



New York City Campaign Finance Board
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Via C-Access
 August 11, 2015

David V. Rodriguez
 Chris Walsh for Council



Dear David Rodriguez:

Please find attached the New York City Campaign Finance Board’s (“CFB” or “Board”) Final Audit Report for the 2013 campaign of Christopher Walsh (the “Campaign”). CFB staff prepared the report based on a review of the Campaign’s financial disclosure statements and documentation submitted by the Campaign.

This report incorporates the Board’s final determination of May 28, 2015 (attached). The report concludes that the Campaign did not fully demonstrate compliance with the requirements of the Campaign Finance Act (the “Act”) and Board Rules (the “Rules”).

As detailed in the attached Final Board Determination, the Campaign must repay the following:

CATEGORY	AMOUNT
Public Funds Repayment	\$7,596.37
Penalties Assessed	\$707.00
Amount previously paid	(\$8,303.37)
Total Owed	\$0

The Campaign may challenge a public funds determination in a petition for Board reconsideration within thirty days of the date of the Final Audit Report as set forth in Board Rule 5-02(a). However, the Board will not consider the petition unless the Campaign submits new information and/or documentation and shows good cause for its previous failure to provide this information or documentation. To submit a petition, please call the Legal Unit at 212-409-1800.


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. 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.

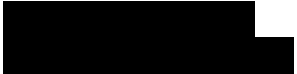
The CFB appreciates the Campaign's cooperation during the 2013 election cycle. Please contact the Audit Unit at 212-409-1800 or AuditMail@nyccfb.info with any questions about the enclosed report.

Sincerely,



Jonnathon Kline, CFE
Director of Auditing and Accounting
signature on original

c: Christopher Walsh


Chris Walsh for Council


Attachments



EC2013 Final Audit Report

Chris Walsh for Council

August 2015

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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 Christopher Walsh (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 disclose payments made by its vendors to subcontractors (see Finding #1).

Contribution Findings

All campaigns are required to abide by contribution limits and adhere to the ban on contributions from prohibited sources. Further, campaigns are required to properly disclose and document all contributions. Findings in this section relate to the Campaign’s failure to comply with the requirements for contributions under the Act and Rules.

- The Campaign accepted a contribution from a prohibited source (see Finding #2).
- The Campaign accepted a contribution from an unregistered political committee (see Finding #3).
- The Campaign did not disclose in-kind contributions received (see Finding #4).

Public Matching Funds Findings

The CFB matches contributions from individual New York City residents at a \$6-to-\$1 rate, up to \$1,050 per contributor. The CFB performs reviews to ensure that the correct amount of public funds was received by the Campaign and that public funds were spent in accordance with the Act and Rules. Findings in this section relate to whether any additional public funds are due, or any return of public funds by the Campaign is necessary.

- The Campaign was required to return its final bank balance (see Finding #5).

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: Christopher Walsh	Contribution Limit:
ID: 1786	\$2,750
Office Sought: City Council	
District: 51	Expenditure Limit:
	2010–2012: N/A
Committee Name: Chris Walsh for Council	2013 Primary: N/A
Classification: Participant	2013 General: \$168,000
Certification Date: June 10, 2013	
	Public Funds:
Ballot Status: General	Received: \$92,400
General Election Date: November 5, 2013	Returned: \$7,596.37
Party: Democratic	
	Campaign Finance Summary:
	http://bit.ly/1yS6Xnl

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. Based on various criteria, we also selected the Campaign for an onsite review, and visited the Campaign's location to observe its activity and review its recordkeeping. 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.

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.

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. CFB staff recommended that the Board determine that the Campaign committed violations subject to penalty and must repay public funds. The Campaign did not contest the CFB staff recommendations. The Board's actions are summarized as a part of each Finding in the Audit Results section.

AUDIT RESULTS

Disclosure Findings

1. Disclosure – Possible Subcontractors

Subcontractors are vendors that a campaign’s vendor hires to supply goods/services. If a vendor hired by a campaign pays a subcontractor more than \$5,000, the campaign must report the vendor, the name and address of the subcontractor, the amounts paid to the subcontractor, and the purpose of the subcontracted goods/services. *See* Rule 3-03(e)(3).

