THE CITY OF SAN DIEGO

July 10, 2009

Lorena Gonzalez
Lorena Gonzalez for City Council
3521 Buena Vista Street
San Diego, CA 92109-6611

Re: Ethics Commission Audit of Lorena Gonzalez for City Council (ID # 1278735)

Dear Ms. Gonzalez,

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 July 9, 2009. The report reflects seven material findings.

If you have any questions concerning the foregoing, please contact me at your convenience.

Sincerely,

Rosalba Gomez
Ethics Commission Auditor

Enclosure

cc: Xavier Martinez, Treasurer

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 25, 2009

Lorena Gonzalez
Lorena Gonzalez for City Council
3521 Buena Vista Street
San Diego, CA 92109-6611

Treasurer: Xavier Martinez
425 W 5th Avenue, Suite 205
Escondido, CA 92025

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Lorena Gonzalez for City Council

I. Introduction

This Audit Report contains information pertaining to the audit of the committee, Lorena Gonzalez for City Council, Identification Number 1278735 ("the Committee") for the period from August 2, 2005, through June 30, 2006. 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 19, 2007. 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). The Election Campaign Control Ordinance (ECCO) was amended on January 1, 2009. This Committee operated under the previous ECCO, and therefore all Code references in this report relate to the provisions of ECCO that were in effect prior to January 1, 2009.

During the period covered by the audit, the Committee reported total contributions of $129,784.05 (inclusive of $18,950.00 in candidate loans) and total expenditures of $130,540.30. The difference $756.25, represents unreported contributions, miscellaneous increases to cash, and calculation errors found in the campaign statements. **The audit revealed five material findings:**

- **the Committee failed to report four expenditures in violation of San Diego Municipal Code section 27.2930; and**

- **the Committee erroneously reported an expenditure in violation of San Diego Municipal Code section 27.2930.**

II. Committee Information

On August 8, 2005, 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 Lorena Gonzalez for Council District 2 in the November 8, 2005, special election and the January 10, 2006, special run-off election. On August 3, 2006, the Committee filed a Statement of Termination indicating that its filing obligations were completed on June 30, 2006. The Committee treasurer was Xavier Martinez.

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 § 27.2930 – Base Level of Campaign Statements and Disclosures

Each candidate and committee shall file campaign statements in the time and manner required by California Government Code sections 81100 et seq. and title 2 of the California Code of Regulations.

Government Code section 84211 – Contents of Campaign Statements

Each campaign statement required by this article shall contain all of the following:

. . . .

(i) The total amount of expenditures made during the period covered by the campaign statement to persons who have received one hundred dollars ($100) or more.

. . . .

(k) For each person to whom an expenditure of one hundred dollars ($100) or more has been made during the period covered by the campaign statement, all of the following:
  (1) His or her full name.
  (2) His or her street address.
  (3) His or her occupation.
  (4) The name of his or her employer, or if self-employed, the name of the business.

. . . .

VI. Material Findings

Section 27.2930: Failure to Accurately Disclose Expenditures

Non-Reported Expenditures

The Committee failed to report four expenditures as follows:

Vendor	Amount	Check#
CompleteCampaigns.com	$ 150.00	1004
Karen Goyette	$3,000.00	1014
Commerce Printing Service	$ 700.00	1033
Political Data Inc.	$ 527.87	1067
	$4,377.87	

Inaccurately Reported Expenditure

A payment in the amount of $3,657.48 to "Mailrite Print & Mail Inc." was disclosed on the Committee's Campaign Statement dated December 1, 2005, covering the reporting period from October 23, 2005, through November 26, 2005. The Committee did not have any original source documentation such as an invoice, estimate, or check concerning this expenditure and the Committee's bank records did not reflect payment for this expenditure. The Committee was subsequently able to provide information that this expenditure actually belonged to another committee, the San Diego County Democratic Party, and was inadvertently reported on the Lorena Gonzalez for City Council committee's Campaign Statement. This same expenditure was identified as a payment for a "member communication" (to support Lorena Gonzalez) in the San Diego

for City Council committee's Campaign Statement occurred because the Treasurer was responsible for the recordkeeping and reporting for both campaign committees.

At the post-audit conference, held on April 14, 2009, the Committee acknowledged its reporting mistakes but contended that its overall actions evidence its intent to substantially comply with applicable regulations. In addition, the Committee asserted that its reporting errors were unintentional and occurred as a result of a chaotic and condensed special election cycle.

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, with the following exceptions: **the Committee failed to report four expenditures in violation of San Diego Municipal Code section 27.2930; and the Committee erroneously reported an expenditure in violation of San Diego Municipal Code section 27.2930.**

_____ _____

Rosalba Gomez
Ethics Commission Auditor

Date

_____ _____

Lauri Davis
Ethics Commission Senior Investigator

Date