

City of Oakland Office of the City Auditor

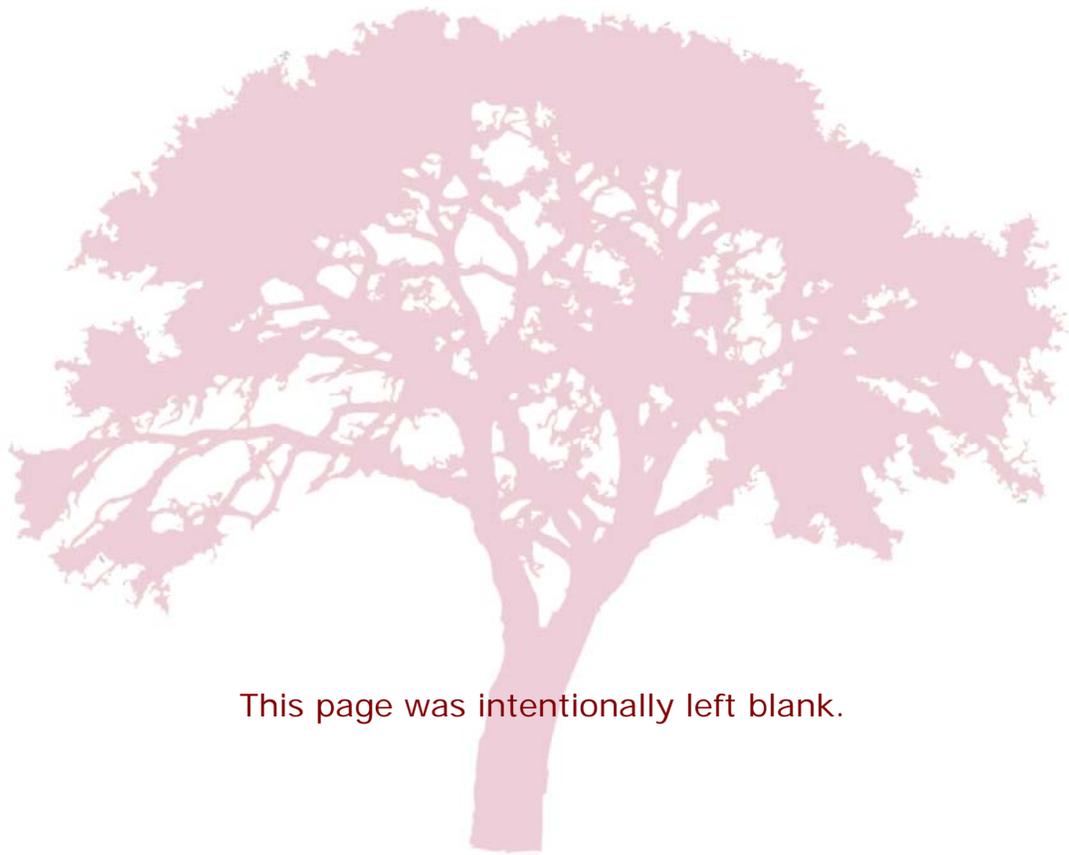
May 8, 2014

Limited Public Financing Act Audit November 6, 2012 Election



City Auditor
Courtney A. Ruby, CPA, CFE

PERFORMANCE AUDIT



This page was intentionally left blank.



CITY HALL ● ONE FRANK H. OGAWA PLAZA, 4TH FLOOR ● OAKLAND, CALIFORNIA 94612

Office of the City Auditor
Courtney A. Ruby, CPA, CFE
City Auditor

(510) 238-3378
FAX (510) 238-7640
TDD (510) 238-3254
www.oaklandauditor.com

May 8, 2014

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
CITY ADMINISTRATOR
PUBLIC ETHICS COMMISSION
CITIZENS OF OAKLAND
OAKLAND, CALIFORNIA

**RE: LPFA AUDIT OF THE NOVEMBER 6, 2012 ELECTION AND RECOMMENDATION
FOLLOW UP FOR THE LPFA AUDIT OF THE NOVEMBER 2, 2010 ELECTION**

Dear Mayor Quan, President Kernighan, Members of the City Council, City Administrator Blackwell, Public Ethics Commission, and Oakland Citizens:

Attached is the Limited Public Financing Act (LPFA) Performance Audit of the November 6, 2012 election, as required by Oakland's Limited Public Financing Act. In December 1999, the Oakland City Council adopted the LPFA, which implements the objectives of Oakland's Campaign Reform Act and incorporates requirements of the California Fair Political Practices Commission (FPPC). LPFA provides a limited amount of public funds to assist eligible candidates in running for City of Oakland (City) Council district offices. All qualifying campaign committees (candidates) may apply for public financing. The November 6, 2012 election was the second election for which candidates received public financing in the form of reimbursements rather than matching funds. Candidates had to spend their own funds on campaign expenditures first and then submit requests to the City for reimbursement.

The LPFA requires the Office of the City Auditor to conduct post-election audits of all candidates accepting public financing. For the November 6, 2012 election, the following six candidates received public financing: Noel Gallo, Dan Kalb, Amy Lemley, Derrick Muhammad, Richard Raya, and Sheryl Walton.

The audit's objectives were to determine if each candidate complied with the LPFA requirements, and to determine if the Public Ethics Commission staff's reimbursement process was effective and ensured compliance with the LPFA requirements.

The audit found that all candidates received appropriate reimbursements and met key LPFA requirements, and that PEC staff has implemented an effective process for administering and monitoring the LPFA program. The Administration has agreed to implement 100 percent of the recommendations provided in the report. In addition, PEC staff has closed six out of seven recommendations from the 2010 LPFA audit.

The public financing program is provided to assist candidates who desire to become public servants in our community and is important in encouraging a diverse field of candidates. I want to express our appreciation to the Executive Director of the Public Ethics Commission and her staff for their cooperation during the audit and for their commitment to the objectives of the LPFA.

