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December 14, 2017

EXECUTIVE DIRECTOR, CITY OF OAKLAND PUBLIC ETHICS COMMISSION  
CITY OF OAKLAND PUBLIC ETHICS COMMISSION  
OFFICE OF THE MAYOR  
HONORABLE CITY COUNCILMEMBERS  
CITY ADMINISTRATOR  
RESIDENTS OF OAKLAND

**RE: Performance Audit – Limited Public Financing Act – 2016 Election Year**

Dear Public Ethics Commission Executive Director Barazoto, Public Ethics Commission Chair Pilotin, Public Ethics Commissioners, Mayor Schaaf, City Council President Reid, Members of City Council, City Administrator Landreth, and Oakland residents:

My Office conducted an audit of the Limited Public Financing Act (LPFA or Act) program for the November 2016 election. Our objective was to determine whether the Public Ethics Commission (PEC) staff developed and implemented adequate internal controls to ensure their processes for qualifying and awarding public funds complied with the intent and requirements of the Act.

The audit found the PEC staff's overall systems and internal controls are adequate to ensure candidates comply with the Act. However, the audit identified recommendations to make the program more equitable, to garner greater participation in the LPFA program, and to strengthen the overall control environment—all intended to better achieve the goals of the Act.

I want to express our appreciation to PEC staff for their cooperation during this audit and for their commitment to facilitating fair and inclusive election processes in the City of Oakland.

Sincerely,

A handwritten signature in blue ink that reads "Brenda D. Roberts". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brenda D. Roberts, CPA, CFE, CIA  
CITY AUDITOR

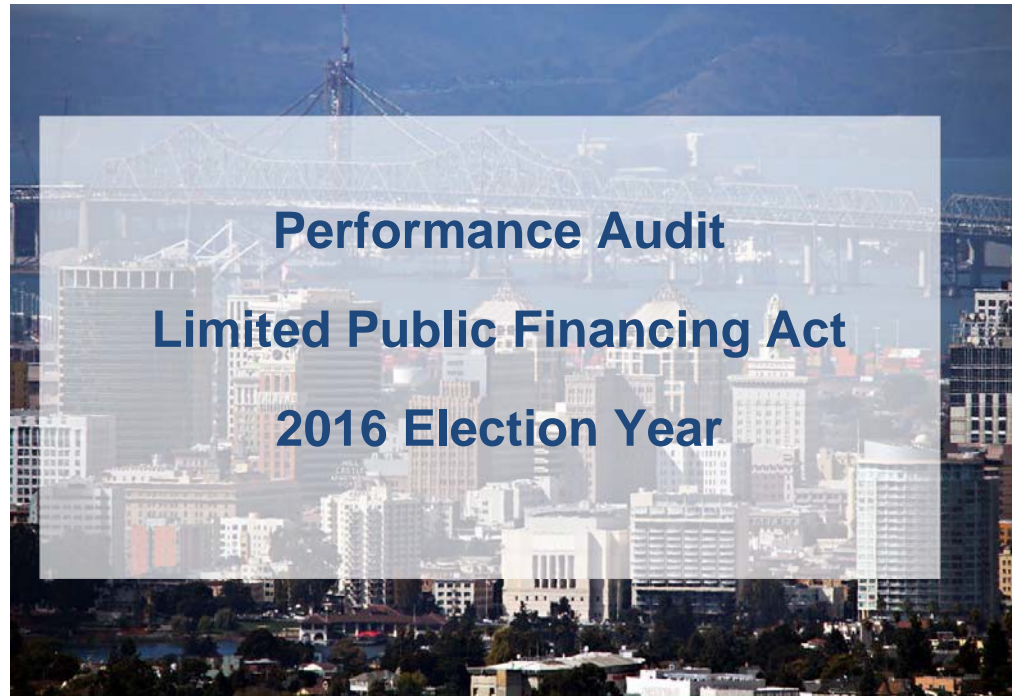
City Auditor  
Brenda Roberts  
CPA, CIA, CFE

December 14, 2017

**Audit Team:**

Alessia Dempsey, CIA  
Performance Audit  
Manager

Shanti Jensen  
Performance Auditor



**Performance Audit  
Limited Public Financing Act  
2016 Election Year**



CITY OF OAKLAND

**OFFICE OF THE CITY AUDITOR**

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The Office of the City Auditor was created by the Oakland City Charter as an independent office to help establish accountability and improve City services. We conduct performance audits to review aspects of City services or programs and provide recommendations for improvements.

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*Alternate formats available upon request.*

### Performance Audit City of Oakland Limited Public Financing Act 2016 Election Year

#### OVERVIEW

Oakland City Council adopted the Limited Public Financing Act (LPFA or Act or Program) in December 1999 as a program to provide funding to campaigns for public offices to ensure equal opportunity to participate; even the funding base among participants; encourage competition in elections, and help preserve public trust in government and election. This program was amended in 2010 to provide funding to district city council candidates only.

The Public Ethics Commission (PEC), through City administrative staff, manages and administers the LPFA Program.

Council appropriated \$155,000 for the 2016 Election Campaign Fund, of which \$11,625 was used by the Public Ethics Commission (PEC) to administer the Program and \$143,375 was available for candidate reimbursements. Nine candidates ran for City Council, but only four qualified for public funding. Of the \$143,375, a total of \$113,140 was claimed by candidates.

