



**New York City Campaign Finance Board**

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Via C-Access  
February 23, 2016

Neil Mostofsky  
Storobin for NYC



Dear Neil Mostofsky:

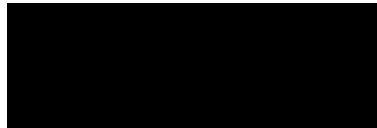
Please find attached the New York City Campaign Finance Board's ("CFB" or "Board") Final Audit Report for the 2013 campaign of David Storobin (the "Campaign"). CFB staff prepared the report based on a review of the Campaign's financial disclosure statements and documentation submitted by the Campaign.

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.

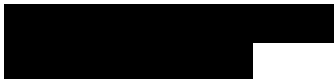
Sincerely,

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signature on  
original

Jonnathon Kline, CFE  
Director of Auditing and Accounting

c: David Storobin

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Storobin for NYC

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Attachments



# **EC2013 Final Audit Report**

## Storobin for NYC

February 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 David Storobin (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 a vendor 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 did not disclose in-kind contributions received (see Finding #2).

### ***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 did not provide requested documentation related to reported expenditures (see Finding #3).

## 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: David Storobin	Contribution Limit:
ID: 1748	\$2,750
Office Sought: City Council	
District: 48	Expenditure Limit:
	2010–2012: N/A
Committee Name: Storobin for NYC	2013 Primary: N/A
Classification: Participant	2013 General: \$168,000
Certification Date: May 28, 2013	
	Public Funds:
Ballot Status: General	Received: \$92,400
General Election Date: November 5, 2013	Returned: \$0
Party: Conservative, Independence, Republican	
	Campaign Finance Summary:
	<a href="http://bit.ly/1yS6gug">http://bit.ly/1yS6gug</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. 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.

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 amendments to reporting made by the Campaign in response. The Campaign was subsequently informed of its alleged violations and was asked to respond. The Campaign responded and the CFB evaluated any additional information provided by the Campaign. After reviewing the Campaign's response, CFB staff determined that the total recommended penalties for the Campaign's violations did not exceed \$500, and as a result the staff chose not to recommend enforcement action to the Board. The Board's actions are summarized as a part of each Finding in the Audit Results section. 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 – 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 vendors 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
Danu Media Inc.	\$29,545.00

#### Previously Provided Recommendation

The Campaign must contact the vendors, 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](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 stated, "We had some billing issues with [Danu Media], where they charged an already paid for invoice. After speaking with our liaison, it was determined to keep everything as is. The company will no longer deal with us. Regardless of this, all of these transactions were for Radio & Television Ads, where no subcontracting exists." However, media buys often have subcontractors involved with the purchase of airtime and advertisement production, so the Campaign's statement cannot be verified without an affirmation from the vendor. In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign documented its attempt to contact Danu Media by providing a copy of an email sent to the company with the Subcontractor Form as an attachment. The Campaign was did not submit a response from Danu Media with its response.

**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. 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).

a) The Campaign reported the expenditure listed below. However, the reported payment for this expenditure was not present on any of the bank statements provided by the Campaign, nor was it reported as an outstanding liability. In response to a finding in the Draft Audit Report, the Campaign deleted this transaction, but failed to report an in-kind contribution from the payee or provide an explanation for why the reported check did not clear the Campaign’s bank statements. As a result, the Campaign has not demonstrated that a third party did not pay for the wages, or that the reported payee did not provide the services for free.

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	INVOICE DATE	AMOUNT
Mavlyanov, Rustam	5/F/R0000903	10/29/13	\$40.00

b) Joe Lhota for Mayor, Inc. printed and circulated petitions that included David Storobin's name. The Campaign did not pay for its portion of the expenditure, therefore this is considered an in-kind contribution from Joe Lhota for Mayor, Inc. The value of the in-kind contribution was valued at \$449.79.

### **Previously Provided Recommendation**

a) This finding was identified as a result of the Campaign's response to the Draft Audit Report dated December 19, 2014.

b) This finding was identified after the Campaign's response to the Draft Audit Report dated December 19, 2014. In the Notice of Alleged Violations and Recommended Penalties, the Campaign was told it may be able to reduce this penalty by providing documentation showing the total cost of the expenditure (i.e., an invoice), the methodology used to determine the Campaign's share of the expenditure, and, as appropriate, an in-kind contribution form from the Lhota campaign or documentation showing that the Campaign paid its share of the expenditure.