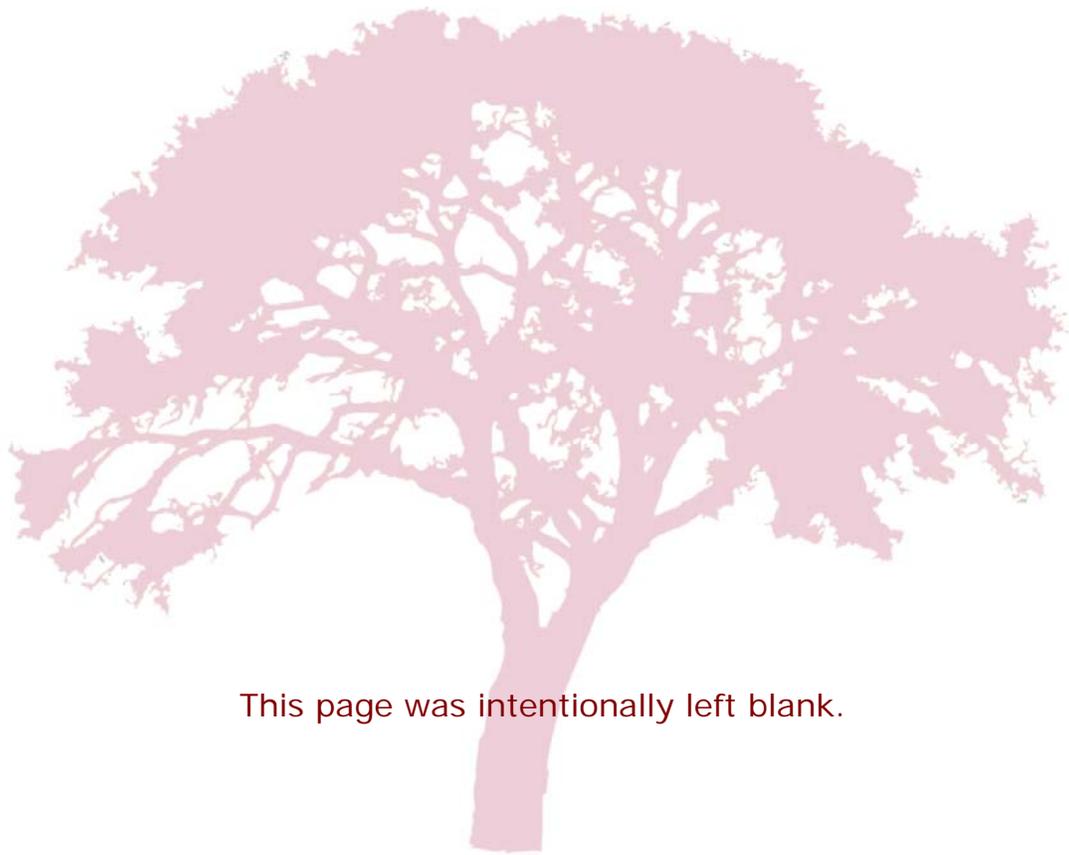
Respectfully submitted,

A handwritten signature in cursive script that reads "Courtney A. Ruby". The signature is written in black ink and is positioned above the printed name.

COURTNEY A. RUBY, CPA, CFE
City Auditor

Table of Contents

Summary	1
Introduction	3
Audit Results	5
Findings & Recommendation Matrix	13
City Administration's Response	15
Actions Necessary to Close the Report	21



This page was intentionally left blank.

REPORT SUMMARY

LIMITED PUBLIC FINANCING ACT PERFORMANCE AUDIT: NOVEMBER 6, 2012 ELECTION

OVERVIEW

Six candidates running for Oakland City Council district offices received appropriate public financing during the November 6, 2012 election.

Objectives

The Office of the City Auditor conducted an audit to determine if each candidate complied with the Limited Public Financing Act's (LPFA) requirements and determine if the Public Ethics Commission (PEC) staff's reimbursement process was effective and ensured compliance with the LPFA's requirements.

Key Findings

The findings from the audit include:

- Finding 1: All candidates received appropriate reimbursements and met key LPFA requirements.
- Finding 2: PEC staff have implemented an effective process for administering and monitoring the LPFA program and ensuring compliance with LPFA requirements.
- Finding 3: PEC staff have closed six out of seven recommendations from the 2010 LPFA Audit.

Key

Recommendations

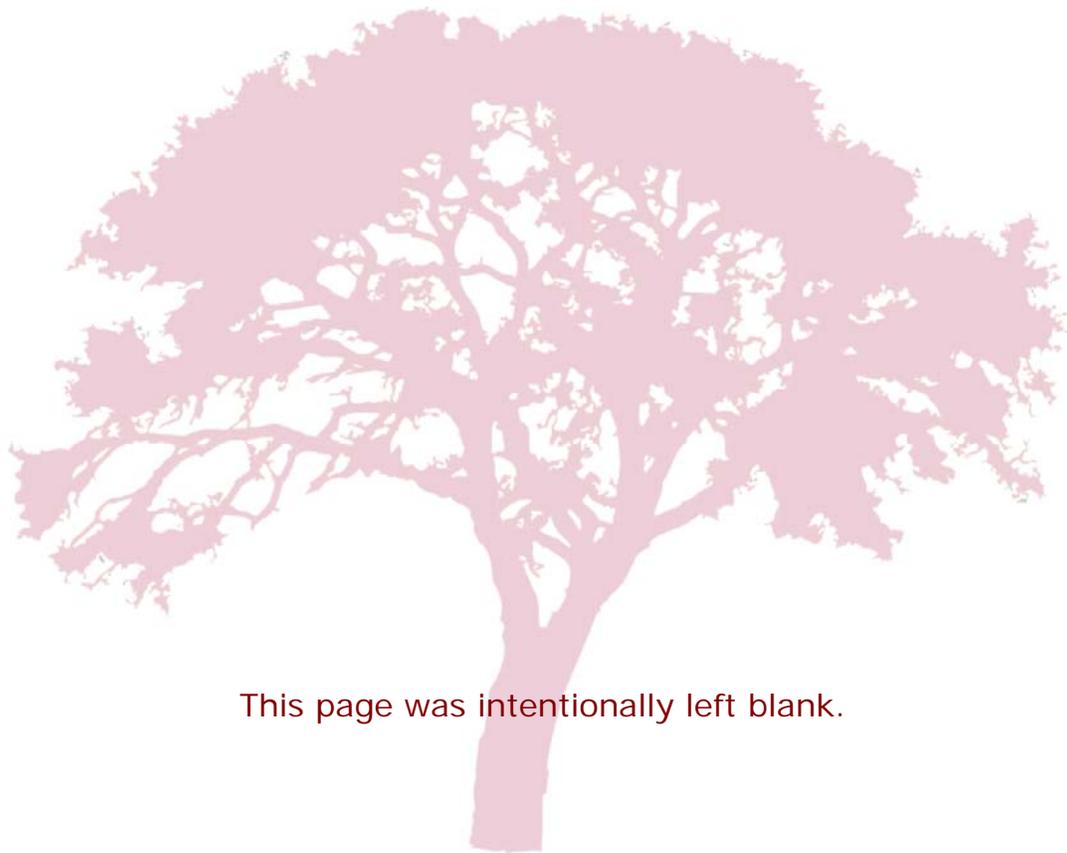
To address the audit's findings, the report includes three recommendations.