#### OBJECTIVE

Our objective was to determine whether the PEC staff developed and implemented adequate internal controls to ensure that their processes for qualifying and awarding public funds complied with the intent and requirements of the Act for the November 2016 election.

#### KEY FINDINGS

Finding 1: The current LPFA process does not include an analysis of the demographic data to promote the equitable application of the Program.

Finding 2: Public awareness and promotion are needed to increase Program participation.

Finding 3: Complex LPFA requirements may be obstacles to Program participation.

## Executive Summary

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Finding 4: The department policies and procedures manual is not up-to-date.

Finding 5: Inadequate review of completeness and accuracy resulted in minor expenditure and eligibility miscalculations.

**RECOMMENDATIONS** The Office of the City Auditor makes the following recommendations:

1. Collect candidate demographic data and intensify outreach and advertising efforts to city council districts historically under-participating in the Program.
2. Promote LPFA sufficiently in advance of the election season and by leveraging existing PEC community outreach.
3. Provide simplified training that is available to potential applicants online, year-round.
4. Review and update internal procedures and training documents.
5. Formalize the contributions and expenditure calculations quality review process and use standard electronic spreadsheets.

**WHY THIS AUDIT MATTERS**

The audit identified opportunities to make the LPFA Program more equitable, strengthen the overall control environment, and help increase participation, so that it can better achieve the goals of the Act.

## Glossary of Terms

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**Limited Public Financing Act (LPFA)** - Oakland City Council adopted the LPFA in December 1999 as a program to provide funding to campaigns for public offices. This Program was amended in 2010 to provide funding to district city council candidates only.

**Public Ethics Commission (PEC)** - The PEC is a governance board, composed of Oakland residents, that oversees compliance with the Act. These Commissioners are appointed by the Mayor, City Attorney, City Auditor and selected by the PEC. Six city employees assist the Commissioners with their work. The PEC, through these city employees, manages and administers the LPFA Program.

**Oakland Campaign Reform Act (OCRA)** - Oakland is one of a growing number of California cities that has adopted a comprehensive local campaign financing ordinance. OCRA exists in addition to the requirements of the California Political Reform Act. Candidates for Oakland elective office must comply with both California and Oakland campaign laws when running for office. OCRA establishes a relationship between campaign spending and contributions.

**Voluntary Expenditure Ceiling** - All candidates have a choice of whether to limit their campaign spending within pre-set expenditure "ceilings," or spending limits. OCRA establishes a formula that sets the expenditure ceiling for each city office. Every year, City Clerk, and now the PEC, adjusts those ceilings based on increases due to the cost of living. Candidates must agree to the expenditure ceilings to participate in the LPFA Program.

The City of Oakland reimburses district city council candidates for certain campaign expenditures they have incurred and paid. The maximum amount a candidate can receive through the LPFA Program is 30 percent of Oakland's voluntary expenditure ceiling for the office being sought. For each District's Voluntary Expenditure Ceiling for 2016 see *Appendix A*.

**Personal Loan** - These are loans by candidates. Candidates may contribute personal funds to their respective campaigns in an amount not to exceed 10 percent of the Voluntary Expenditure Ceiling.

**Eligible Candidate** - District member candidate certified to appear on the ballot.

**Applicant** - District member candidate who opted into the LPFA Program.

**Participant** - District member candidate who met all the requirements of the LPFA Program and received expenditure reimbursements from the PEC on behalf of the LPFA Program.

**Incumbent** - The current holder of a political office.

**Challenger** - The individual candidate running against the incumbent.



## Introduction and Background

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The Office of the City Auditor conducted a post-election audit of candidates receiving public financing for the 2016 City Council elections as required by the Limited Public Financing Act (LPFA, Act or Program).

The objective of the audit was to determine whether the Public Ethics Commission (PEC) established adequate systems and controls to ensure compliance with the Act's intent and its requirements.

The Public Ethics Commission (PEC) is a governance board, composed of Oakland residents, that oversees compliance with the Act. These Commissioners are appointed by the Mayor, City Attorney, City Auditor and selected by the PEC. The PEC through its city administrative staff, manages and administers the City's LPFA Program.

The Oakland City Council (Council) appropriated \$155,000 for the 2016 election from the Election Campaign Fund of which \$11,625 (7.5%) was used by the PEC to administer the Program and \$143,375 was available for candidate reimbursements. Nine candidates ran for Council and qualified to appear on the ballot, but only four qualified for public campaign financing, each eligible to receive \$35,844. Of the total \$143,375 available to candidates, \$113,140 was claimed.

### Background

Oakland City Council adopted the LPFA in December 1999 to provide public funding to campaigns for elected city offices. To ensure sufficient funds would be available to candidates, Council limited the funds to school board and district council<sup>1</sup> candidates in 2005 and further limited to only district city council candidates in 2010. The 2010 modification also changed the LPFA from a contribution matching program to one of expenditure reimbursement.

By intent, the LPFA is an equity-based program. The Act provides public funding for Oakland city council candidate campaigns to:

- Ensure equal opportunity to participate.
- Even the funding base among participants.
- Encourage competition in elections.
- Allow candidates to spend less time on fundraising.

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<sup>1</sup> The City of Oakland is divided into seven council districts, for representative purposes, with one council member for each district and one member at large. See [www.oaklandnet.com](http://www.oaklandnet.com) for more information.

## Introduction and Background

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- Reduce the pressure on candidates to raise enough money to effectively communicate with voters.
- Promote public discussion of important issues.
- Help preserve public trust in government and election.

