



OFFICE OF THE CITY AUDITOR

City of Long Beach
333 W. Ocean Blvd.
Long Beach, CA 90802
Telephone: 562-570-6751
Facsimile: 562-570-6167

C-3

GARY L. BURROUGHS, CPA
City Auditor

August 16, 2005

HONORABLE MAYOR AND CITY COUNCIL
Long Beach, California

SUBJECT: CITY'S CAMPAIGN REFORM ACCOUNT AUDIT REPORT

We reviewed the process for obtaining campaign matching funds from the City's Campaign Reform Account and audited the supporting campaign records for each of the candidates that received matching funds in the last election (2002). The purpose of our review was to determine if adequate controls exist to ensure future payments of matching funds are in compliance with the City's Municipal Code Section 2.01; and whether the contributions as reported by the 2002 candidates and matched by the City were appropriate.

Our review procedures included:

- Obtaining an understanding of "Proposition M", The Long Beach Campaign Reform Act (Long Beach Municipal Code Section 2.01).
- Ensuring that contributions were in conformity with Proposition M and that the City received all campaign reporting documentation, as required by City code.
- Discussions with City Clerk Department and other City personnel.
- Discussions with 2002 candidates accepting matching funds.
- Review of the candidates' supporting documentation, including photocopies of campaign checks, bank statements, expenditure receipts, check registers and other miscellaneous records.
- Review of the candidates' California Form 460 (Committee Campaign Statement), and Long Beach Campaign Reform Act Application for Matching Funds Form, as filed with the City Clerk's Office for accuracy and timeliness.

Background

Generally, qualified contributions are matched one dollar for each two dollars in the primary and dollar for dollar in the runoff for those candidates requesting a match. Matched amounts vary depending on the race. The City Clerk is responsible for all elections, along with the matching program and payments. Before making any payments, the Clerk analyzes the Campaign Contribution forms submitted by the candidate to ensure the amount being requested is supported by the reports. However, the Clerk has no candidate records available from which to verify that the amounts reported are real and correct.

The candidates and matching campaign funds received from the City in 2002 are as follows:

Candidate	Office	Primary	Run-Off	Total
Norm Ryan	Mayor	\$ 21,822	\$ 37,393	\$ 59,215
Richard Poland	Prosecutor	16,863	-	16,863
Bobbie Smith	7 th District	6,413	-	6,413
Thomas Gonzales	7 th District	2,733	-	2,733
Total		<u>\$ 47,831</u>	<u>\$ 37,393</u>	<u>\$ 85,224</u>

Candidate Audits

We received complete cooperation from Mr. Richard Poland, Ms. Bobbie Smith, and Mr. Thomas Gonzales. These candidates willingly provided full supporting documentation and readily met with City Auditor personnel and answered all questions to our satisfaction.

It should be noted that Ms. Smith and Mr. Gonzales could have asked for and received additional matching funds based on the contributions they reported.

Based on the results of the audit procedures performed, we determined that the City matched a personal contribution from Mr. Thomas Gonzales in the amount of \$50. Mr. Gonzales has refunded the City this amount. No other reportable issues were noted during our audit for these candidates.

We would like to thank Mr. Richard Poland, Ms. Bobbie Smith, and Mr. Thomas Gonzales for their cooperation and assistance during this review. Further, we want to recognize their commitment to public transparency and disclosure.

Mr. Ryan's Refusal

Mr. Ryan refused to submit his records for audit and only responded to our audit requests through his attorney. We find it suspect that Mr. Ryan would even consider anything but voluntary compliance given he not only received public funds to support his campaign, but received the largest public subsidy from Long Beach citizens, totaling over \$59,000. All candidates with the exception of Mr. Ryan cooperated fully and willingly without hesitation.

Since we were unable to obtain Mr. Ryan's records, we cannot opine on the accuracy and appropriateness of his campaign reports or the matching funds he received. Mr. Ryan owes the Long Beach citizens answers and supporting documentation to at least the following basic questions:

- *Are the reported contributions that were matched with taxpayer funds supported by banking records?*
- *Were the disbursements from the campaign account in compliance with Municipal Code 2.01?*
- *Was the campaign account properly closed out in accordance with Municipal Code 2.01?*

We referred the Mr. Ryan issue to the City Attorney with a request to take all appropriate legal actions to protect the City Municipal Code and the public's financial interest in these expenditures.

Sincerely,



Gary L. Burroughs, CPA
City Auditor

cc: Robert E. Shannon, City Attorney
Larry G. Herrera, City Clerk
Michael A. Killebrew, Director of Financial Management