The Public Ethics Commission and the Administration should:

1. Consider adjusting the maximum reimbursement amount for candidates during upcoming elections to provide candidates with additional funding and ensure that the majority of funding dedicated for the LPFA program is used. The Commission and the Administration should work together to establish controls that ensure adjustments will not negatively impact the PEC staff's ability to administer the LPFA program and ensure that reimbursements are appropriate.

The Administration should:

2. Update the PEC staff's LPFA policies and procedures manual to include procedures that ensure surplus campaign funds and personal contributions limits are verified and documented during upcoming elections.
3. Double check total contribution calculations from Oakland donors to ensure they are correct and are in compliance, for each candidate, in all upcoming elections.



This page was intentionally left blank.

Introduction

Six candidates received public financing during the November 6, 2012 election cycle. The Limited Public Financing Act's (LPFA) purpose is to provide funding to candidates running for City Council offices in order to reduce the pressure for candidates to raise large quantities of campaign funds, and to encourage competition for elective offices. The LPFA requires the Public Ethics Commission to verify candidates' eligibility, and review and approve reimbursement requests before candidates are given public financing. The LPFA also requires that the Office of the City Auditor (Office) conduct a post-election audit of all candidates receiving public financing.

Background

In December 1999, the City Council adopted the Limited Public Financing Act of the City of Oakland (City). The LPFA was most recently amended in July 2010 with the adoption of Ordinance No. 13031 C.M.S. The LPFA provides public financing for candidates running for City Council district offices. In order to receive public funding, qualifying campaign committees (candidates) have to follow the LPFA requirements. The Public Ethics Commission (Commission), a governing body composed of Oakland residents, oversees compliance with the LPFA. The commissioners are either appointed by the Mayor and confirmed by the City Council or selected by the Commission as a whole. The Commission is assigned administrative PEC staff that assist the work of the commissioners.

The November 2010 election was the first election that candidates received public financing in the form of reimbursements rather than matching funds. Candidates had to spend their own funds on campaign expenditures and then submit requests to the City for reimbursement. According to the LPFA, candidates will only be reimbursed for the following seven types of campaign expenditures:

- Candidate filing and ballot fees
- Printed campaign literature and production costs
- Postage
- Print advertisements
- Radio airtime and production costs
- Television or cable airtime and production costs
- Website design and maintenance costs

Candidates receiving public funding must also meet additional LPFA requirements, including limits on personal campaign contributions, minimums for campaign expenses and contributions, and provision of sufficient documentation to support reimbursements.

For the 2012 election, the Campaign Election Fund allocated \$129,450 for the LPFA program. The Commission received \$9,709 to administer the program and \$119,741 was available for candidate reimbursements. The Commission allocated a maximum reimbursement of \$8,553 for each of the 14 candidates who were on the ballot and agreed to LPFA provisions. While 14 candidates complied with the preliminary steps of LPFA eligibility, only six candidates completed the program and received reimbursements in the 2012 election.

In the previous election (2010), as candidates dropped out or became ineligible

for the LPFA program, the Commission recalculated the maximum reimbursement amount five times. As the Office's previous audit found, these adjustments appeared to impact the accuracy of some candidates' reimbursements. As a result, in the 2012 election, PEC staff and the Commission decided not to recalculate the maximum candidate reimbursement amount.

The Office's previous audit of the LPFA program for the 2010 election identified five findings and seven recommendations. These recommendations included developing and implementing clear and well-documented policies and procedures regarding the administration and oversight of the LPFA reimbursements, strengthening controls over PEC staff's LPFA reimbursement process to better ensure that reimbursements are accurate and complete, ensuring that candidates are complying with specific Oakland Campaign Reform Act provisions, and working with the City-wide Accounts Payable Unit regarding the reimbursement process.

Objectives, Scope & Methodology

The objectives of this audit were to determine if each candidate complied with the LPFA's requirements and determine if PEC staff's reimbursement process was effective and ensured compliance with the LPFA's requirements. The scope of this audit included all candidates that accepted public financing during the November 6, 2012 election.

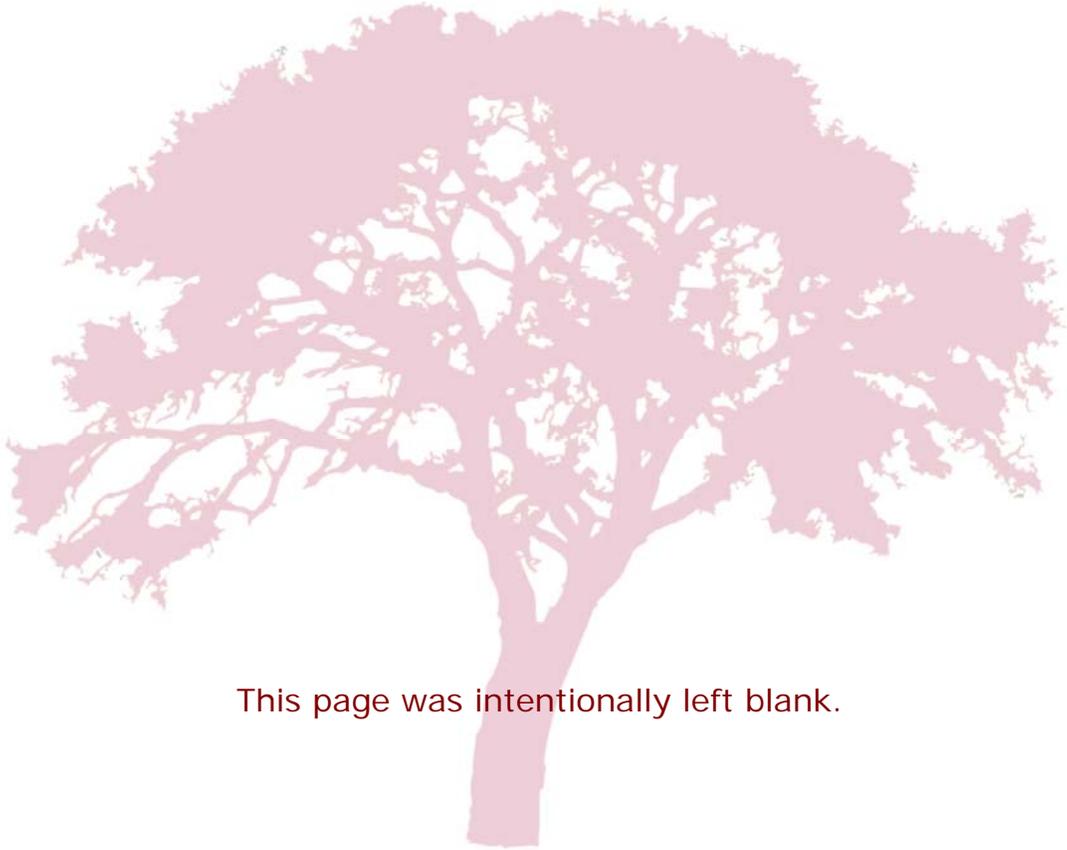
To conduct the audit, the Office:

- Evaluated if the PEC staff's LPFA policies and procedures were comprehensive and ensured compliance with LPFA regulations.
- Tested whether policies and procedures were adhered to by PEC staff.
- Tested all candidate reimbursements to determine if they were correct and supported.
- Tested compliance with LPFA requirements including, but not limited to, campaign contributions, expenditure requirements, and surplus campaign funds.
- Evaluated how PEC staff had addressed the recommendations from the previous (2010) audit.

