



**New York City Campaign Finance Board**

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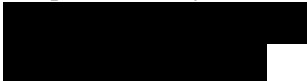
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Via C-Access  
May 11, 2016

Felipe Wityk Sanchez  
People for Cheryl



Dear Felipe Wityk Sanchez:

Please find attached the New York City Campaign Finance Board's ("CFB" or "Board") Final Audit Report for the 2013 campaign of Cheryl A. Pahaham (the "Campaign"). CFB staff prepared the report based on a review of the Campaign's financial disclosure statements and documentation submitted by the Campaign.

The report concludes that the Campaign demonstrated substantial compliance with the Campaign Finance Act (the "Act") and the Board Rules (the "Rules"), with exceptions as detailed in the report.

The January 15, 2014 disclosure statement (#16) was the last disclosure statement the Campaign was required to file with the CFB for the 2013 elections. If the Campaign raises additional contributions to pay outstanding liabilities, please note that all 2013 election requirements, including contribution limits, remain in effect. The Campaign is required to maintain its records for six years after the election, and the CFB may require the Campaign to demonstrate ongoing compliance. *See* Rules 3-02(b)(3), 4-01(a), and 4-03. In addition, please contact the New York State Board of Elections for information concerning its filing requirements.

The CFB appreciates the Campaign's cooperation during the 2013 election cycle. Please contact the Audit Unit at 212-409-1800 or [AuditMail@nyccfb.info](mailto:AuditMail@nyccfb.info) with any questions about the enclosed report.

Sincerely,



Signature on original

Sauda S. Chapman  
Director of Auditing and Accounting

c: Cheryl A. Pahaham  


People for Cheryl  


Attachments



# **EC2013 Final Audit Report**

People for Cheryl

May 2016

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## **RESULTS IN BRIEF**

The results of the New York City Campaign Finance Board’s (“CFB” or “Board”) review of the reporting and documentation of the 2013 campaign of Cheryl A. Pahaham (the “Campaign”) indicate findings of non-compliance with the Campaign Finance Act (the “Act”) and Board Rules (the “Rules”) as detailed below:

### ***Disclosure Findings***

Accurate public disclosure is an important part of the CFB’s mission. Findings in this section relate to the Campaign’s failure to completely and timely disclose the Campaign’s financial activity.

- The Campaign did not properly disclose advance purchases (see Finding #1).

### ***Expenditure Findings***

Campaigns participating in the Campaign Finance Program are required to comply with the spending limit. All campaigns are required to properly disclose and document expenditures and disburse funds in accordance with the Act and Rules. Findings in this section relate to the Campaign’s failure to comply with the Act and Rules related to its spending.

- The Campaign made post-election expenditures that are not permissible (see Finding #2).

**BACKGROUND**

The Campaign Finance Act of 1988, which changed the way election campaigns are financed in New York City, created the voluntary Campaign Finance Program. The Program increases the information available to the public about elections and candidates' campaign finances, and reduces the potential for actual or perceived corruption by matching up to \$175 of contributions from individual New York City residents. In exchange, candidates agree to strict spending limits. Those who receive funds are required to spend the money for purposes that advance their campaign.

The CFB is the nonpartisan, independent city agency that administers the Campaign Finance Program for elections to the five offices covered by the Act: Mayor, Public Advocate, Comptroller, Borough President, and City Council member. All candidates are required to disclose all campaign activity to the CFB. This information is made available via the CFB's online searchable database, increasing the information available to the public about candidates for office and their campaign finances.

All candidates must adhere to strict contribution limits and are banned from accepting contributions from corporations, partnerships, and limited liability companies. Additionally, participating candidates are prohibited from accepting contributions from unregistered political committees. Campaigns must register with the CFB, and must file periodic disclosure statements reporting all financial activity. The CFB reviews these statements after they are filed and provides feedback to the campaigns.

