THE CITY OF SAN DIEGO

August 1, 2005

Bruce Williams
Friends of Bruce Williams
5202 San Bernardo Terrace
San Diego, CA 92114

Re: Ethics Commission Audit of Friends of Bruce Williams Committee ID #1271110

Dear Mr. Williams:

The Ethics Commission audit of the above-referenced committee is now concluded, and the Final Audit Report is enclosed. This report was presented to the Ethics Commission at a special meeting held on August 1, 2005.

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

cc: Larry Green, 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

August 1, 2005

Friends of Bruce Williams
Bruce Williams
5202 San Bernardo Terrace
San Diego, CA 92114

Larry Green, Treasurer
8753 Broadway, Suite C
La Mesa, CA 91941

SAN DIEGO ETHICS COMMISSION
AUDIT REPORT:
Friends of Bruce Williams

I. Introduction

This Audit Report contains information pertaining to the audit of the committee Friends of Bruce Williams, Identification Number 1271110 (the "Committee") for the period from September 10, 2004, 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 $14,341.80, loans of $17,600 and total expenditures of $30,233.27. **The audit revealed five material findings: (1) the Committee violated San Diego Municipal Code section 27.2941 by accepting two contributions that exceeded the contribution limits; (2) the Committee violated San Diego Municipal Code section 27.2947 by accepting three contributions from persons other than individuals; (3) the Committee violated San Diego Municipal Code section 27.2931 and Government Code section 84211 by failing to disclose two contributions and seven expenditures and by failing to report the occupation and employer for twenty-five contributors and the complete street address for thirteen vendors; (4) the Committee violated San Diego Municipal Code section 27.2921 by failing to obtain**

contributor information prior to depositing the funds; and (5) the Committee violated San Diego Municipal Code section 27.2931 and Government Code section 84303 by failing to report two expenditures by an agent or independent contractor.

II. Committee Information

The Committee was formed to support the election of Bruce Williams for Council District 4 in the November 16, 2004, special election. On September 10, 2004, Williams filed a Candidate Intention Statement with the San Diego City Clerk. On September 24, 2004, the Committee filed a Statement of Organization with the San Diego City Clerk indicating that it qualified as a committee. The Committee has not terminated. The Committee's treasurer is Larry Green.

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 27.2931 – 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.

San Diego Municipal Code section 27.2941(a) - Contribution Limits

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.

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

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.

San Diego Municipal Code section 27.2947(a) - Prohibition and Limits on Contributions from Organizations

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.

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 amount 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.

(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) The amount of each expenditure.
(4) A brief description of the consideration for which each expenditure was made.

San Diego Municipal Code section 27.2921– Campaign Contribution Checking Account

(d) Contributions must include the information required by California Government Code section 84211. Any information that has not been provided shall be requested, in writing, by the campaign treasurer within ten business days of receipt of the contribution. No contribution shall be deposited to a campaign contribution checking account without the receipt by the candidate or committee of that information.

Government Code section 84303 – Expenditure by Agent or Independent Contractor

No expenditure of five hundred dollars ($500) or more shall be made, other than overhead or normal operating expenses, by an agent or independent contractor, including, but not limited to, an advertising agency, on behalf of or for the benefit of any candidate or committee unless it is reported by the candidate or committee as if the expenditure were made directly by the candidate or committee. The agent or independent contractor shall make known to the candidate or committee all information required to be reported by this section.

VI. Material Findings

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

The Committee accepted and deposited contributions in excess of $250 from two contributors. One $500 contribution was written on the joint checking account of David and Kathy Stafford, husband and wife, and was accompanied by a document indicating that the contribution should be split; however, neither the check nor the accompanying document was signed by both the husband and wife, as required by title 2, section 18533(a) of the California Code of Regulations. Another $500 contribution was received via credit card from Michael Turk. The Committee split the contribution between Michael and Karen Turk; however, the Committee provided no documentation to support Karen Turk's intent to make a contribution.

At the post-audit conference, held on June 22, 2005, the Committee stated it was aware of the $250.00 contribution limit but did not know about the two signature rule on joint checking and credit card accounts. Williams stated he had approached local professional treasurers, but was unsuccessful in retaining one. Mr. Green volunteered his services as Treasurer. It was the first election for Williams and Green. Both expressed their intent to learn and follow all the campaign laws and regulations, but felt there was not adequate time given the unique circumstances surrounding this special election.

B. Violation of San Diego Municipal Code section 27.2947: Prohibition and Limits on Contributions from Organizations

The Committee accepted and deposited three contributions from persons other than individuals. In particular, the audit revealed three contributions drawn on business checking accounts as follows:

Pre-printed Name on Check	Amount
Meram Brothers, Inc. dba Jerry's Market	$50.00
New Paradise Baptist Church	$78.80
Lois Cunningham, Lady Lois Coiffures	$100.00

The Committee was made aware that accepting and depositing the Meram Brothers, Inc. check and the New Paradise Baptist Church check was a violation of San Diego Municipal Code (SDMC) section 27.2947. The Committee then issued refund checks to both organizations and complied with the remedy set forth in SDMC section 27.2948. Specifically, the Committee provided notice to the City Clerk and submitted payment to the City Treasurer in the amount of $130.00.