The vendor listed below received large payments and may have subcontracted goods and services. However, the Campaign did not report subcontractors used by this vendor:

PAYEE	AMOUNT PAID
Branford Communication Inc.	\$20,210.41

Previously Provided Recommendation

The Campaign must contact the vendor, who must verify whether subcontractors were used. The Campaign may provide the vendor with a copy of the Subcontractor Form (available on the CFB website at http://www.nyccfb.info/PDF/forms/subcontractor_disclosure_form.pdf) for this purpose, and submit the completed form with the Campaign’s response. In addition, if subcontractors were used and paid more than \$5,000, the Campaign must amend its disclosure statements to report subcontractor information. If the vendor does not complete the Subcontractor Form, the Campaign should submit documentation of its attempts to obtain this information, including copies of certified mail receipts and the letters sent to the vendors.

Campaign’s Response

In response to the Draft Audit Report, the Campaign provided a complete subcontractor form Branford Communication, disclosing both Atlas Direct Mail and the United States Post Office as subcontractors of goods and services in the amounts of \$7,136.85 and \$4,182.68, respectively. However, the Campaign failed to amend its disclosure statement to report the subcontractor information.

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.

Contribution Findings

2. Prohibited Contributions – Corporate/Partnership/LLC

Campaigns may not accept, either directly or by transfer, any contribution, loan, guarantee, or other security for a loan from any corporation. This prohibition also applies to contributions received after December 31, 2007 from any partnership, limited liability partnership (LLP), or limited liability company (LLC). *See* New York City Charter §1052(a)(13); Admin. Code §§ 3-703(1)(l), 3-719(d); Rules 1-04(c), (e).

The Campaign accepted contributions from entities listed on the New York State Department of State’s website as corporations, partnerships, and/or LLCs in the following instances:

CONTRIBUTIONS FROM PROHIBITED SOURCES

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	RECEIVED DATE	AMOUNT	NOTE
Next Generation Group Inc.	15/F/R0000968	10/17/13	\$337.25	(1)

(1) *See* also Exhibit I and Finding #4.

Previously Provided Recommendation

The Campaign must address each transaction individually:

- The Campaign must refund each prohibited contribution by bank or certified check, and provide the CFB with a copy of the refund check, or pay the Public Fund an amount equal to the contribution.
- Alternatively, the Campaign may provide documentation or evidence showing that the contribution was not from a prohibited entity.

Even if the prohibited contribution is refunded, accepting a prohibited contribution may result in a finding of violation and the assessment of a penalty.

Campaign’s Response

In response to the Notice of Alleged Violations, the Campaign stated that the vendor did not respond to its inquiries.

Board Action

The Board found the Campaign in violation and assessed \$587 in penalties.

3. Prohibited Contributions – Unregistered Political Committees

Participating campaigns may not, either directly or by transfer, accept any contribution, loan, guarantee, or other security for a loan from any political committee, unless it is registered with the CFB, or registers within ten days of receipt of the contribution. *See* Admin. Code §§ 3-703(1)(k), 3-707; Rule 1-04(d).

A list of registered political committees can be viewed on the CFB’s website, www.nycffb.info. Political committees are often required to register with governmental agencies other than the CFB; however, registering with those agencies does not register them with the CFB.

Prior to the election, the Campaign accepted a contribution from an unregistered political committee in the following instance. After notification from the CFB, the Campaign refunded the contribution, or the political committee registered with the CFB.

CONTRIBUTIONS FROM UNREGISTERED POLITICAL COMMITTEES THAT SUBSEQUENTLY
REGISTERED OR WHOSE CONTRIBUTIONS WERE REFUNDED

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	RECEIVED DATE	AMOUNT
Democratic County Committee	13/D/R0000377	09/18/13	\$120.00

Previously Provided Recommendation

The Campaign previously resolved this prohibited contribution and no further response is necessary at this time. However, the Campaign may still be penalized for accepting this contribution. If the Campaign disagrees with this finding, it must provide an explanation and documentation to demonstrate that its acceptance of the contribution was not a violation.