*"[LPFA] was a game changer [to my election success.]" – LPFA Program participant and election winner*



# Introduction and Background

## Requirements

There are multiple requirements candidates must meet to qualify for LPFA funding. Eligibility requires candidates agree to a Voluntary Expenditure Ceiling (Expenditure Ceiling) early in the campaign season, adhere to timelines and provide required documentation. Expenditure Ceilings vary slightly depending on a candidate's district (Appendix A). Applicants must also meet the following requirements before the mid-September eligibility deadlines:

**Before Opt-in on  
Aug 29<sup>th</sup>, 2016**

- Certified to appear on the ballot for the election.
- Accept Voluntary Expenditure Limit.
- Attend LPFA training (candidate or designee).
- Submit an opt-in form.

**Before Eligibility  
Deadline on  
Sept 19<sup>th</sup>, 2016**

- Receive campaign contributions from Oakland residents and/or businesses totaling at least 5% of the Expenditure Ceiling.
- Campaign expenditures must total at least 5% of the Expenditure Ceiling and qualify for reimbursement.
- Limit contribution to one's own campaign to 10% or less of the Expenditure Ceiling.
- Commit to filing all pre-election and post-election campaign statements.
- Provide copies of contribution checks, proof of deposit, and/or proof of electronic contributions.
- Provide invoices, proof of payment, and copies of purchases for expenditures.

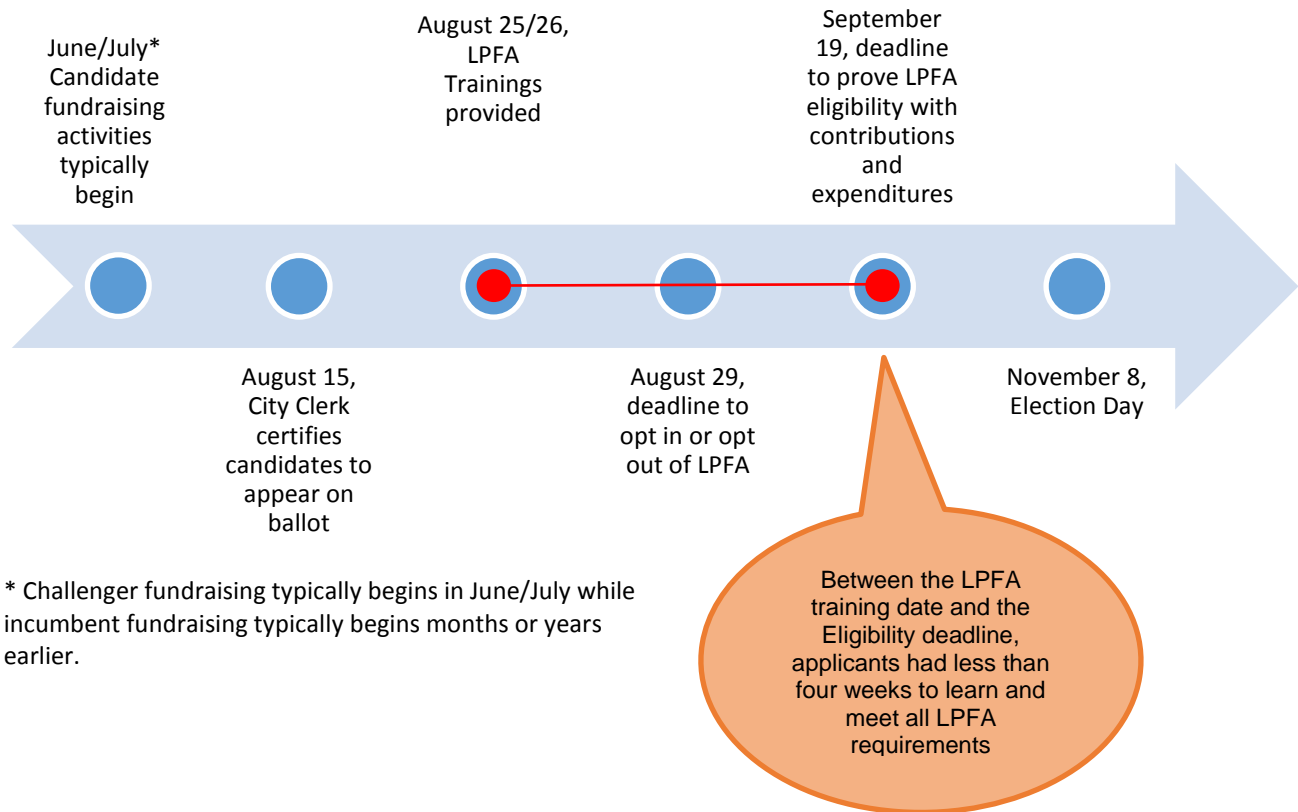
**Between Eligibility  
Deadline and day  
before Election,  
September 19<sup>th</sup> –  
Nov 7<sup>th</sup>, 2016**

- Continue to provide invoices, proof of payment, and copies of purchases for expenditures.
- Continue to limit contribution to one's own campaign to 10% or less of the Expenditure Ceiling.

# Introduction and Background

## Exhibit 1

## 2016 LPFA Timeline



## Audit Results

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The PEC's Campaign Finance sub-committee is currently reviewing, discussing, and planning the next steps in reforming and potentially reorganizing Oakland's campaign finance and public financing laws. The findings and recommendations below are intended to assist the commissioners and its city staff in this planning process.