The table below provides detailed information about the Campaign:

Name: Cheryl A. Pahaham	Contribution Limit:
ID: 1548	\$2,750
Office Sought: City Council	
District: 10	Expenditure Limit:
	2010–2012: \$45,000
Committee Name: People for Cheryl	2013 Primary: \$168,000
Classification: Participant	2013 General: N/A
Certification Date: May 29, 2013	
	Public Funds:
Ballot Status: Primary	Received: \$72,276.00
Primary Election Date: September 10, 2013	Returned: \$15,227.00
Party: Democratic	
	Campaign Finance Summary:
	<a href="http://bit.ly/1yS3Yeu">http://bit.ly/1yS3Yeu</a>

## SCOPE AND METHODOLOGY

Pursuant to Admin. Code § 3-710(1), the CFB conducted this audit to determine whether the Campaign complied with the Act and Rules. Specifically, we evaluated whether the Campaign:

1. Accurately reported financial transactions and maintained adequate books and records.
2. Adhered to contribution limits and prohibitions.
3. Disbursed funds in accordance with the Act and Rules.
4. Complied with expenditure limits.
5. Received the correct amount of public funds, or whether additional funds are due to the Campaign or must be returned.

Prior to the election, we performed preliminary reviews of the Campaign's compliance with the Act and Rules. We evaluated the eligibility of each contribution for which the Campaign claimed matching funds, based on the Campaign's reporting and supporting documentation. We also determined the Candidate's eligibility for public funds by ensuring the Candidate was on the ballot for an election, was opposed by another candidate on the ballot, and met the two-part threshold for receiving public funds. In January of 2013, we requested all bank statements to date from the Campaign and reconciled the activity on the statements provided to the Campaign's reporting. We then provided the results of this preliminary bank reconciliation to the Campaign on April 19, 2013. After the election, we performed an audit of all financial disclosure statements submitted for the election (see summary of activity reported in these statements at Appendix #1).

To verify that the Campaign accurately reported and documented all financial transactions, we requested all of the Campaign's bank statements and reconciled the financial activity on the bank statements to the financial activity reported on the Campaign's disclosure statements. We identified unreported, misreported, and duplicate disbursements, as well as reported disbursements that did not appear on the Campaign's bank statements. We also calculated debit and credit variances by comparing the total reported debits and credits to the total debits and credits amounts appearing on the bank statements. Because the Campaign reported that more than 25% of the dollar amount of its total contributions were in the form of credit card contributions—or had a variance between the total credit card contributions reported and the credits on its merchant account statements of more than 4%—we reconciled the transfers on the submitted merchant account statements to the deposits on the bank account statements.

As part of our reconciliation of reported activity to the bank statements the Campaign provided, we determined whether the Campaign properly disclosed all bank accounts. We also determined if the Campaign filed disclosure statements timely and reported required activity daily during the two weeks before the election. Finally, we reviewed the Campaign's reporting to ensure it

disclosed required information related to contribution and expenditure transactions, such as intermediaries and subcontractors.

To determine if the Campaign adhered to contribution limits and prohibitions, we conducted a comprehensive review of the financial transactions reported in the Campaign's disclosure statements. Based on the Campaign's reported contributions, we assessed the total amount contributed by any one source and determined if it exceeded the applicable limit. We also determined if any of the contribution sources were prohibited. We reviewed literature and other documentation to determine if the Campaign accounted for joint activity with other campaigns.

To ensure that the Campaign disbursed funds in accordance with the Act and Rules, we reviewed the Campaign's reported expenditures and obtained documentation to assess whether funds were spent in furtherance of the Candidate's nomination or election. We also reviewed information from the New York State Board of Elections and the Federal Election Commission to determine if the Candidate had other political committees active during the 2013 election cycle. We determined if the Campaign properly disclosed these committees, and considered all relevant expenditures made by such committees in the assessment of the Campaign's total expenditures.

We requested records necessary to verify that the Campaign's disbursement of public funds was in accordance with the Act and Rules. Our review ensured that the Campaign maintained and submitted sufficiently detailed records for expenditures made in the election year that furthered the Candidate's nomination and election, or "qualified expenditures" for which public funds may be used. We specifically omitted expenditures made by the Campaign that are not qualified as defined by the Campaign Finance Act § 3-704.

We also reviewed the Campaign's activity to ensure that it complied with the applicable expenditure limits. We reviewed reporting and documentation to ensure that all expenditures—including those not reported, or misreported—were attributed to the period in which the good or service was received, used, or rendered. We also reviewed expenditures made after the election to determine if they were for routine activities involving nominal costs associated with winding up a campaign and responding to the post-election audit.

