



THE CITY OF SAN DIEGO

July 18, 2011

Mr. Robert Ilko
10247 Rue Touraine
San Diego, CA 92131

Re: Ethics Commission Audit Friends of Bob Ilko committee (ID# 1299411)

Dear Mr. Ilko,

The Ethics Commission audit of the Friends of Bob Ilko committee (ID# 1299411) is now concluded. Enclosed is the Final Audit Report which was accepted by the Ethics Commission at its meeting last night. I have also enclosed a fully-executed copy of the Stipulation, Decision, and Order which is related to the material findings noted in the Final Audit Report, and which was approved by the Ethics Commission last night.

I appreciate your cooperation in resolving this matter. If you have any questions, please contact me at your convenience.

Sincerely,

Stacey Fulhorst
Executive Director

Enclosures



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

July 6, 2011

Friends of Bob Ilko
Mr. Robert Ilko
10247 Rue Touraine
San Diego, CA 92131

Treasurer: Mr. Robert Ilko
10247 Rue Touraine
San Diego, CA 92131

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Friends of Bob Ilko

I. Introduction

This Audit Report contains information pertaining to the audit of the committee, Friends of Bob Ilko, Identification Number 1299411 ("the Committee") for the period from June 4, 2007, through December 31, 2010. 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 10, 2009. 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 \$36,279.90 (inclusive of \$14,750.00 in candidate loans and \$386.90 in non-monetary contributions) and total expenditures of \$35,939.78. Total cash contributions and candidate loans relative to total expenditures resulted in a \$46.78 monetary shortfall that was offset by the Committee's miscellaneous increase to cash. **The audit revealed thirty-one material findings:**

- **The committee failed to maintain two categories of campaign records in violation of San Diego Municipal Code section 27.2925.**



Ethics Commission

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- **The committee failed to disclose ten contributions, two candidate loans, and seventeen expenditures, in violation of San Diego Municipal Code section 27.2930.**

II. Committee Information

On July 3, 2007, the Committee filed an initial Statement of Organization with the California Secretary of State. The Committee did not file a Statement of Organization with the San Diego City Clerk. The Committee never filed an amended Statement of Organization to report the date that it qualified as a committee (received contributions totaling \$1,000.00). Although the Committee failed to file the amended Statement of Organization, the audit revealed the Committee qualified on June 22, 2007. The Committee was formed to support the election of Robert Ilko for Council District 5 in the June 4, 2008, primary election; however, the candidate withdrew from the race in March of 2008. The Committee has not terminated. The candidate, Robert Ilko, served as the Committee's treasurer.

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 27.2925 - Accounting

- (a) In addition to any other requirements of this division, every candidate or committee that accepts contributions for a City election shall maintain a record of each of the following:

- (1) any contributions received by the candidate or committee and deposited into the campaign contribution checking account; and,
 - (2) any disbursement made from the campaign contribution checking account.
- (b) The records required by section 27.2925(a) shall include, but not be limited to, all of the following:
- (1) The name and address of the contributor; and
 - (2) The amount of the contribution, and the date on which it was received or offered; and
 - (3) If the contributions is made by check, a legible photocopy of the check; and
 - (4) If the contribution offered or received consists of cash, an indication that cash was offered or received, and a legible photocopy of the bank deposit slip indicated that the cash contribution was deposited into the campaign contribution checking account; and
 - (5) Legible photocopies or originals of all bank records pertaining to the campaign contribution checking account; and
 - (6) If a contribution is made by the candidate to his or her own campaign, a statement disclosing the source of the funds; and
 - (7) If a contribution is of something other than money, a description of what was contributed, a reasonable good faith estimate of the monetary value of the contribution, and the basis for the estimate; and,
 - (8) For each disbursement made from or check drawn on the campaign contribution checking account, the canceled check, the bank statement showing the disbursement, the name of the payee of each check, an itemized records of the good or services for which each check is issued or disbursement made, and legible photocopies or originals of any invoices, bills, or other supporting documents for which funds were disbursed.
- (c) The records required by section 27.2925(a) and (b) shall be kept by the candidate or committee treasurer for a period of four years following the date that the campaign statement to which they relate is filled.
- (d) Each candidate and committee shall deliver, on demand, to any public officer having authority to enforce this division, a written authorization permitting the officer to have access to all records pertaining to the campaign contribution checking account.
- (e) Each candidate and committee shall, on demand, make available to any public officer having authority to enforce this division all records required by this division to be maintained by the candidate or committee.