The PEC staff's overall systems and internal controls are adequate to ensure candidates comply with the Act. We propose these recommendations to promote equity in the Program, strengthen the overall control environment, and enhance participation in the Program, so that it can better achieve the goals of the Act. Our recommendations include the following:

- improved tracking of Program effectiveness and reach to improve equitable application;
- a need for increased Program awareness and promotion;
- solutions to address the complexity of the existing program requirements;
- necessary updates to the current policies and procedures; and
- improved quality assurance and segregation of duties.

Because the LPFA has tight eligibility deadlines and complex requirements written into it, we recommend revising the law and updating administrative procedures to maximize the Program's use by participants and achieve the law's goals.

Many of the recommendations can be addressed with simple updates to the current procedures, manuals, training materials and quality assurance program. Some recommendations will require more time to implement, such as demographic tracking to achieve equity in the Program, and promotion and branding.

### **Finding 1 – The current LPFA process does not include an analysis of the demographic data to promote the equitable application of the Program.**

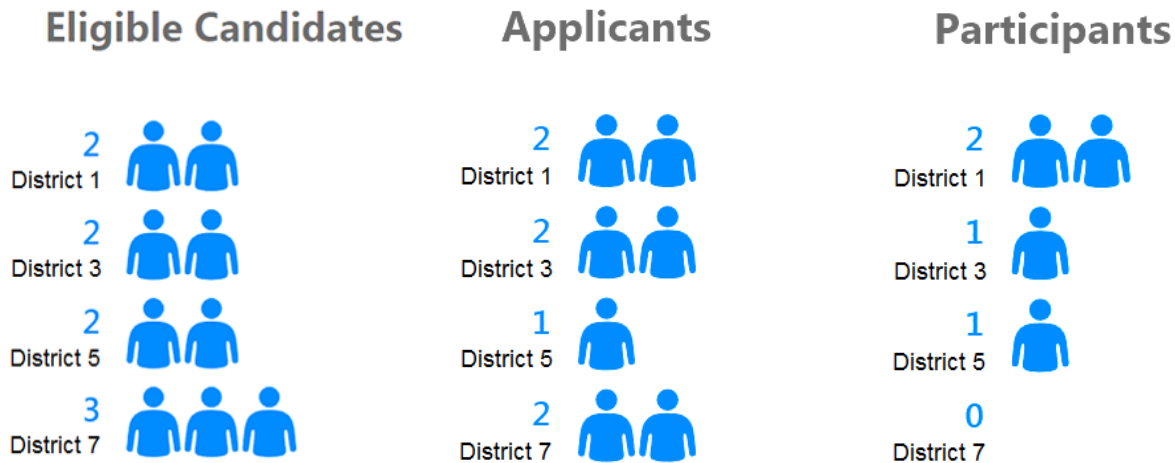
Some of the goals of the LPFA program are to ensure equal opportunity to participate, even the funding base among participants, and encourage competition in elections. To ensure these goals are met, certain critical data must be collected so that the PEC management can address equity issues in campaign and election processes and take the necessary actions to remediate these. We noted the following:

1. LPFA funds were not used equitably across city council districts; notably the District 7 race where no candidates accessed the funds in 2016. While the Act has been in its current form (modified in 2010), disproportionately fewer candidates from Districts 3, 6 and 7 have participated in the Program.
2. PEC staff does not collect LPFA participant demographic data, therefore is unable to review outcomes and relationships related to gender, ethnicity, and income to improve equitable participation.

## Audit Results

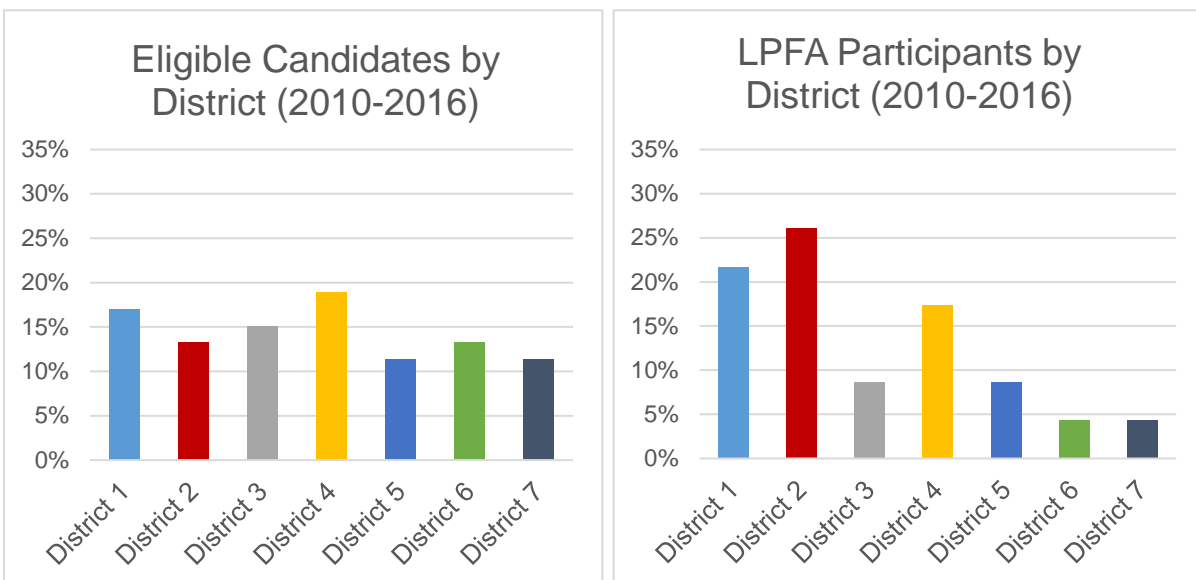
### Exhibit 2 – 2016 Eligible Candidates, Applicants, and LPFA Participants by District

As noted below, there were 3 eligible candidates from District 7, 2 of which applied, and none of which qualified to participate.