To ensure that the Campaign received the correct amount of public funds, and to determine if the Campaign must return public funds or was due additional public funds, we reviewed the Campaign's eligibility for public matching funds, and ensured that all contributions claimed for match by the Campaign were in compliance with the Act and Rules. We determined if the Campaign's activity subsequent to the pre-election reviews affected its eligibility for payment. We also compared the amount of valid matching claims to the amount of public funds paid pre-election and determined if the Campaign was overpaid, or if it had sufficient matching claims, qualified expenditures, and outstanding liabilities to receive a post-election payment. As part of this review, we identified any deductions from public funds required under Rule 5-01(n).

We determined if the Campaign met its mandatory training requirement based on records of training attendance kept throughout the 2013 election cycle. Finally, we determined if the Campaign submitted timely responses to post-election audit requests sent by the CFB.



Following an election, campaigns may only make limited winding up expenditures and are not going concerns. Because the activity occurring after the post-election audit is extremely limited, the audit focused on substantive testing of the entire universe of past transactions. The results of the substantive testing served to establish the existence and efficacy of internal controls. The CFB also publishes and provides to all campaigns guidance regarding best practices for internal controls.

To determine if contributors were prohibited sources, we compared them to entities listed in the New York State Department of State's Corporation/Business Entity Database. Because this was the only source of such information, because it was neither practical nor cost effective to test the completeness of the information, and because candidates could provide information to dispute the Department of State data, we did not perform data reliability testing. To determine if reported addresses were residential or commercially zoned within New York City, we compared them to a database of addresses maintained by the New York City Department of Finance. Because this was the only source of such data available, because it was not cost effective to test the completeness of the information, and because campaigns had the opportunity to dispute residential/commercial designations by providing documentation, we did not perform data reliability testing.

In the course of our reviews, we determined that during the 2013 election cycle a programming error affected C-SMART, the application created and maintained by the CFB for campaigns to disclose their activity. Although the error was subsequently fixed, we determined that certain specific data had been inadvertently deleted when campaigns amended their disclosure statements and was not subsequently restored after the error was corrected. We were able to identify these instances and did not cite exceptions that were the result of the missing data or recommend violations to the Board. The possibility exists, however, that we were unable to identify all data deleted as a result of this error.

The CFB's Special Compliance Unit investigated any complaints filed against the Campaign that alleged a specific violation of the Act or Rules. The Campaign was sent a copy of all formal complaints made against it, as well as relevant informal complaints, and was given an opportunity to submit a response.

The Campaign was provided with a preliminary draft of this audit report and was asked to provide a response to the findings. The Campaign responded, and the CFB evaluated any additional documentation provided and/or amendments to reporting made by the Campaign in response. The Campaign was subsequently informed of its alleged violations and obligation to repay public funds, and was given the opportunity to respond. The Campaign responded and the CFB evaluated any additional information provided by the Campaign. After reviewing the Campaign's response(s), CFB staff established that the total recommended penalties for the Campaign's alleged violations did not exceed \$500, and as a result the staff withdrew its recommendation of enforcement action to the Board. The finding numbers and exhibit numbers, as well as the number of transactions included in the findings, may have changed from the Draft Audit Report to the Final Audit Report.

**AUDIT RESULTS**

*Disclosure Findings*

**1. Disclosure – Advances**

For each advance, campaigns are required to report the name and address of the person making the purchase (the advancer), the amount, and the name of the vendor from whom the purchase was made. *See* Admin. Code §§ 3-703(1)(g), 3-708(8); Rule 3-03(c)(3).

The Campaign’s documentation indicates that the following transaction reported as an expenditure was actually an advance:

NAME	EXPLANATION	STATEMENT/ SCHEDULE/ TRANSACTION	PURCHASE DATE/ INVOICE DATE	AMOUNT	NOTES
Pahaham, Cheryl	Advance Repayment	16/F/R0001685	04/19/13	\$125.00	(1)
Parker, Camille	Campaign Operations	16/F/R0001680	05/13/15	\$100.00	(2)
<b>Total</b>				<b>\$225.00</b>	

1) The memo line on the check states “Reimbursement for ... ink,” which indicates that the payment was a reimbursement for an advance purchase. In response to the Draft Audit Report, the Campaign amended the previously reported expenditure to report the advance purchase and advance repayment; however, the Campaign did not accurately report the underlying vendor.

2) This finding was identified as a result of the Campaign’s response to the Draft Audit Report dated November 28, 2014. The memo line on the check states “Transportation Metrocard and Postage” which indicates that the payment was a reimbursement for an advance purchase.

