THE CITY OF SAN DIEGO

September 11, 2009

Ralph Inzunza for City Council
3609 Fourth Avenue
San Diego, CA 92103

Re: Ethics Commission Audit of Ralph Inzunza for City Council (ID # 1255425)

Dear Mr. Inzunza:

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 September 10, 2009. Although the report reflects material findings, 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.

Thank you for your assistance and cooperation during the course of the audit.

Sincerely,

Rosalba Gomez
Ethics Commission Auditor

Enclosure

cc: Deanna Liebergot, Treasurer
Michael N. Pancer, Esq.

THE CITY OF SAN DIEGO

FINAL AUDIT REPORT

September 2, 2009

Ralph Inzunza
Ralph Inzunza for City Council
3609 Fourth Avenue
San Diego, CA 92103

Treasurer: Deanna Liebergot
13630 Marigold Dr.
Poway, CA 92064

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Ralph Inzunza for City Council

I. Introduction

This Audit Report contains information pertaining to the audit of the committee, Ralph Inzunza for City Council, Identification Number 1255425 ("the Committee") for the period from June 3, 2003, through September 15, 2005. 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 13, 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 5, 2005. This Committee operated primarily 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 5, 2005.

During the period covered by the audit, the Committee reported total contributions and loans of $180,253.03 (inclusive of $744.03 in non-monetary contributions) and total expenditures of $179,411.73. The difference, $97.27 reflects miscellaneous adjustments. The audit revealed nineteen material findings: **the committee accepted and deposited nineteen contributions from persons other than an individual in violation of San Diego Municipal Code section 27.2947.**

II. Committee Information

On June 3, 2003, the Committee filed a Statement of Organization with the San Diego City Clerk indicating that it had not yet qualified as a committee. The Committee filed an amended Statement of Organization to report the date that it qualified as a committee on June 25, 2003. The Committee was formed to support the re-election of Ralph Inzunza for City Council in the March 7, 2006, District 8 primary election. The Committee had one Legal Defense Fund open from January 6, 2005, through September 15, 2005, which is included in this audit. The Committee terminated on September 15, 2005. The Committee's treasurer was Deanna Liebergot.

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 27.2947 – Prohibition and Limits on Contributions From Organizations

(a) It is unlawful for a candidate, committee, committee treasurer, or other person acting on behalf of a candidate or committee to accept a contribution from any person other than an individual.

(b) It is unlawful for a person other than an individual to make a contribution to any candidate or committee, except to a committee that is organized solely for the purpose of supporting or opposing the qualification of a City measure for the ballot, or the adoption or defeat of a City measure, and the committee pursues no other purpose.

(c) For purposes of Section 27.2947(a) and (b), the term "committee" includes any committee that makes independent expenditures, in addition to any controlled committee.

. . . .

VI. Material Findings

Section 27.2947: Failure to Comply with the Prohibition on Contributions from Organizations

The Committee accepted and deposited nineteen contributions from persons other than an individual. The audit revealed that the Committee received the following twelve contributions drawn from trust checking accounts and seven contributions drawn from business checking accounts:

Date	Trust Account Contributions	Check No.	Amount
07/02/03	Peter Janopaul III, Trustee, The Janopaul & Block Trust	8183	$ 250.00
07/11/03	Melvin Bartell, TTEE, Bartell Trust	1146	$ 250.00
07/14/03	Robert L. Shapiro Trust	2425	$ 250.00
08/04/03	Marnie Klein, The Klein Family Trust	1049	$ 100.00
08/13/03	Sami Ladeki, TTEE	681	$ 250.00
08/17/03	Wayne P. Lill, Jr., W P Lill, Jr Trust	1662	$ 250.00
09/01/03	Monica Handler Penner, TTEE/Amnon Gires	1719	$ 500.00
09/03/03	Joel D. Fisler, TTEE, Fisler Family Trust	4161	$ 100.00
09/04/03	Ernest H. Wright TTEE	3159	$ 250.00
09/23/03	Rosalyn Warburton, Trustee	1201	$ 250.00
11/10/03	Thomas B. Hazard, TTEE, Hazard Family Trust	349	$ 250.00
06/24/04	Donald J. Mullen, TSTTE, The Donald J. Mullen Trust	2928	$ 250.00
			$ 2,950.00

Date	Business Account Contributions	Check No.	Amount
07/10/03	Creative Images Photography Studio	3264	$ 250.00
09/22/03	Sara N. Isgur, Sara Isgur Associates	110	$ 50.00
09/25/03	Laura Walcher/Communications	1628	$ 50.00
10/11/03	H2O Carpet Care	4390	$ 50.00
01/11/05	AG&S Fabric Master	8609	$ 250.00
03/08/05	Fierro Construction Company	10188	$ 100.00
03/30/05	The Harris Group	1623	$ 125.00
			$ 875.00

During the 2003-2004 election period there was confusion among candidates about accepting contributions from trust accounts. The Ethics Commission addressed the issue in a formal advice letter

dated April 2, 2004, and clarified that trust account checks were prohibited pursuant to the ban on contributions from organizations. It is relevant to note that this advice letter was issued after the Committee received the majority of the aforementioned trust account contributions.

At the post-audit conference held on August 5, 2009, the Committee acknowledged its mistake in accepting organization checks but contended that that its overall actions evidence its intent to substantially comply with applicable regulations. The Committee stated that accepting business checks was an unintentional oversight and that it operated under the mistaken assumption that sole proprietor checks were allowable.

In addition, it should be noted that the business account checks represent approximately 0.5% of total contributions.

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 findings: **the Committee accepted and deposited nineteen contributions from persons other than an individual in violation of San Diego Municipal Code section 27.2947.**

_____ _____

Rosalba Gomez
Ethics Commission Auditor

Date

_____ _____

Lauri Davis
Ethics Commission Senior Investigator

Date