The Office conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). These standards require that the Office plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit's findings and conclusions based on the audit's objectives. The Office believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.



AUDIT RESULTS



This page was intentionally left blank.

Finding 1

All candidates received appropriate reimbursements and met key LPFA requirements.

Six candidates received a total of \$50,529 in LPFA reimbursements out of \$119,740 available, leaving \$69,211 in LPFA funds unused. After the City Clerk closed the election to new candidates, the Commission used the number of candidates interested in receiving public funding (14 candidates) to calculate the maximum reimbursement amount per candidate. The maximum reimbursement was set at \$8,553. Exhibit 1 shows the total reimbursement amount for each of the six candidates that completed the LPFA program during the 2012 election.

Exhibit 1: 2012 Election - Total Candidate Reimbursements	
Candidate	LPFA Funding Received
Noel Gallo	\$8,553
Dan Kalb	\$8,174
Amy Lemley	\$8,553
Derrick Muhammad	\$8,143
Richard Raya	\$8,553
Sheryl Walton	\$8,553
TOTAL	\$50,529

The Office found that all candidates received appropriate reimbursement amounts and that reimbursements were supported by required documentation, such as copies of invoices, checks used to pay the invoices, and evidence of the campaign materials and services that were purchased. All candidates also complied with the other key provisions of the LPFA that are listed in Exhibit 2.

Exhibit 2: Key LPFA Requirements	
Campaign Contribution Minimum	A minimum of 5% of the campaign expenditure ceiling received from Oakland donors.
Campaign Expenditure Minimum	A minimum of 5% of the campaign expenditure ceiling spent on campaign expenses.
Reimbursement	LPFA funds are available to candidates to reimburse certain campaign expenses such as, candidate filing and ballot fees, printed campaign literature and production costs, postage, print advertisements, radio airtime and production costs, television or cable airtime and production costs, and website design and maintenance costs.
Surplus Campaign Funds	Each candidate must repay any surplus campaign funds in an amount not to exceed the percentage of total public financing contributions received.
Reimbursement Documentation	Must include copies of the invoice(s), the check(s) used to pay the invoice(s), and a sample of any campaign materials purchased, such as posters or postcards.
Campaign Statements	All pre-election campaign statements that are due at the time public financing is payable must be on file with the City Clerk's office.

While the Office found that all candidates met the key requirements of the LPFA and that PEC staff implemented a clear process for administering the LPFA program, there are a few areas where additional improvements can be made. These areas are as follows:

- The LPFA requires that candidates return a portion of any surplus campaign funds to the program after the election. The Office noted this had not been done and was not part of the PEC staff's policies and procedures. As a result, PEC staff completed this task during the audit fieldwork. PEC staff evaluated the candidates' campaign records for the 2012 election and found that the City was not owed any funds from the candidates. The Office confirmed this conclusion. PEC staff have already revised its policies and procedures to include evaluating surplus campaign funds.
- The LPFA requires that candidates limit the amount of personal funds they can contribute or loan to their campaign. While PEC staff stated that they checked the electronic filing database to verify that candidates did not exceed the contribution limit, there is not a procedure to ensure that this happens and there was no documentation that it was done. PEC staff should ensure that candidate contributions are verified and documented because if a candidate exceeds the allowed contribution limit, it will affect the candidate's eligibility for LPFA funding.
- The LPFA requires that candidates receive a minimum amount of campaign contributions from Oakland donors in order to receive LPFA funding. PEC staff incorrectly calculated the minimum campaign contributions for four of the six candidates by including some contributions that did not show an Oakland address or did not include supporting documentation such as a copy of the check or receipt, as required. However, the Office's recalculations found that the candidates complied with the minimum campaign contribution requirement. PEC staff should ensure its calculations of minimum campaign contributions are correct going forward. Inaccurate contribution calculations could affect candidates' eligibility for LPFA funding.

The above issues may have been due to PEC understaffing during the 2012 LPFA program. However, the Office found that while PEC staff should continue to make additional improvements to its administration and monitoring of the LPFA program, during the 2012 LPFA program, all candidates received appropriate reimbursements and met key LPFA requirements, and the PEC staff have made significant improvements administering of the LPFA program.

Recommendations

The Commission and the Administration should:

1. Consider adjusting the maximum reimbursement amount for candidates during upcoming elections to provide candidates with additional funding and ensure that the majority of funding dedicated for the LPFA program is used. The Commission and the Administration should work together to establish controls that ensure that adjustment(s) will not negatively impact the PEC staff's ability to administer the LPFA program and ensure that reimbursements are appropriate.

The Administration should:

2. Update its LPFA policies and procedures manual to include procedures that ensure surplus campaign funds and personal contributions limits are verified and documented during upcoming elections.
3. Double check total contribution calculations from Oakland donors to ensure they are correct and in compliance, for each candidate, in all upcoming elections.

Finding 2

PEC Staff have implemented an effective process for administering and monitoring the LPFA program and ensuring compliance with LPFA requirements.

The LPFA program’s policies and procedures require PEC staff to verify that candidates have complied with key LPFA requirements and ensure that all supporting documentation is comprehensive. These policies and procedures helped ensure that PEC staff administered the program consistently for all candidates, that candidates complied with LPFA requirements, and that reimbursements were accurate. Even when there was a small overpayment to a candidate (a typo resulted in an overpayment of \$300), effective oversight by the Executive Director allowed her to identify the error and recover the funds from the candidate.

Finding 3

PEC staff have closed six out of seven recommendations from the 2010 LPFA Audit.

The purpose of the follow-up process is to assess the implementation status of audit recommendations and when supported, close the recommendations. The Office reviews supporting documentation submitted, conducts interviews, and when applicable, performs on-site visits. The table below shows the three implementation status categories for recommendations.