San Diego Municipal Code Section 27.2930 - Base Level Campaign Statements and Disclosures

Each candidate and committee shall file campaign statements in the time and manner required by California Government Code section 81000 et seq. and title 2 of the California Code of Regulations with the following additional requirement...

Government Code section 84211 – Contents of Campaign Statements

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

....

- (f) If the cumulative of contributions (including loans) received from a person is one hundred dollars (\$100) or more and a contribution or loan has been received from that person 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.
 - (5) The date and amount received for each contribution received during the period covered by the campaign statement and if the contribution is a loan, the interest rate for the loan.
 - (6) The cumulative amount of contributions.

- (g) If the cumulative amount of loans received from or made to a person is one hundred dollars (\$100) or more, and a loan has been received from or made to a person during the period covered by the campaign statement, or is outstanding 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.
- (5) The original date and amount of each loan.
- (6) The due date and interest rate of the loan.
- (7) The cumulative payment made or received to date at the end of the reporting period.
- (8) The balance outstanding at the end of the reporting period.
- (9) The cumulative amount of contributions.

....

- (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

A. Section 27.2925: Failure to Maintain Records

Committees are required to establish and maintain a system of recordkeeping sufficient to ensure that their receipts and expenditures are recorded promptly and accurately in compliance with the recordkeeping and disclosure requirements of local law. The audit revealed that the Committee failed to retain all of the records, bills, and receipts necessary for the auditor to verify that the campaign statements were properly filed and the information contained in them was accurately disclosed. In particular, the Committee failed to retain detailed information and original source documentation for the following two categories:

1. The Committee failed to maintain copies of payments for 27 contributions totaling \$3,220.00. (See Attachment A.) Because the Committee failed to maintain copies of these payments, the Auditor was unable to verify the source of the funds, the dates the contributions were received, and whether they were accurately disclosed on campaign statements. A comparative review of the contribution amounts reported on campaign statements and the Committee's bank deposits revealed that the Committee reported receiving a \$100.00 contribution that did not correspond to the deposited funds. However, the Committee's failure to properly maintain records prevented the Auditor from reconciling this discrepancy. During the course of the Audit, the Committee attempted to obtain copies of the missing contributor checks from its financial institution; however, due to a bank merger, the canceled checks could not be located.
2. The Committee failed to maintain supporting records, such as invoices and receipts, for 16 expenditures totaling \$2,067.18 for goods or services that were purchased using the Committee's credit card. (See Attachment B.) Because the Committee failed to retain the supporting records related to these purchases, the Auditor was unable to verify the nature of the expenditures and whether the expenditures were for an allowable purpose.

At the post-audit conference held on May 17, 2011, the Committee acknowledged that it failed to maintain the necessary documentation but contended that its overall actions evidence its intent to comply with the applicable regulations.

B. Section 27.2930: Failure to Disclose Campaign Contributions and Expenditures

1. The audit revealed that Committee failed to disclose ten contributions of \$100.00 or more totaling \$1,200.00 as follows:

	Contributor Name	Check No.	Check Date	Amount
1	Phillip J. Carlson	4911	12/24/07	\$ 100.00
2	Jean Freiser	7252	11/11/07	\$ 100.00
3	Michael Gannon	Credit Card		\$ 100.00
4	Marsha Linehan	10473	01/20/08	\$ 100.00
5	Joseph P. Mirabile	452	10/15/07	\$ 100.00
6	J.R. Mueller	4648	11/11/07	\$ 150.00
7	Janis C. Rasmussen	2096	01/20/08	\$ 250.00
8	Rachel R. Smith	6712	01/02/07	\$ 100.00
9	Sandra K. Wetzel-Smith	6644	01/20/08	\$ 100.00
10	Evan Zucker	Credit Card		\$ 100.00
				\$ 1,200.00

2. The audit revealed that the Committee failed to disclose the following two candidate loans totaling \$5,300.00:

Lender	Amount	Date of Loan
Robert Ilko	\$ 5,000.00	01/09/08
Robert Ilko	\$ 300.00	04/12/10

In addition, the Committee reported receiving a \$1,075.00 candidate loan on December 19, 2007; however, the Committee's internal records and bank records indicate that no such loan was received.