**Previously Provided Recommendation**

The Campaign must amend its disclosure statement to report the transaction as an advance purchase and advance repayment. The advance purchase transaction must include the vendor from whom the purchase was made, and the name and address of the advancer. The Campaign must also submit all documentation related to each advance. This may include receipts or invoices for the purchase, evidence of who paid for the initial purchase, and copies of the checks used to reimburse the purchaser. If the check was not reimbursement for an advance purchase, the Campaign must explain the note on the memo line of the check.

**Campaign’s Response**

In response to the Draft Audit Report dated November 28, 2014, the Campaign asserted that Camille Parker purchased printing supplies from a Staples store in NJ and that it was missing the

receipt. The Campaign amended its disclosure statements to report the advance purchase and repayment; however, the Campaign failed to report Camille Parker as the advancer and Staples as the vendor. In addition, the Campaign did not obtain/maintain a copy of the receipt or submit an Advance Repayment Voucher. Further, in response to the Draft Audit Report, the Campaign submitted a copy of the front and back of cancelled check #1016 to Camille Parker. The memo line on the check stated “Transportation Metrocard and Postage” which indicated that the payment was a reimbursement for an advance purchase. The Campaign failed to report the transaction correctly and did not provide underlying receipt(s) or an Advance Repayment Voucher.

### **Board Action**

The Board has taken no further action on this matter other than to make this a part of the Candidate’s record with the Board.

### ***Expenditure Findings***

#### **2. Expenditures – Improper Post-Election**

After the election, campaigns may only make disbursements for the preceding election, or for limited, routine activities of nominal cost associated with winding up a campaign and responding to the post-election audit. Campaigns have the burden of demonstrating that post-election expenditures were for the preceding election or the limited and routine activities described in the law. *See* Admin. Code § 3-710(2)(c); Rule 5-03(e)(2).

Each expenditure listed below is an improper post-election expenditure due to the timing, amount and/or purpose reported by the Campaign:

PAYEE	STATEMENT/ SCHEDULE/ TRANSACTION	PURPOSE CODE	INVOICE DATE	DATE PAID	AMOUNT	NOTES
Nationbuilder	16/F/R0001647	CMAIL	11/08/13	11/08/13	\$113.00	
Nationbuilder	16/F/R0001647	CMAIL	12/09/13	12/09/13	\$113.00	
Nationbuilder	16/F/R0001647	CMAIL	01/08/14	01/08/14	\$113.00	
Staples	NYS-BOE	OFFCE	01/27/14	01/27/14	\$15.23	(1)
Staples	NYS-BOE	OFFCE	01/28/14	01/28/14	\$5.44	(1)
Nationbuilder	NYS-BOE	CMAIL	02/10/14	02/10/14	\$113.00	(1)
<b>Total</b>					<b>\$472.67</b>	

(1) This transaction appears on the New York State Board of Elections 2014 July Periodic Disclosure Report.

### Previously Provided Recommendation

The Campaign must explain how each expenditure was for the preceding election, or was a routine and nominal expenditure associated with winding up the Campaign, and must provide supporting documentation. Expenditures that are not proper post-election expenditures may increase the amount of public funds that must be repaid.

### Campaign’s Response

In response to the Draft Audit Report dated November 28, 2014 and Notice of Alleged Violations and Recommended Penalties (“Penalty Notice”) dated August 23, 2015, the Campaign asserted that it kept its Nationbuilder account open in order to send thank you emails to supporters and volunteers and to download data to document expenditures and activities for the campaign’s audit. Further, in response to the Penalty Notice, the Campaign asserted that it used the Nationbuilder account solely for the purposes of communicating with the CFB and the Campaign’s vendors. The Campaign stated that it tried to freeze the account in December 2013 so that the campaign would no longer incur fees after December 2013, but fees were charged through February 2014. The Campaign did not address the Staples expenditures in its responses. Post-election expenditures are limited to nominal costs associated with winding up a campaign, one thank you mailing and responding to the post-election audit. The reoccurring fees charged by Nationbuilder are not considered nominal.

**Board Action**

The Board has taken no further action on this matter other than to make this a part of the Candidate's record with the Board.

We performed this audit in accordance with the audit responsibilities of the CFB as set forth in Admin. Code § 3-710. We limited our review to the areas specified in this report's audit scope.

Respectfully submitted,



Signature on original

Sauda S. Chapman

Director of Auditing and Accounting

Date: May 11, 2016

Staff: Selene Muñoz