### Exhibit 3 – 2010-2016 Candidate Participation Across Districts

The exhibit below shows the eligible candidates from each district did not correspond to the participation rate of that district. For example, 11% of all eligible candidates were from District 7, however only 4% of all program participants came from that district. There were 53 eligible candidates and 23 LPFA participants in total for 2010-2016.



## Audit Results

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Note 1: The percentage of *Eligible Candidates by District* represents the number of eligible candidates for that district divided by eligible candidates from all districts for the period of 2010-2016.

Note 2: The percentage of *LPFA Participants by District* represents the number of LPFA participants for that district divided by LPFA participants from all districts for the period of 2010-2016.

*“Look at how much a minimal campaign costs—one mailer can cost \$12K-\$15K depending on the district. A candidate could easily spend more than \$10K on one small expenditure... if people can loan themselves money, it allows them to get things done quickly. The limit [expenditure ceiling] limits challengers from getting a head start—incumbents already have a head start.” – Applicant to LPFA Program*

3. The personal loan limit requirement (10% of the voluntary expenditure ceiling) may be too restrictive, especially to challengers who lack the pre-existing campaign finance networks of incumbents.

### Recommendation 1:

PEC management should:

1. Collect candidate demographic data for those who opt-in or -out of the Program. This is the first step to determine that equity and participation goals are met. Data trends will show gaps and identify where more effort is needed to promote participation.
2. Increase outreach and advertising efforts to Districts 3, 6 and 7 when promoting the Program.
3. Identify the cost/benefit and implications of raising the personal loan ceiling to more appropriately address campaign needs and consider the typical campaign expenditures and higher start-up costs for challengers.
4. Work closely with the City's Department of Race and Equity as the Campaign Finance sub-committee evaluates other campaign finance programs and makes recommendations for LPFA program changes. The Department of Race and Equity may assist in analyzing policy options and ensure the new program is designed to produce more equitable outcomes. This should include an evaluation of funding adequacy as the Program grows and more candidates take advantage of it.

## Audit Results

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### **Finding 2 – Public awareness and promotion are needed to increase program participation.**

As noted in Finding 1, the goals of the LPFA Program include ensuring equal opportunity to participate, leveling the funding base among participants, encouraging competition in elections, and allowing candidates to spend less time on fundraising.

Despite the PECs efforts to perform early outreach to candidates in March 2016, public awareness and promotion remains minimal, especially in under-represented districts, which are demographically low-income and predominantly people of color. This has resulted in fewer candidates benefiting from this valuable resource. Candidate surveys specifically pointed to the need for public awareness and publicity of the Program.

*"Public awareness [of the LPFA Program] needed". – Applicant to LPFA Program*

### **Recommendation 2:**

The PEC should:

1. Conduct targeted promotion of LPFA to civic and activist organizations as well as low-income candidates and candidates of color.
2. Promote the LPFA Program through free or low-cost outlets, such as KTOP, the city-sponsored station, the City of Oakland and City Clerk's websites, libraries, senior and community centers.
3. Management should consider creating a short, informative video about the LPFA Program that could be posted on the PEC website and available to potential candidates.
4. Promote the Program sufficiently in advance of the election season to give potential candidates adequate time to factor the Program into their decision to run for office.
5. Promote the Program more intensely by leveraging the PEC Commission's existing public outreach programs and the distribution of LPFA Program brochures.

### **Finding 3 - Complex LPFA requirements may be obstacles to Program participation.**

One of LPFA's missions is to foster political participation. We identified some practices that may be obstacles to this goal, including:

- **Time Constraints** - From the time the candidates are certified by the City Clerk until the eligibility deadline, candidates had only five weeks to raise contributions and make campaign expenditures that would qualify them for the Program.

## Audit Results

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- **Limited Training Window** - Training is only offered at limited times during the election period, which may make it difficult for some candidates to meet deadlines and requirements once they learn about the LPFA. Some candidates may be conducting campaign activity for months before receiving the LPFA training which is just less than one month before the eligibility deadline.
- **Confusing Requirements** – Some candidates admitted that even when their eligibility was confirmed, they were still confused about the LPFA requirements--even though the PEC staff is available and often involved in assisting candidates. Specifically, there was confusion about contribution and expenditure requirements.
- **Lack of electronic options** - The eligibility process is paper intensive and all hard copy forms must be turned into the PEC office during business hours, which may make it cumbersome, restrictive and time consuming for candidates.
- **Prior Participation** – The Program favors repeat LPFA participants due to their familiarity with the process.
- **Treasurer Training** - There is currently no training offered to campaign managers and treasurers to help them improve their contribution and expenditure tracking to ensure compliance with the complex LPFA requirements.