Campaign’s Response

The Campaign did not respond to this finding.

Board Action

The Board found the Campaign in violation and assessed \$120 in penalties.

4. Undocumented or Unreported In-Kind Contributions

In-kind contributions are goods or services provided to a campaign for free, paid by a third party, or provided at a discount not available to others. The amount of the in-kind contribution is the difference between the fair market value of the goods or services and the amount the Campaign

paid. Liabilities for goods and services for the Campaign which are forgiven, in whole or part, are also in-kind contributions. In addition, liabilities for goods and services outstanding beyond 90 days are in-kind contributions unless the vendor has made commercially reasonable attempts to collect. An in-kind contribution is both a contribution and expenditure subject to both the contribution and expenditure limits. Volunteer services are not in-kind contributions. In-kind contributions are subject to contribution source restrictions. *See* Admin. Code § 3-702(8); Rules 1-02 and 1-04(g). Campaigns may not accept contributions from any corporation, partnership, limited liability partnership (LLP), or limited liability company (LLC). *See* Admin. Code § 3-703(1)(l).

Campaigns are required to report all in-kind contributions they receive. *See* Admin. Code § 3-703(6); Rule 3-03. In addition, campaigns are required to maintain and provide the CFB documentation demonstrating the fair market value of each in-kind contribution. *See* Admin. Code §§ 3-703(1)(d), (g); Rules 1-04(g)(2) and 4-01(c).

Invoices for the expenditures listed below indicate that the Campaign received a discount in connection with the goods/services being provided.

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	INVOICE DATE	AMOUNT	DISCOUNTED AMOUNT	NOTE
*Next Generation Group Inc	15/F/R0000968	10/17/13	\$3,800.00	\$337.25	(1)

*This may also be a prohibited corporate contribution. *See* Admin. Code §§ 3-703(1)(l), 3-719(2)(b); Rule 1-04(e). *See* also Finding #2.

(1) The invoice indicates that the vendor did not charge New York State sales tax (8.875%) on printing. *See* also Exhibit I.

Previously Provided Recommendation

The Campaign must provide an explanation for the discount noted in the documentation. If the discount is routinely available to the general public or others, the Campaign must provide written confirmation from the vendor. If the discount is not routinely available to others, the Campaign must report the amount of the discount as an in-kind contribution from the vendor. If the vendor is a prohibited source, the Campaign must pay the amount of the discount to the vendor by bank or certified check and provide the CFB with copies of the refund check or pay the Public Fund an amount equal to the amount of the prohibited contribution.

Campaign's Response

In response to the Notice of Alleged Violations, the Campaign stated that the vendor did not respond to its inquiries.

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. *See* also Finding #2.

Public Matching Funds Findings

5. Return of Final Bank Balance

Campaigns are required to return excess public funds after the election. *See* Admin. Code § 3-710(2)(c); Rule 5-03(e). Public funds are only intended to be used for campaign expenditures, and not every campaign will use all of the public funds it received. This may occur when additional contributions were received or a campaign spent less than anticipated. To ensure that excess public funds are not wasted, until excess public funds have been repaid the only disbursements allowed are those for the preceding election and routine post-election expenditures. Routine post-election expenditures are those involving nominal cost associated with winding up a campaign and responding to the post-election audit. *See* Rule 5-03(e)(2)(i), (ii).

As detailed below, the remaining balance in the Campaign's bank account was \$7,596.37, according to the Campaign's May 20, 2014 bank statement. Based on the activity reported by the Campaign and additional information obtained and reviewed in the course of this audit, the Campaign must return \$7,596.37 to the Public Fund as its final bank balance.