3. Although the Committee established a campaign credit card and reported its monthly payments to MasterCard on its campaign statements, the audit revealed that it failed to also itemize purchases of \$100 or more that were made to various vendors with its credit card. In particular, the Committee failed to disclose vendor information as follows:

- credit card expenditures of \$100 or more to nine vendors totaling \$2,112.53 for the period ending December 31, 2007;
- credit card expenditures of \$100 or more to five vendors totaling \$3,359.99 for the period ending June 30, 2008;
- credit card expenditures of \$100 or more to two vendors totaling \$257.29 for the period ending December 31, 2008.

See Attachment C for a detailed breakdown of credit card expenditures.

4. The Committee failed to disclose a payment in the amount of \$1,750.00 to its campaign consultant, VanDeWeghe Associates, on December 7, 2007.

At the post-audit conference held on May 17, 2011, the Committee acknowledged its reporting mistakes but contended that its overall actions evidence its intent to comply with applicable regulations. In addition, the Committee asserted that its reporting errors were unintentional oversights and occurred as a result of inexperience with campaign filing software.

VII. Conclusion

The audit revealed thirty-one material findings:

- **The committee failed to maintain two categories of campaign records in violation of San Diego Municipal Code section 27.2925.**
- **The committee failed to disclose ten contributions, two candidate loans, and seventeen expenditures, in violation of San Diego Municipal Code section 27.2930.**

Rosalba Gomez
Ethics Commission Auditor

Date

Lauri Davis
Ethics Commission Senior Investigator

Date

Attachment A
Failure to Maintain Contributor Checks

Contributions over \$100.00†			
	Last Name	First Name	Amount
1	Berry	David	\$ 270.00
2	Boyle	Stephen	\$ 100.00
4	Brinig	Brian	\$ 100.00
5	Cohen	Jack	\$ 200.00
6	Critchlow	David	\$ 200.00
7	Denis	Catherine	\$ 150.00
8	Flanders	Allen	\$ 270.00
9	Froman	Elizabeth	\$ 100.00
10	Kaplan	James	\$ 100.00
11	Krvaric	Jannica	\$ 270.00
12	Krvaric	Tony	\$ 270.00
13	McSweeney	Michael	\$ 100.00
14	Mirabile	Nicholas	\$ 100.00
15	Omsberg	James	\$ 250.00
16	Pack	Jeffrey	\$ 150.00
17	Polson	Dorian	\$ 100.00
			\$ 2,730.00

Contributions under \$100.00‡			
	Contributions	Deposit Date	Amount
1	Landry	01/23/08	\$ 50.00
2	Wulfecck	01/23/08	\$ 75.00
3	Frost	01/23/08	\$ 50.00
4	Check No. 5363	03/17/08	\$ 50.00
5	Check No. 7755	03/17/08	\$ 50.00
6	Check No. 6658	03/17/08	\$ 50.00
7	Check No. 4411	03/17/08	\$ 50.00
8	Check No. 4969	03/17/08	\$ 50.00
9	Check No. 535	03/17/08	\$ 40.00
10	Check No. 142	03/17/08	\$ 25.00
			\$ 490.00

†The contributor names are sourced to the information reported on the Committee campaign statements for the period 1/1/08 - 6/30/08. A comparative review determined that the Committee reported receiving a \$100.00 contribution that did not corroborate to the bank deposits. Therefore, the Committee's actual contributions of \$100.00 or more totaled \$2,630.00.

‡The Committee's failure to maintain the contributor checks did not allow the identification of individuals because contributions of \$100.00 or less are reported as an aggregated amount. The information provided is derived from the deposit slips.