*“Directions are very complicated” – Applicant to LPFA Program.*

*“Some of the expense restrictions were ambiguous. It wasn’t clear as to what expenses would be identified as non-qualifying.” - Applicant to LPFA Program.*

*“We did not match [qualify] because many of our donations [submitted for the qualification process] were not from Oakland [residents or businesses].” (A requirement covered in the LPFA training) – Applicant to LPFA Program.*

*“Dealing with proof of online contributions was a hassle. [We] had to contact the webmaster to get a printout [and we] had no time to do that when running a campaign. It was an extra step to accomplish in a short timeframe.” - Applicant to LPFA Program.*

### Recommendation 3:

#### **Training**

PEC management should:

1. Consider providing online training so candidates can train earlier in the election cycle and at their convenience. Candidates should have more time to ensure they meet the eligibility requirements and get guidance from PEC staff as necessary.



## Audit Results

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2. Simplify the training materials and add a Frequently Asked Questions (FAQs) section to include examples of common mistakes to avoid.
3. Support campaign managers by expanding available resources. Consult with volunteers knowledgeable in the areas of finance and campaign election practices to make additional training available to campaign managers and Treasurers. This may help “level the playing field” for candidates and their staff that are new to the campaign process.

### **Use of Technology**

PEC management should:

4. Provide PDF fillable forms for time-saving online document submission as an alternative to paper versions.
5. Continue to develop guidance and resources to assist campaigns in using technology for streamlining online contributions, donor verification, data collection and transfer.

### **Finding 4 – The department policies and procedures manual is not up-to-date.**

Department procedures are particularly important where one or few staff are responsible for a process. Complete and accurate procedures ensure consistency in the event of employee absences.

We identified the following in our review of PEC department policies and procedures:

- Calculation instructions for the return of surplus funds were inaccurate.
- Deadlines were not updated for the 2016 election.
- Calculations for some eligibility thresholds were not clearly outlined.
- Internal turnaround standards for reimbursements were not included.

We noted that even though procedures were not updated, we did not identify any errors in the application of the procedures for candidates that resulted in improper qualification, disqualification or reimbursement.

### **Recommendation 4:**

Management should review and update internal procedures and training documents to ensure they are followed in the event of staff absences, and that candidates continue to be treated consistently and equitably. The review should occur in advance of each election.

## Audit Results

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### **Finding 5 – Inadequate review of completeness and accuracy resulted in minor expenditure and eligibility miscalculations.**

The following errors were noted and brought to management's attention. None of these errors resulted in incorrect reimbursements or the inaccurate elimination of an applicant to the Program.

- One candidate's expenditures calculation was incorrect and was not identified by the PEC staff's quality assurance review.
- One candidate's contributions calculation was incorrect because two contribution amounts were not included in the calculation. This also was not identified by the Department's quality assurance review.
- Candidate disqualifications are validated by a second individual, however the quality review is not documented. This review process should be documented in the departmental policies and procedures and quality reviewer's information, and resolution of any exceptions should be documented.

### **Recommendation 5:**

1. A second PEC staff member should perform a quality review of all contribution and expenditure calculations to ensure there are no errors and candidates are not inadvertently qualified or disqualified, or over- or under- reimbursed.

Separation of duties among key personnel is a standard control ensuring errors are detected and corrected when key tasks are performed by the same employee. This also promotes cross-training and minimizes process delays when employees are absent.

2. PEC staff should use spreadsheet software instead of word processing applications for tasks involving calculations that will automatically sum and calculate amounts. Doing so will avoid manual input errors.

## Audit Results

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### Other areas for consideration

#### 1. LPFA materials are not available in languages other than English.

Candidates who have low proficiency in English may be less likely to access LPFA funds because the Program's informational materials are not available in their native languages.

#### Recommendation:

Confer with the Equal Access Office to ensure materials distributed by the PEC are accessible to limited-English-proficient residents.

#### 2. Candidate reimbursements are not timely.

Most candidates are not reimbursed within the 10 calendar days in accordance with the 2016 LPFA Candidate Guide and Oakland Municipal Code<sup>2</sup>. According to PEC staff, most candidates do not provide complete and accurate expenditure support when they first submit a reimbursement request, which makes it appear that reimbursements take the City longer than they actually do.

#### Recommendations:

Consider adding a line on the *Form 3 Reimbursement Claim Form* that is received from candidates, for "*Date Information is received in good order*". This will better track the length of time PEC staff spend on processing requests as well as more accurately measure the 10-day accounts payable timeline.

Also, consider adding a paragraph to the PEC Guide regarding reimbursements clarifying that the City of Oakland has 10 calendar days to reimburse candidates from when the information is received in good order.

#### 3. Candidates often do not turn in proof of deposit.

Most candidates do not turn in proof of deposit within 3 business days as mandated by the 2016 LPFA Candidate Guide. This verification provides assurance that PEC funds are applied to the candidate's campaign office.

#### Recommendation:

PEC staff should use the City's financial system to confirm and record the dates of the deposits of reimbursements rather than requiring candidates to turn in the proof of deposit. Update the PEC Candidate Guide to reflect the new process.

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<sup>2</sup> Oakland Municipal Code Chapter 3.13.120 Disbursement and deposit of public financing.

## Audit Results

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### **4. Candidates do not always complete Program evaluations.**

Only four of nine eligible candidates returned Program evaluations. Two of four LPFA participants returned evaluations and two of five non-participants returned it. This leaves PEC staff with little feedback for Program improvement.

#### **Recommendation:**

Send evaluations to disqualified candidates immediately, rather than at the end of the election which may be 3 months or longer after the participant opted out of the Program.