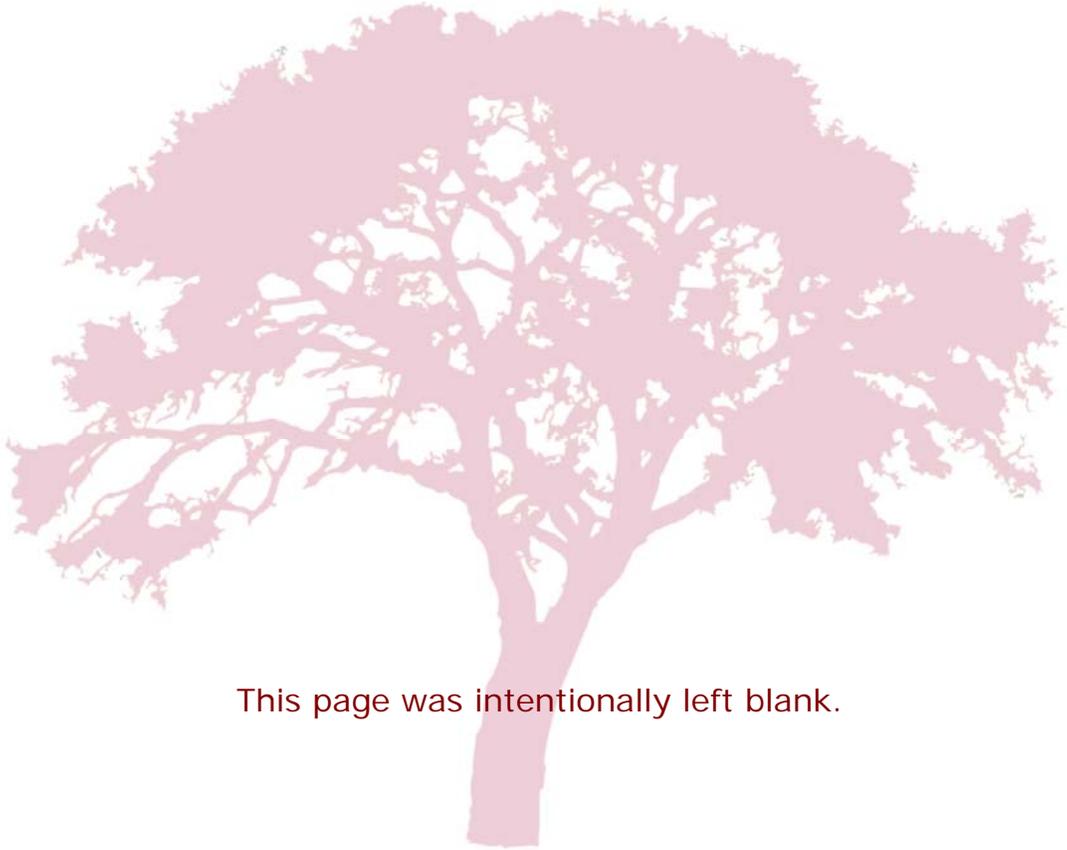
Open	The recommendation has not been addressed or implemented.
Partially Closed	The recommendation has been partially addressed and implemented; however, part of the recommendation remains open. Further work is needed to close the recommendation.
Closed	The recommendation has been fully addressed and implemented.

Implementation Status of Recommendations from the 2010 LPFA Audit

As part of its follow up process to determine the implementation status of each recommendation, the Office interviewed the Administration and reviewed all documentation that was provided to support the implementation status. The Office's recommendation follow-up process found that staff closed six out of seven recommendations and one recommendation is partially closed.

#	Recommendation	Status	Explanation of Status
1	Develop and implement clear and well-documented policies and procedures regarding its administration and oversight of the LPFA reimbursements. The policies and procedures should ensure that candidates meet all LPFA requirements and that the PEC's review and documentation are clear.	Closed	PEC staff have developed a checklist for LPFA program documentation to ensure all requirements are met and all documentation is included. In addition, staff updated the LPFA program candidate handbook and created LPFA policies and procedures for the 2012 election LPFA program.
2	Consider requiring candidates to include approved reimbursement summaries for each reimbursement request to facilitate the PEC's review and tracking of all expenditures submitted for reimbursement.	Closed	PEC staff created and implemented LPFA policies and procedures to ensure that candidates provided the required documentation prior to processing payments. The Office found that all reimbursements made under the 2012 LPFA program were correct, well organized, and supported.
3	Strengthen controls over the PEC's LPFA reimbursement process to better ensure that reimbursements are accurate and complete, e.g., incorporate how to track the maximum reimbursement amount per candidate that is determined at Commission meetings into the written policies and procedures.	Closed	<p>PEC staff created and implemented LPFA policies and procedures to ensure all reimbursements are accurate and complete. In addition, PEC staff regularly communicated LPFA requirements to candidates via email throughout the election period and required candidates to attend a pre-election LPFA training.</p> <p>To strengthen controls over the LPFA reimbursement process, the Commission and PEC staff chose not to adjust the maximum reimbursement amount given to candidates.</p>
4	Further review the reimbursements issued to Jose Dorado and Daniel Swafford to determine if they are correct.	Closed	According to PEC staff, they consulted with the City Attorney and found that the LPFA has a limit of 10 days for a candidate to appeal the approval or denial of their reimbursement claim. Thus, further review of the 2010 reimbursements was not necessary.
5	<p>Develop and communicate what is acceptable supporting documentation, including ensuring that:</p> <ul style="list-style-type: none"> • All pages of an invoice are included and clear • Bank statements show enough 	Partially Closed	For the 2012 election, PEC staff updated the LPFA program handbook for candidates and created LPFA policies and procedures for staff to use in administering the LPFA program. The candidate handbook and the LPFA policies and procedures address all of the areas in this recommendation except for one: developing a policy that candidates provide evidence that their check payments for campaign expenses

	<p>information to verify the vendor, date, and amount paid</p> <ul style="list-style-type: none"> • Copies of campaign literature are legible and complete • Printouts of web pages are submitted when requesting reimbursement for web design or other website costs • Both the front and the back of cancelled checks are submitted as support for reimbursement • Appropriate support is provided to the City to link vendor invoices to a payee if the payee's name is different than the vendor/invoice name 		<p>have cleared the bank (e.g., the front and back of a cancelled check). The Office found that during the 2012 LPFA program all reimbursements included such evidence, however, having a clear policy helps the City continue to ensure that it is not reimbursing fraudulent expenses.</p> <p>To close this recommendation, PEC staff should update its candidate handbook and the LPFA policies and procedures to require evidence that candidates' check payments for campaign expenses have cleared the bank.</p>
6	<p>Ensure that candidates are complying with the Oakland Campaign Reform Act provision concerning the notice on fundraising materials.</p>	Closed	<p>The Office found that all fundraising materials that were reimbursed under the 2012 LPFA program included the required notice. PEC staff also incorporated a policy to comply with the provision on fundraising materials in its LPFA candidate handbook, LPFA policies and procedures, and on the PEC's LPFA eligibility checklist for the 2014 election.</p>
7	<p>Work with the city-wide Accounts Payable Unit regarding the reimbursement process. The city-wide Accounts Payable Unit should verify that all required supporting documentation is attached to a LPFA payment request, according to its procedures.</p>	Closed	<p>According to PEC staff, they met with the City's Accounts Payable Unit and established a reimbursement request process for candidates, including request forms. These forms were used during the 2012 LPFA program and the Office found that all candidate reimbursements were appropriate and supported.</p>



This page was intentionally left blank.