Attachment B

Failure to Maintain Supporting Documentation for Credit Card Expenditures

	<u>Vendor</u>	<u>Amount</u>	<u>Date</u>
1	Verizon Wireless	\$ 133.16	10/01/07
2	FedEx Kinko's	\$ 4.01	10/20/07
3	Staples	\$ 21.27	11/29/07
4	Staples	\$ 32.31	11/29/07
5	FedEx Kinko's	\$ 14.01	11/23/07
6	FedEx Kinko's	\$ 2.11	12/06/07
7	FedEx Kinko's	\$ 44.88	01/20/08
8	FedEx Kinko's	\$ 1,164.88	01/26/08
9	Z Pizza	\$ 60.00	01/26/08
10	Postal Annex	\$ 6.55	01/30/08
11	China Camp	\$ 29.00	02/05/08
12	W Hotels F&B	\$ 30.05	02/06/08
13	FedEx Kinko's	\$ 158.40	02/09/08
14	FedEx Kinko's	\$ 92.88	02/10/08
15	FedEx Kinko's	\$ 265.59	02/17/08
16	Postal Annex	\$ 8.08	02/23/08
		<u>\$ 2,067.18</u>	

Attachment C

Failure to Itemize Credit Card Expenditures of \$100.00 or more

	Vendor	Amount	Subtotal	Date	Period
1	T-Shirt Wholesale Mart	\$ 214.78		09/07/07	07/01/07 - 12/31/07
2	GoDaddy.com	\$ 140.29		09/07/07	07/01/07 - 12/31/07
3	San Diego North Chamber	\$ 175.00		09/19/07	07/01/07 - 12/31/07
4	San Diego Assoc of Realtors	\$ 150.00		09/28/07	07/01/07 - 12/31/07
5	Verizon Wireless	\$ 133.16		10/01/07	07/01/07 - 12/31/07
6	Replica Printing	\$ 48.49		09/08/07	07/01/07 - 12/31/07
	Replica Printing	\$ 8.08		09/25/07	07/01/07 - 12/31/07
	Replica Printing	\$ 23.44		09/28/07	07/01/07 - 12/31/07
	Replica Printing	\$ 64.65		10/01/07	07/01/07 - 12/31/07
	Replica Printing	\$ 75.43		10/08/07	07/01/07 - 12/31/07
	Replica Printing	\$ 52.80		10/11/07	07/01/07 - 12/31/07
	Replica Printing	\$ 35.34		11/10/07	07/01/07 - 12/31/07
	Replica Printing	\$ 52.20		10/12/07	07/01/07 - 12/31/07
	Replica Printing	\$ 84.26		11/24/07	07/01/07 - 12/31/07
	Replica Printing	\$ 69.63		11/29/07	07/01/07 - 12/31/07
	Replica Printing	\$ 67.88	\$ 582.20	12/06/07	07/01/07 - 12/31/07
7	FedEx Kinko's	\$ 221.97		09/29/07	07/01/07 - 12/31/07
	FedEx Kinko's	\$ 4.01		10/20/07	07/01/07 - 12/31/07
	FedEx Kinko's	\$ 14.01		11/23/07	07/01/07 - 12/31/07
	FedEx Kinko's	\$ 2.11	\$ 242.10	12/06/07	07/01/07 - 12/31/07
8	Asian Business Assoc	\$ 175.00		11/15/07	07/01/07 - 12/31/07
9	San Diego County Republicans	\$ 300.00		12/09/07	07/01/07 - 12/31/07
		\$ 2,112.53			
1	FedEx Kinko's	\$ 44.88		01/20/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 1,164.88		01/26/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 54.40		02/07/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 158.40		02/09/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 92.88		02/10/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 265.59		02/17/08	01/01/08 - 06/30/08
	FedEx Kinko's	\$ 423.98	\$ 2,205.01	02/23/08	01/01/08 - 06/30/08
2	Constant Contact	\$ 297.00		01/24/08	01/01/08 - 06/30/08
3	San Diego North Chamber	\$ 306.00		02/19/08	01/01/08 - 06/30/08
4	Chimney Canyon Fire	\$ 150.00		02/29/08	01/01/08 - 06/30/08
5	Verizon Wireless	\$ 314.90		04/07/08	01/01/08 - 06/30/08
	Verizon Wireless	\$ 87.08	\$ 401.98	06/05/08	01/01/08 - 06/30/08
		\$ 3,359.99			
1	Late Fee	\$ 39.00		07/11/08	07/01/08 - 12/31/08
	Late Fee	\$ 39.00		08/13/08	07/01/08 - 12/31/08
	Late Fee	\$ 39.00	\$ 117.00	11/13/08	07/01/08 - 12/31/08
2	GoDaddy.com	\$ 140.29		09/07/08	07/01/08 - 12/31/08
		\$ 257.29			

TOTAL \$ 5,729.81