# Audit Scope and Methodology

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## Audit Scope

The scope of this audit included all candidates that accepted public financing for the November 8, 2016 City Council elections (Appendix A).

## Methodology

In conducting the audit, we:

- Reviewed the requirements of the Act.
- Reviewed and assessed the PEC staff's policies and procedures.
- Tested whether PEC staff adhered to policies and procedures.
- Reviewed candidates' records to determine whether candidates complied with various requirements of the Act.
- Examined candidate reimbursements to determine if they were consistent with the requirements of the Act and were properly documented.
- Reviewed and assessed whether PEC staff addressed the recommendations from the 2014 post-election audit issued in 2015.
- Interviewed PEC staff.
- Reviewed candidate evaluations.
- Interviewed a candidate disqualified from the Program.
- Surveyed candidates on demographic information and for general feedback.
- Reviewed historical participation in the LPFA Program.

## **Statement of Compliance with Auditing Standards**

### **Statement of Compliance with Government Auditing Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we 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. We believe that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

## Appendix A

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The following are the Voluntary Expenditure Ceilings for 2016 by district council member:

District 1 - \$134,000

District 2 - \$134,000

District 3 - \$134,000

District 4 - \$128,000

District 5 - \$128,000

District 6 - \$128,000

District 7 - \$130,000

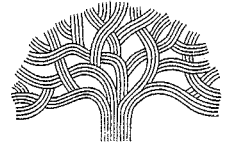
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### **List of candidates participating in the Limited Public Financing Program for the November 2016 election:**

- Kevin Corbett, District 1
- Dan Kalb, District 1
- Lynette Gibson McElhaney, District 3
- Noel Gallo, District 5



# CITY OF OAKLAND



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Public Ethics Commission

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November 30, 2017

Brenda D. Roberts  
City Auditor  
City of Oakland  
1 Frank Ogawa Plaza, 4<sup>th</sup> Floor  
Oakland, CA 94612

Dear Auditor Roberts,

Thank you for your audit of the Public Ethics Commission's administration of the Limited Public Financing Act program for the 2016 election. Commission staff appreciates the time you and your staff invested to review this program, which provides roughly \$143,000 in public funds to candidates running for District City Council seats.

We are pleased that the results of the audit indicate that the "PEC staff's systems and internal controls are adequate to ensure candidates comply with the Act." Staff has made numerous adjustments to the program over the past few years to maintain tight controls over the distribution of public funds and to assist candidates in maximizing their participation and use of available funds.

We also appreciate your additional programmatic, policy, and outreach-related recommendations intended to help the program better meet the goals identified in the law. Some of these recommendations have already been completed, some are in progress, and others will be considered in light of the Campaign Finance subcommittee's current project to review and redesign Oakland's campaign finance and public financing laws. The Campaign Finance Project aims to improve campaign participation and equity outcomes among Oakland residents overall (as opposed to candidates) and will likely lead to an overhaul of the current public financing program, which we believe is ill-designed and inadequately funded to achieve its intended outcomes. With this project in progress, the Commission will need to think and act strategically about whether to incorporate a suggestion intended to expand the use of the current program or allocate its limited resources toward creation of a more effective law and program. The responses in the attached spreadsheet reflect this reality.

Thank you again for your review and recommendations, and for your ongoing interest in and support of our Commission's work.

Sincerely,

Whitney Barazoto  
Executive Director

**LPFA 2016 Election Audit**  
**Management's Response to City Auditor's Report**



	City Auditor's Recommendations	Management Response	Responsible Party	Target Date to Complete
	PEC management should:			
1.1	Collect candidate demographic data for those who opt-in or -out of the Program. This is the first step to determine that equity and participation goals are met. Data trends will show gaps and identify where more effort is needed to promote participation.	PEC staff will include questions asking about race, gender, and income on its program evaluation form.	Jelani Killings, PEC Ethics Analyst I	December 2018
1.2	Increase outreach and advertising efforts to Districts 3, 6 and 7 when promoting the Program.	PEC staff will work more closely with District 3, 6, and 7 candidates, as with all candidates, who express interest in running to ensure candidates know about and are able to qualify for the program. The PEC will add LPFA as a highlight during roadshow and through other PEC outreach avenues that reach these districts.	Jelani Killings, PEC Ethics Analyst I	December 2018 for even number Districts;  December 2020 for odd number Districts
1.3	Identify the cost/benefit and implications of raising the personal loan ceiling to more appropriately address campaign needs and consider the	PEC staff will raise this during the Campaign Finance subcommittee process as policy amendments are drafted and discussed.	Whitney Barazoto, PEC Executive Director	February 2019

## LPFA 2016 Election Audit

### Management's Response to City Auditor's Report

	typical campaign expenditures and higher start-up costs for challengers.			
<b>1.4</b>	Work closely with the City's Department of Race and Equity as the Campaign Finance sub-committee evaluates other campaign finance programs and makes recommendations for LPFA Program changes. The Department of Race and Equity may assist in analyzing policy options and ensure the new program is designed to produce more equitable outcomes. This should include an evaluation of funding adequacy as the Program grows and more candidates take advantage of it.	PEC staff already are partnering with the Department of Race and Equity on the Campaign Finance project to redesign public financing and campaign finance rules to enhance participation across racial and socio-economic barriers.	Whitney Barazoto, PEC Executive Director	Status - In Progress  Work begun October 2017  Estimated completion of Campaign Finance project: February 2019
<b>2.1</b>	Conduct targeted promotion of LPFA to civic and activist organizations as well as low-income candidates and candidates of color.	PEC staff and Commissioners will be conducting outreach as part of its Campaign Finance project and will be sharing information about the existing LPFA program as part of that outreach to organizations in Oakland.	Whitney Barazoto, PEC Executive Director	December 2018
<b>2.2</b>	Promote the LPFA Program through free or low-cost outlets, such as KTOP, the city-sponsored station, the City of Oakland and City Clerk's websites,	PEC staff are considering creating a video for the Campaign Finance project that will include information about the existing LPFA program and be made available online and via KTOP. PEC staff also will incorporate LPFA program information in all outreach	Whitney Barazoto, PEC Executive Director	September 2018