FINDINGS

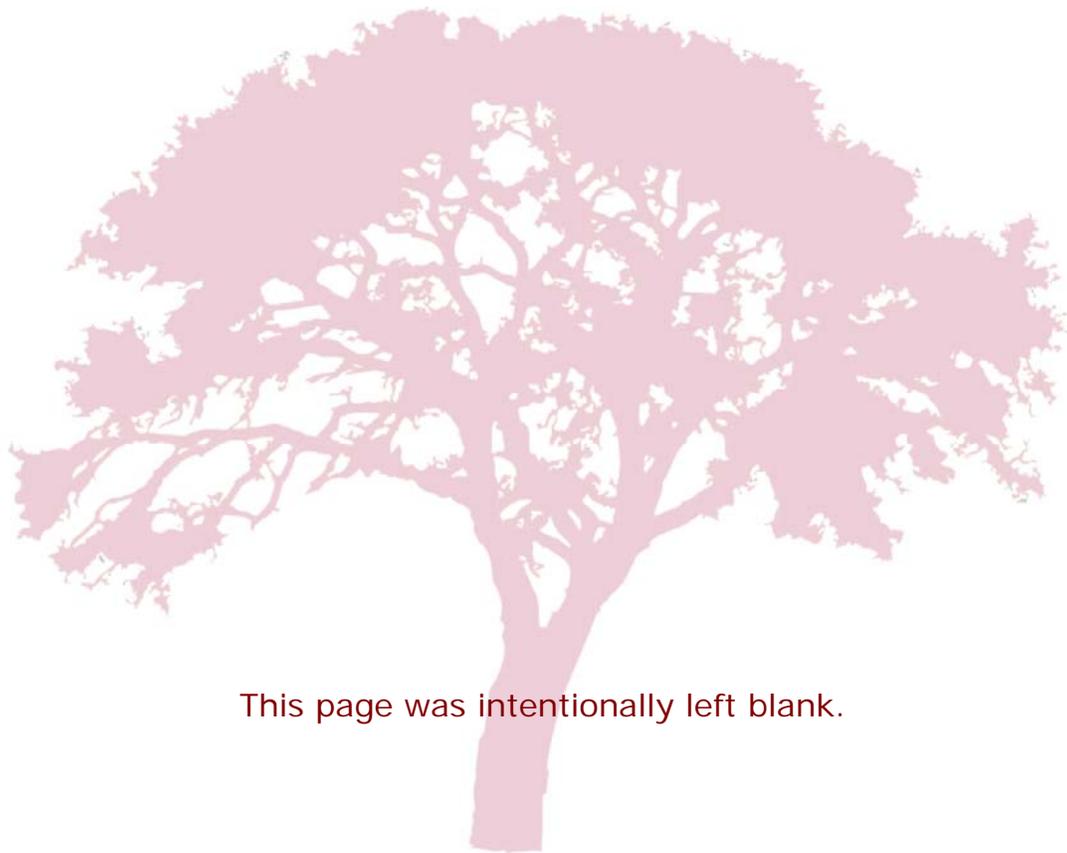
The audit found the following:

Finding 1	All candidates received appropriate reimbursements and met key LPFA requirements.
Finding 2	PEC staff have implemented an effective process for administering and monitoring the LPFA program and ensuring compliance with LPFA requirements.
Finding 3	PEC staff have closed six out of seven recommendations from the 2010 LPFA Audit.

RECOMMENDATIONS

We recommend that:

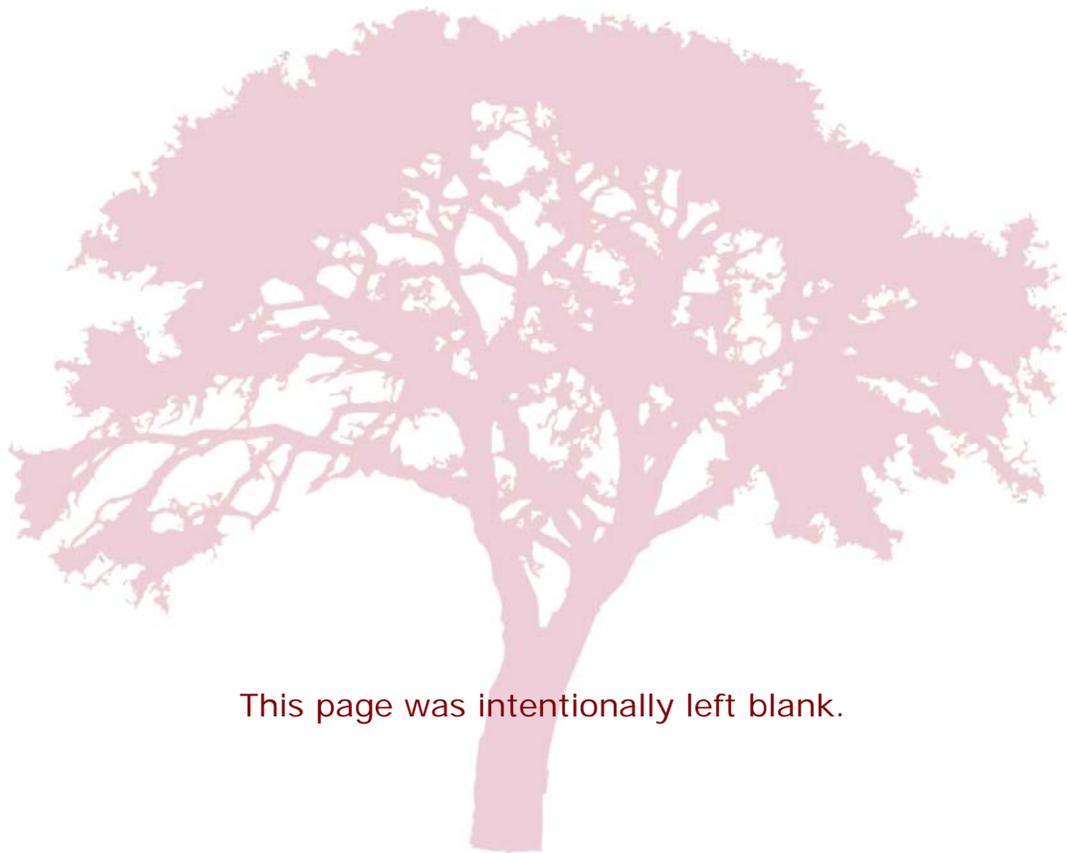
Recommendation #1	The Commission and the Administration should consider adjusting the maximum reimbursement amount for candidates during upcoming elections to provide candidates with additional funding and ensure that the majority of funding dedicated for the LPFA program is used. The Commission and the Administration should work together to establish controls that ensure that adjustment(s) will not negatively impact the PEC staff's ability to administer the LPFA program and ensure that reimbursements are appropriate.
Recommendation #2	The Administration should update its LPFA policies and procedures manual to include procedures that ensure surplus campaign funds and personal contributions limits are verified and documented during upcoming elections.
Recommendation #3	The Administration should double check total contribution calculations from Oakland donors to ensure they are correct and in compliance, for each candidate, in all upcoming elections.