Previously Provided Recommendation

The Campaign must respond to all findings in this Draft Audit Report, including providing additional bank statements if requested. The Campaign must repay the final bank balance above with a check payable to the "New York City Election Campaign Finance Fund." If the Campaign disagrees with the amount, it must provide documentation and explanation to show why the amount is not correct. The Campaign may reduce the amount it must return to the Public Fund by proving that outstanding loans or outstanding liabilities timely reported on Statement 16 and not previously documented are still outstanding.

Campaign's Response

In Response to the Notice of Post-Election Repayment, the Campaign repaid its final bank balance of \$7,596.37.

Board Action

The Board determined that the Campaign must repay \$7,596.37 to the Public Fund. The Campaign fulfilled its repayment obligation with a check in the amount of \$7,596.37 on April 28, 2015.

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,



Jonnathon Kline, CFE

Director of Auditing and Accounting
signature on original

Date: August 11, 2015

Staff: Hannah Golden

Yasmin Vega

**New York City Campaign Finance Board
Campaign Finance Information System
Transaction Summary Report
Appendix 1**

Candidate: Walsh, Christopher (ID:1786-P)**Office:** 5 (City Council)**Election:** 2013

1. Opening cash balance (All committees)		\$0.00
2. Total itemized monetary contributions (Sch ABC)		\$34,920.00
3. Total unitemized monetary contributions		\$0.00
4. Total in-kind contributions (Sch D)		\$1,808.56
5. Total unitemized in-kind contributions		\$0.00
6. Total other receipts (Sch E - excluding CFB payments)		\$0.00
7. Total unitemized other receipts		\$0.00
8. Total itemized expenditures (Sch F)		\$118,699.61
Expenditure payments	\$118,699.61	
Advance repayments	\$0.00	
9. Total unitemized expenditures		\$0.00
10. Total transfers-In (Sch G)		\$0.00
Type 1	\$0.00	
Type 2a	\$0.00	
Type 2b	\$0.00	
11. Total transfers-out (Sch H)		\$0.00
Type 1	\$0.00	
Type 2a	\$0.00	
Type 2b	\$0.00	
12. Total loans received (Sch I)		\$0.00
13. Total loan repayments (Sch J)		\$0.00
14. Total loans forgiven (Sch K)		\$0.00
15. Total liabilities forgiven (Sch K)		\$0.00
16. Total expenditures refunded (Sch L)		\$0.00
17. Total receipts adjustment (Sch M - excluding CFB repayments)		\$920.00
18. Total outstanding liabilities (Sch N - last statement submitted)		\$0.00
Outstanding Bills	\$0.00	
Outstanding Advances	\$0.00	
19. Total advanced amount (Sch X)		\$0.00
20. Net public fund payments from CFB		\$84,804.00
Total public funds payment	\$92,400.00	
Total public funds returned	(\$7,596.00)	
21. Total Valid Matchable Claims		\$22,070.00
22. Total Invalid Matchable Claims		\$1,025.00
23. Total Amount of Penalties Assessed		\$707.00
24. Total Amount of Penalty Payments		\$707.00
25. Total Amount of Penalties Withheld		\$0.00

Exhibit I
Chris Walsh for Council
Prohibited Contributions – Next Generation Group Inc.
(see Final Audit Report Finding #2)

Trans #967



Next Generation Group Inc.
4214 3rd Avenue
Brooklyn NY, New York 11232

Invoice No. 102

INVOICE

Customer

Name Chris Walsh
 Address [Redacted]
 City [Redacted] State NY [Redacted]
 Phone [Redacted]

Date 10/17/2013
 Order No. _____
 Rep _____
 FOB _____

Qty	Description	Unit Price	TOTAL
1	Democratic Candidate Sign October 17, 2013 - November 17, 2013	\$3,800.00	\$3,800.00

Payment Details

Cash
 Check
 Credit Card

Name _____
 CC # _____
 Expires _____

Subtotals	\$3,800.00
Shipping & Handling	\$0.00
Taxes New York	
TOTAL	\$3,800.00

Office Use Only

Insert Fine Print Here

Insert Farewell Statement Here