At the post-audit conference the Committee explained that on November 7, 2004, the New Paradise Baptist Church took up a collection for Mr. Williams, and issued him one check for the total; therefore, the funds were originally anonymous contributions well under the $200 limit per election.

The final check from Lady Lois Coiffures was drawn from a combination personal and business account. At the post audit conference the Committee provided a letter from Lois Cunningham stating that the check was "a personal contribution."

C. Violation of San Diego Municipal Code section 27.2931 and Government Code section 84211: Contents of Campaign Statements

The Committee failed to disclose all contributions and expenditures made, and failed to disclose complete and accurate contributor and vendor information as follows:

1. The Committee failed to disclose two contributions totaling $500.00 as follows:

Contributor Name	Amount
Bernadine Bush	$250.00
J.E. Stokely	$250.00
Total	$500.00

Both contributions were payments to a vendor made on behalf of the Committee and appear as credits on a Committee invoice (#8374) from Phoenix Pacific Corporation dated October 23, 2004. Neither contribution was reported as a non-monetary contribution on the Committee's campaign statements.

The Committee stated it did not realize these payments were contributions. Since becoming aware, the Committee has obtained completed contribution envelopes from both contributors, and plans to amend its campaign statement for the relevant reporting period.

2. The Committee failed to disclose seven expenditures totaling $2,736.48 as follows:

Description - Payee	Amount
Lettie Rogers (check #97)	$1,200.00
Verizon Wireless (check #151)	$537.13
Stats (check #95)	$450.40
Complete Campaigns (check #93)	$230.00
Complete Campaigns (check #94)	$170.00
Miscellaneous bank fees	$94.00
Miscellaneous credit card fees	$54.95
Total	$2,736.48

At the post-audit conference the Committee pointed out that many of the expenditures not reported were in the first filing period, very early in the campaign. Mr. Williams simply failed to inform his Treasurer of these early expenses that were drawn from the bank account on temporary checks (check numbers in the 90's series). The Committee stated the omissions were oversights, and reiterated its inexperience and the unique circumstances surrounding this special election.

3. The Committee did not disclose accurate and complete contributor and vendor information as follows:

   a. Twenty-five (25) itemized contributions did not contain occupation and employer information for the contributors. The Committee was made aware of these omissions, and subsequently amended its campaign statements to include this information.

   b. Thirteen (13) itemized expenditures reported did not contain a complete street address.

The Committee stated that Williams had personal knowledge of the occupation and employer for most of the contributors with missing information, but that he failed to convey the information to his Treasurer in time for filing the campaign statements. The Committee also pointed out that the vast majority of omissions occurred early in the campaign, on the first two statements filed, both due in October 2004.

D. Violation of San Diego Municipal Code section 27.2921: Campaign Contribution Checking Account

The Committee deposited contributor funds prior to obtaining all the disclosure information required by California Government Code section 84211. The committee did not initially disclose the occupation and employer for twenty-five (25) itemized contributors, as mentioned in finding C.3.(a) above.

At the post-audit conference the Committee emphasized that Williams had personal knowledge regarding the occupation and employer of most of these contributors prior to depositing the funds. The Committee also reiterated its inexperience, and pointed out that these mistakes occurred early in the campaign.

E. Violation of San Diego Municipal Code section 27.2931 and Government Code section 84303: Expenditures by an Agent or Independent Contractor

The Committee did not disclose two payments made by an agent or independent contractor. A total of $1,500.00 was paid to Gayle Hom Zemen as reimbursement for payment to Emerald Chinese Seafood Restaurant. Per vendor invoice, approximately $1,086.62 of the $3,316.42 paid to Western Graphics was for postage paid to the United States Postal Service. Neither subvendor was disclosed by the Committee.

At the post-audit conference the Committee stated it was unaware of Schedule G "Payments Made by an Agent or Independent Contractor" of the Form 460 "Recipient Committee Campaign Statement." The Treasurer also pointed out that the Committee used software to manage Committee finances and file campaign statements; therefore, he had not seen a blank copy of Form 460 with all its schedules and instructions.

VII. Conclusion

Through the examination of the Committee's records and campaign disclosure statements, the Auditor verified that the Committee timely filed campaign statements. **However, the audit revealed five material findings: (1) the Committee violated San Diego Municipal Code section 27.2941 by accepting two contributions that exceeded the contribution limits; (2) the Committee violated San Diego Municipal Code section 27.2947 by accepting three contributions from persons other than individuals; (3) the Committee violated San Diego Municipal Code section 27.2931 and Government Code section 84211 by failing to disclose two contributions and seven expenditures and by failing to report the occupation and employer for twenty-five contributors and the complete street address for thirteen vendors; (4) the Committee violated San Diego Municipal Code section 27.2921 by failing to obtain contributor information prior to depositing the funds; and (5) the Committee violated San Diego Municipal Code section 27.2931 and Government Code section 84303 by failing to report two expenditures by an agent or independent contractor.**

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DeeDee Alari, CPA
Financial Investigator

Date

_____ _____

Lauri Davis
Senior Investigator

Date