This page was intentionally left blank.



**ADMINISTRATION'S
RESPONSE**



This page was intentionally left blank.

FILED
CITY AUDITOR'S OFFICE

2014 APR 22 AM 9:31

CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator

(510) 238-3301

April 21, 2014

FAX (510) 238-2223

TDD (510) 238-2007

Courtney A. Ruby, City Auditor
City of Oakland, California
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

RE: Response to the 2012 Limited Public Financing Act (LPFA) Program Audit

Dear City Auditor Ruby:

I am pleased to provide you with the Administration's response to the 2012 Limited Public Financing Act (LPFA) Program Audit. We welcome fair and impartial performance audits conducted cooperatively to improve the effectiveness and transparency of City government operations.

The audit concluded that all candidates met the key requirements of the LPFA and that the Public Ethics Commission (PEC) has implemented a clear process for administering the LPFA program. The audit also provided three recommendations for the Administration and the Commission. We are pleased to report that one of these recommendations has been fully implemented, and the remaining two recommendations are being addressed. The Administration and the PEC also closed six out of seven recommendations from the 2010 LPFA audit. Staff is continuing to work with the PEC to fully implement the remaining recommendations in the 2014 program.

Attached to this cover letter are the Administration's detailed responses to the 2012 and 2010 LPFA audit recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred G. Blackwell".

Fred G. Blackwell
City Administrator

Cc: Osborn K. Solitei, Finance Director/Controller
Whitney Barazoto, Executive Director, Public Ethics Commission

**2012 Limited Public Financing Program Audit
Implementation Status of Recommendations**

ADMINISTRATION'S RESPONSE MATRIX

	Auditor's Recommendation	Status	Administration's Response
1	Consider recalculating the maximum reimbursement amount for candidates during upcoming elections to provide candidates with additional funding and ensure that the majority of funding dedicated for the LPFA program is used	Responsive action will be completed in the 2014 program	PEC staff will recommend recalculating the maximum reimbursement amount at least once after the initial assessment of the number of candidates interested in reimbursement
2	Update the PEC's policies and procedures manual to include procedures that ensure surplus campaign funds and personal contribution limits are verified and documented during upcoming elections	Completed	PEC staff added these items to the Candidate Checklist for LPF Eligibility and the LPF Manual to ensure verification
3	Double check minimum contribution calculations to ensure they are correct in upcoming elections	Responsive action will be completed in the 2014 program.	PEC staff will double check calculations of contributions to ensure they are accurate
4	Remaining Recommendation from 2010 – Update the LPF Guide and procedures to require evidence that candidates' check payments for campaign expenses have cleared the bank	Responsive action will be completed in the 2014 program	PEC staff will update training materials and internal procedures to ensure candidates know of and comply with this requirement

**2010 Limited Public Financing Program Audit
Implementation Status of Recommendations**

#	Recommendation	Status	Administration's Response
1	Develop and implement clear and well-documented policies and procedures regarding its administration and oversight of the LPFA reimbursements. The policies and procedures should ensure that candidates meet all LPFA requirements and that the PEC's review and documentation are clear.	Closed	The PEC has developed a checklist for LPFA program documentation to ensure all requirements are met and all documentation is included. In addition, staff updated the LPFA program candidate handbook and created policies and procedures for the 2012 election.
2	Consider requiring candidates to include approved reimbursement summaries for each reimbursement request to facilitate the PEC's review and tracking of all expenditures submitted for reimbursement.	Closed	The PEC created and implemented policies and procedures to ensure that candidates provided the required documentation prior to processing payments. The audit found that reimbursements made under the 2012 LPFA program were correct, well organized, and supported.
3	Strengthen controls over the PEC's LPFA reimbursement process to better ensure that reimbursements are accurate and complete, e.g., incorporate how to track the maximum reimbursement amount per candidate that is determined at Commission meetings into the written policies and procedures.	Closed	The PEC created and implemented policies and procedures to ensure reimbursements are accurate and complete. In addition, PEC staff regularly communicated LPFA requirements to candidates via email throughout the election period and required candidates to attend a pre-election LPFA training. The Commission also chose not to recalculate the maximum reimbursement amount for candidates.
4	Further review the reimbursements issued to Jose Dorado and Daniel Swafford to determine if they are correct.	Closed	PEC consulted with the City Attorney and found that as the LPFA has a limit of 10 days for a candidate to appeal the approval or denial of their reimbursement claim, further review of the reimbursements is not necessary.
5	Develop and communicate what is acceptable supporting documentation, including ensuring that: <ul style="list-style-type: none"> - All pages of an invoice are included and clear - Bank statements show enough information to verify the vendor, date, and amount paid - Copies of campaign literature are legible and complete 	Partially Closed	For the 2012 election, the PEC updated the LPFA program handbook for candidates and created policies and procedures for PEC staff. The candidate handbook and policies and procedures address all of the areas in this recommendation except for one, developing a policy that candidates provide evidence that their check payments for campaign expenses have cleared the bank (e.g., the front and back of a cancelled check). The audit found that during the 2012 LPFA