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	libraries, senior and community centers.	materials that are shared with many of the agencies mentioned in this recommendation.		
<b>2.3</b>	Management should consider creating a short, informative video about the LPFA Program that could be posted on the PEC website and available to potential candidates.	PEC staff will consider creating a short, informative video about the LPFA program.	Whitney Barazoto, PEC Executive Director	September 2018
<b>2.4</b>	Promote the Program sufficiently in advance of the election season to give potential candidates adequate time to factor the Program into their decision to run for office.	PEC staff will promote the program to the public and to candidates through PEC Roadshow and other outreach avenues mentioned above. However, because there is no guarantee of the amount of money that any candidate will receive, and because the LPFA program is only a partial public financing program, PEC staff cannot provide a specific dollar amount that will be available to each candidate. Therefore, PEC staff disagrees with the assumption that Oakland's existing public financing would or should be a factor in one's decision to run for office. This again points to the need for a redesign of the law and program.	Whitney Barazoto, PEC Executive Director	September 2018
<b>2.5</b>	Promote the Program more intensely by leveraging the PEC Commission's existing public outreach programs and the distribution of LPFA Program brochures.	PEC staff and Commissioners will promote the LPFA program during its Roadshow presentations.	Jelani Killings, PEC Ethics Analyst I	September 2018

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<b>3.1</b>	Consider providing online training so candidates can train earlier in the election cycle and at their convenience. Candidates should have more time to ensure they meet the eligibility requirements and get guidance from PEC staff as necessary.	PEC staff will post training materials online.	Jelani Killings, PEC Ethics Analyst I  Ana Lara-Franco, PEC Administrative Assistant II	February 2018
<b>3.2</b>	Simplify the training materials and add a Frequently Asked Questions (FAQs) section to include examples of common mistakes to avoid.	PEC staff will consider ways to simplify the training materials.	Jelani Killings, PEC Ethics Analyst I	June 2018
<b>3.3</b>	Support campaign managers by expanding available resources. Consult with volunteers knowledgeable in the areas of finance and campaign election practices to make additional training available to campaign managers and Treasurers. This may help "level the playing field" for candidates and their staff that are new to the campaign process.	The California Fair Political Practices Commission provides online resources for campaign treasurers that PEC staff share with campaigns. PEC staff already is creating helpful tools for candidates as part of its new duties as filing officer for campaign statements as of January 2017. The concept of expanding resources for first-time campaigners is contemplated by the goals of the Campaign Finance project and will be part of the policy redesign discussion.	Jelani Killings, PEC Ethics Analyst I  Suzanne Doran, Ethics Analyst II  Whitney Barazoto, PEC Executive Director	Status - In progress  Project Begun November 2017  Estimated completion of Campaign Finance project:

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<b>3.4</b>	Provide PDF fillable forms for time-saving online document submission as an alternative to paper versions.	PEC staff will provide PDF fillable forms.	Jelani Killings, PEC Ethics Analyst I  Ana Lara-Franco, PEC Administrative Assistant II	June 2018
<b>3.5</b>	Continue to develop guidance and resources to assist campaigns in using technology for streamlining online contributions, donor verification, data collection and transfer.	PEC staff already works with candidates directly to assist with meeting program requirements using political consultant technology.	Jelani Killings, PEC Ethics Analyst I	Ongoing
<b>4</b>	Management should review and update internal procedures and training documents to ensure they are followed in the event of staff absences, and that candidates continue to be treated consistently and equitably. The review should occur in advance of each election.	PEC management will review and update internal procedures and training documents in advance of each election.	Jelani Killings, PEC Ethics Analyst I  Whitney Barazoto, PEC Executive Director	February 2018

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5.1	<p>A second PEC staff member should perform a quality review of all contribution and expenditure calculations to ensure there are no errors and candidates are not inadvertently qualified or disqualified, or over- or under- reimbursed.</p> <p>Separation of duties among key personnel is a standard control ensuring errors are detected and corrected when key tasks are performed by the same employee. This also promotes cross-training and minimizes process delays when employees are absent.</p>	<p>PEC staff will partner on the LPFA program to provide dual-support and cross-training on LPFA program duties as well as a third set of eyes to review the information. To ensure accurate calculations, however, staff will move to an Excel-based system for making numerical calculations to eliminate the concern regarding human error.</p>	<p>Jelani Killings, PEC Ethics Analyst I</p> <p>Ana Lara- Franco, PEC Administrative Assistant II</p>	<p>August 2018</p>
5.2	<p>PEC staff should use spreadsheet software instead of word processing applications for tasks involving calculations that will automatically sum and calculate amounts. Doing so will avoid manual input errors.</p>	<p>Agreed, see above.</p>	<p>Jelani Killings, PEC Ethics Analyst I</p>	<p>August 2018</p>