THE CITY OF SAN DIEGO

September 9, 2005

C. April Boling, Treasurer
Friends of Mayor Dick Murphy (ID#990466)
7185 Navajo Road, Suite L
San Diego, CA 92119

Re: Ethics Commission Audit

Dear Ms. Boling:

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 September 8, 2005. 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. In fact, the Commission noted that the material finding involves only four isolated mistakes that represent 0.1% of the over 3,800 individual contributions received and processed by the committee. The Commission's audit therefore revealed that the committee did an outstanding job of substantially complying with local campaign laws. As a result, the Commission voted to accept the report and take no further action.

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

DIVERSITY
BRINGS US ALL TOGETHER

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

September 8, 2005

Dick Murphy
c/o C. April Boling
7185 Navajo Road, Suite L
San Diego, CA 92119

Friends of Mayor Dick Murphy
C. April Boling, Treasurer
7185 Navajo Road, Suite L
San Diego, CA 92119

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Friends of Mayor Dick Murphy

I. Introduction

This Audit Report contains information pertaining to the audit of the committee Friends of Mayor Dick Murphy, Identification Number 990466 (the "Committee") for the period from January 1, 2003, through March 31, 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 $1,204,377.37 and total expenditures of $1,131,518.00. **The audit revealed one material finding: (1) the Committee violated San Diego Municipal Code section 27.2941 by accepting six contributions that exceeded the contribution limit.**

II. Committee Information

The Committee was formed in 1999 to support the election of Dick Murphy for Mayor in the 2000 election cycle. On May 10, 2001, Murphy filed an amended Form 501 "Candidate Intention Statement" indicating his intent to run for re-election in the 2004 election cycle. In addition, on May 10, 2001, the Committee filed an amended Form 410 "Statement of Organization" indicating its purpose was to support the re-election of Mayor Dick Murphy in the 2004 election cycle. The audit period of January 1, 2003, through March 31, 2005, covers the Committee's activity in support of the re-election of Mayor Murphy in the March 2, 2004, Primary election and the November 2, 2004, General election. As of March 31, 2005, the Committee had five (5) Legal Defense Funds, all of which were included in this audit. The Committee has not terminated. The Committee's treasurer is C. April Boling.

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 27.2941(a) - Contribution Limits

(a) It is unlawful for a candidate, committee supporting or opposing a candidate, or individual acting on behalf of a candidate or committee to solicit or accept from any other individual a contribution which will cause the total amount contributed by that other individual in support of or opposition to a candidate to exceed two hundred fifty dollars ($250) for any single election.

San Diego Municipal Code section 27.2931 – Campaign Statement Disclosures

Each candidate and committee shall file campaign statements in the time and manner required by California Government Code sections 81000 et seq. Compliance with the disclosure requirements of California Government Code sections 81000 et seq. is deemed to be compliance with this section.

Title 2, section 18533(a) of the California Code of Regulations - Contributions from Joint Checking Accounts

(a) A contribution made from a checking account by a check bearing the printed name of more than one individual shall be attributed to the individual whose name is printed on the check and who signs the check, unless an accompanying document directs otherwise. The document shall indicate the amount to be attributed to each contributing individual and shall be signed by each contributing individual whose name is printed on the check. If each individual whose name is printed on the check signs the check, the contribution shall be attributed equally to each individual, unless an accompanying document signed by each individual directs otherwise.

VI. Material Findings

A. Violation of San Diego Municipal Code section 27.2941: Contribution Limits

The Committee accepted and deposited six contributions in excess of $250.00, as follows:

1. Michael and Karen Turk contributed $250.00 each via credit card for the Primary election, and then subsequently hosted a fundraiser incurring expenses totaling $1,883.88 from which they deducted $500.00 indicating it was a "Mike and Karen Contribution." This non-monetary contribution brought their individual contributions to $500.00 each for the Primary election. Upon notification of this oversight, the Committee immediately remitted $500.00 to the City Clerk and amended its campaign statement for the reporting period.

2. Four contributions were attributed to the wrong person, resulting in the acceptance of four contributions over the $250.00 limit. Each contribution was written on a joint checking or credit card account belonging to a husband and wife, and was accompanied by a document indicating that the contribution should be attributed to the individuals disclosed by the Committee; however, neither the check nor the accompanying document was signed by each contributing individual, per title 2, section 18533(a) of the California Code of Regulations.

Below is a summary of the contributions:

Contributor Name (Spouse)	Election	Cumulative Contributions	Amount in Excess of Contribution Limit
Craig Benedetto (Audrey Doherty)	Primary	$500.00	$250.00
James Haugh (Lucy Haugh)	Primary	$500.00	$250.00
Robert Lichter (Gail Lichter)	General	$500.00	$250.00
Michael Turk (Karen Turk)	General	$500.00	$250.00

Craig Benedetto made a $250.00 contribution via credit card for the Primary election. Approximately one month later, the Committee received a $250.00 contribution via credit card from Audrey Doherty; however, the remit envelope supporting the contribution was completed and signed by Craig Benedetto, Ms. Doherty's husband. The supporting documents indicate the contribution was from Ms. Doherty, and the signature is not legible, making it extremely difficult to notice the signature matched that of Craig Benedetto.

James Haugh contributed $250.00 for the Primary election. The Committee also received a $250.00 contribution from Lucy Haugh for the Primary election; however, James Haugh signed the check. Ms. Haugh's name is pre-printed on the check, the remit envelope contains Ms. Haugh's name and information, and the check memo states "contribution of Lucy Haugh"; however, the Committee had no documentation containing Ms. Haugh's signature.

Robert and Gail Lichter contributed $500.00 via credit card for the General election; however, the remit envelope supporting the contribution was completed and signed by Robert Lichter. The supporting document contains both names, but only one signature.

Michael and Karen Turk contributed $500.00 via credit card for the General election; however, the remit envelope supporting the contribution was completed and signed by Michael Turk. The supporting document contains both names, but only one signature.

The Committee has procedures in place to ensure contributions are attributed to the correct individual, and to ensure all required signatures are obtained. Committee documentation included numerous examples of the Committee's efforts to verify the correct contributor and obtain necessary signatures. These 4 oversights represent approximately 0.1% of the over 3,800 individuals contributing during the audit period.

Additionally, the Committee's written response dated August 12, 2005, included recently obtained letters from these four contributors, signed by both spouses, indicating their intent to make a contribution. These letters support the Committee's original disclosure, and its assertion that the error was not misattribution resulting in acceptance of contributions over the $250.00 limit, but failure to obtain the confirmations at the time of the 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. **However, the audit revealed one material finding: (1) the Committee violated San Diego Municipal Code section 27.2941 by accepting six contributions that exceeded the contribution limit.**

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DeeDee Alari, CPA — Date
Financial Investigator

_____ _____

Lauri Davis — Date
Senior Investigator