	<ul style="list-style-type: none"> - Printouts of web pages are submitted when requesting reimbursement for web design or other website costs - Both the front and the back of cancelled checks are submitted as support for reimbursement - Appropriate support is provided to the City to link vendor invoices to a payee if the payee's name is different than the vendor/invoice name 		<p>program all reimbursements included such evidence; however, having a clear policy helps the City continue to ensure that it is not reimbursing potentially fraudulent expenses.</p> <p>To close this recommendation, the PEC is updating its candidate handbook and policies and procedures to require evidence that candidates' check payments for campaign expenses have cleared the bank. This response is also outlined in item #4 for the 2012 LPFA Implementation Status of Recommendations.</p>
6	Ensure that candidates are complying with the Oakland Campaign Reform Act provision concerning the notice on fundraising materials.	Closed	<p>The PEC incorporated a policy to comply with the provision on fundraising materials in its candidate handbook, policies and procedures, and on the PEC's LPFA eligibility checklist for the 2014 election. The audit found that all fundraising materials that were reimbursed under the 2012 LPFA program included the required notice.</p>
7	Work with the City-wide Accounts Payable Unit regarding the reimbursement process. The City-wide Accounts Payable Unit should verify that all required supporting documentation is attached to a LPFA payment request, according to its procedures.	Closed	<p>The PEC met with the Accounts Payable Unit and established a reimbursement request process for candidates, including request forms. These forms were used during the 2012 LPFA program and the audit found that all candidate reimbursements were appropriate and supported.</p>

SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The "Summary of Actions Necessary to Close the Report" provides our analysis of the City Administration's (Administration) proposed actions required to close the report. The Administration has agreed to implement 100 percent of the recommendations that were provided in the report.

The Commission and the Administration should:

<p><u>Recommendation #1</u></p> <p>Consider adjusting the maximum reimbursement amount for candidates during upcoming elections to provide candidates with additional funding and ensure that the majority of funding dedicated for the LPFA program is used. However, the Commission and PEC staff should work together to establish controls that ensure that adjustment(s) will not negatively impact the staff's ability to administer the LPFA program and ensure that reimbursements are appropriate.</p>	<p>Resolved – The Administration agrees with this recommendation and stated that PEC staff will recommend to the Commission that it adjust the maximum reimbursement amount at least once after the initial assessment of the number of candidates interested in reimbursement.</p> <p>To close this recommendation, the Administration should provide evidence of the PEC staff's recommendation to the Commission regarding adjusting the maximum reimbursement amount. The Administration should also provide an updated LPFA policies and procedures manual reflecting any related changes to the Office by December 1, 2014.</p>
---	---

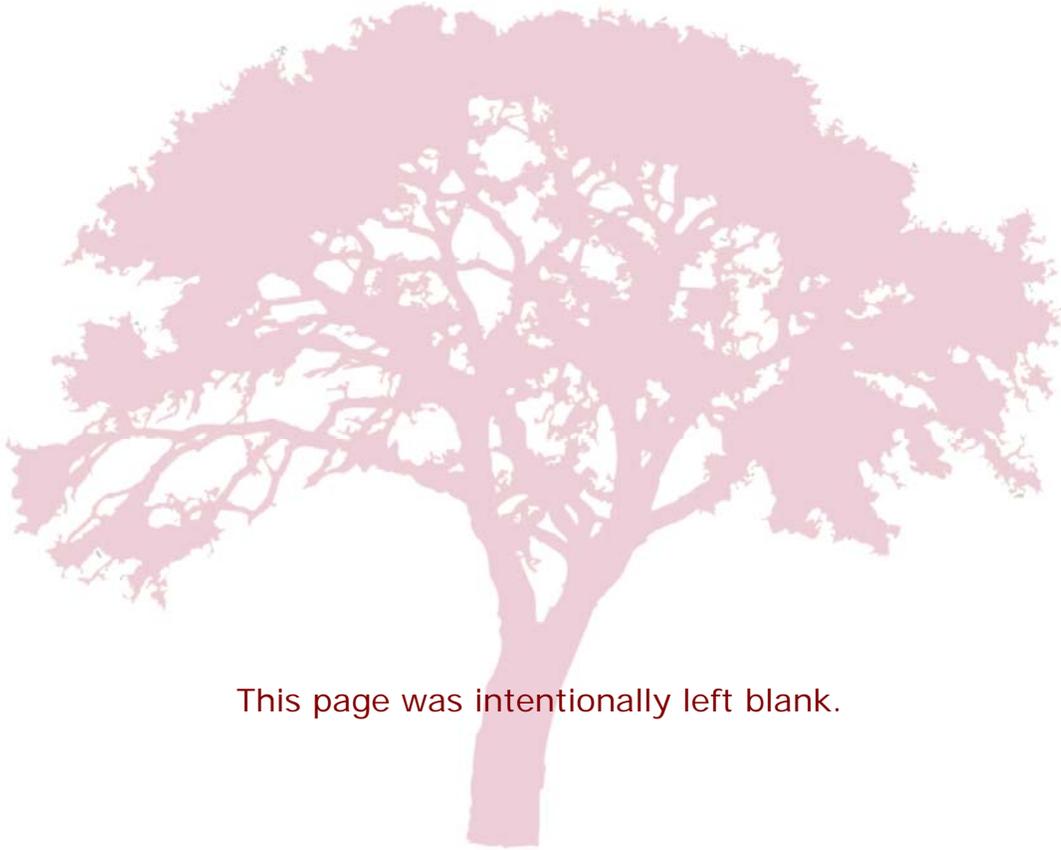
The Administration should:

<p><u>Recommendation #2</u></p> <p>Update the PEC staff's LPFA policies and procedures manual to include procedures that ensure surplus campaign funds and personal contributions limits are verified and documented during upcoming elections.</p>	<p>Resolved – The Administration agrees with this recommendation and stated that PEC staff have added these items to the 2014 Candidate Checklist for LPFA Eligibility and the LPFA policies and procedures manual to ensure verification.</p> <p>To close this recommendation, the Administration should provide a copy of the updated LPFA policies and procedures manual and its Candidate Checklist to the Office by December 1, 2014.</p>
<p><u>Recommendation #3</u></p> <p>Double check total contribution calculations from Oakland donors to ensure they are correct and are in compliance in all upcoming elections.</p>	<p>Resolved – The Administration agrees with this recommendation and stated that PEC staff will double check calculations of contributions to ensure they are accurate.</p> <p>To close this recommendation, the Administration should provide evidence that PEC staff have verified total contribution calculations for the November 2014 election. This evidence should be provided to the Office by December 1, 2014.</p>

Unresolved status indicates no agreement on the recommendation or the proposed corrective action. Implementation of proposed corrective action is directed in the City Auditor's Analysis and Summary of Actions Necessary to Close the Report.

Partially Resolved status indicates partial agreement on the recommendation or the proposed corrective action. Implementation of the proposed corrective action is clarified in the Analysis and Summary of Actions Necessary to Close the Report.

Resolved status indicates agreement on the recommendation and the proposed corrective action. Implementation of the proposed corrective action forthcoming from the auditee.



This page was intentionally left blank.