June 5, 2012, primary election and November 6, 2012, general election. On April 16, 2013, the Committee filed a Statement of Termination indicating that its filing obligations were completed on April 11, 2013. The Committee's treasurer was C. April Boling.

The Reform City Hall with Carl DeMaio committee was formed as a city of San Diego general purpose recipient committee whose principal officer was Carl DeMaio. The Reform City Hall with Carl DeMaio committee has not terminated. Its treasurer is C. April Boling.

## **III. Audit Authority**

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 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 27.2903 - Definitions**

Mass telephone communications means live or recorded telephone calls that are substantially similar in nature to 500 or more individuals or households for the purpose of (a) supporting or opposing a clearly identified candidate or a clearly identified measure; or (b) conducting a poll that mentions or refers to a clearly identified candidate or a clearly identified measure.

### **San Diego Municipal Code Section 27.2971 - Telephone Communications**

- (a) It is unlawful for any candidate or committee to engage or hire others to engage in mass telephone communications unless the communications include a statement that the communications are "paid for by," "authorized by," or are otherwise being made "on behalf of"

immediately followed by the name of each candidate or committee that is paying for any of the resources used for the communications or that it otherwise authorizing the communication. For purposes of this subsection, “resources” include the purchase of a contact list, the development of a script, overhead expenses, and telephone charges. The type of disclosure required by this section shall be determined as follows:

- (1) A call is “paid for by” a candidate or committee when the candidate or committee pays directly for the call or pays another person to make the call on its behalf.

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## VI. Material Findings

### Section 27.2971: Failure to Include “Paid for By” Disclosure in Mass Telephone Communication

SDMC Section 27.2971 requires committees that pay for mass telephone communications to include the words “paid for by” immediately followed by the name of the committee that paid for it. The audit revealed that the Committee paid Competitive Edge Research & Communication to conduct a telephone poll of 794 households in September of 2012 that referred to the mayoral candidacies of Carl DeMaio and Bob Filner that did not include the requisite “paid for by” disclosure.

At the post –audit conference held on May 5, 2014, the Committee stated that it was not aware that telephone polls were subject to the “paid for by” disclosure requirements. The Committee asserted that its disclosure omission was unintentional and that its overall actions evidence its intent to substantially comply with applicable regulations.

## VII. Conclusion

Through the examination of the Committee’s records and campaign disclosure statements, the Auditor verified that the Committee timely disclosed all contributions received and all expenditures made, and that the Committee maintained all necessary documentation regarding contributions and expenditures in accordance with disclosure and record-keeping provisions of ECCO. **However, the audit revealed the following material finding: the committee failed to include a “paid for by” disclosure in a mass telephone communication in violation of San Diego Municipal Code section 27.2971.**

[REDACTED]

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Rosalba Gomez  
Ethics Commission Auditor

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Date

[REDACTED]

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Lauri Davis  
Ethics Commission Senior Investigator

\_\_\_\_\_  
Date