### **Campaign's Response**

a) This finding was identified as a result of the Campaign's response to the Draft Audit Report dated December 19, 2014.

b) In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign stated that it, "Knew nothing about, and never agreed upon..." the shared petition with the Joe Lhota campaign. The Campaign further stated, "We were not involved, nor responsible for, his petition process." However, the Campaign's response conflicts with information provided by the Lhota campaign that indicates campaigns were notified of the petition. Absent any additional documentation, it was not possible to verify either campaign's account.

### **Board Action**

a – b) The Board has taken no further action on these matters other than to make them a part of the Candidate's record with the Board.

### ***Expenditure Findings***

## **3. Expenditure Documentation**

Campaigns are required to provide copies of checks, bills, or other documentation to verify all transactions reported in their disclosure statements. *See* Admin. Code §§ 3-703(1)(d), (g); Rule 4-01.

The Campaign must provide supporting documentation or an explanation for the reported transactions listed below:

NAME	TRANSACTION TYPE	STATEMENT/ SCHEDULE/ TRANSACTION	INCURRED/RECEIVED/ REFUNDED/PAID DATE	AMOUNT	NOTE:
Nocera, Glenn	Expenditure Payment	15/F/R0001213	11/05/13	\$400.00	(1)
Forum	Expenditure Refund	15/L/R0001250	11/12/13	(\$150.00)	(2)
Cablevision	Expenditure Refund	16/L/R0001316	12/19/13	(\$53.60)	(3)

- (1) The Campaign reported a \$400.00 payment to this individual for work on Election Day. The Campaign must provide a detailed description of the work performed and an explanation of how it was different than that performed by other workers who received hourly wages or \$150 flat rate payments on Election Day.
- (2) The Campaign failed to provide sufficient documentation for this expenditure refund. The Campaign submitted a statement explaining that it followed the guidance given by CFB staff to report the refund, but CFB records do not contain documentation of this conversation. The Campaign must provide documentation from the vendor describing the details of the refund, a copy of the vendor’s check, and a copy of the bank statement in which the refund appears.
- (3) The Campaign provided an explanation for this refund. However, it must also provide an amended invoice or receipt from the vendor, and a copy of the bank statement in which the refund appears.

**Previously Provided Recommendation**

The Campaign must submit documentation, or explanations as indicated, for each listed transaction.

**Campaign’s Response**

In response to the Draft Audit Report, the Campaign stated that Glenn Nocera was paid at a higher rate than other campaign workers on election day because he was assigned to driving the Campaign’s truck. The Campaign further stated, “Others were paid the \$150 for handing out palm cards. Different jobs get different amounts.” However, the Campaign failed to provide a detailed description of the work performed by Mr. Nocera and did not explain why the different task warranted more than twice the payment of other workers.

In response to the Draft Audit Report, the Campaign restated that that it followed the guidance given by CFB staff to report the refund from Forum. However, CFB records do not contain documentation of this conversation and the Campaign did not provide documentation to explain what the billing error was, nor did it provide a copy of the vendor’s check and bank statement showing the refund check deposit as requested.

In response to the Draft Audit Report, the Campaign provided a copy of the \$53.60 refund check from Cablevision and a copy of its bank statement showing the deposit of the refund check.

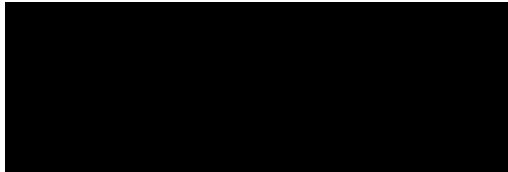
However, the Campaign failed to provide the amended invoice or receipt showing the purpose of the refund.

**Board Action**

The Board has taken no further action on this matter other than to make it 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,

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signature on original

Jonnathon Kline, CFE

Director of Auditing and Accounting

Date: February 23, 2016

Staff: Danielle Willemin

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

**Candidate:** Storobin, David (ID:1748-P)**Office:** 5 (City Council)**Election:** 2013

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1. Opening cash balance (All committees)		\$0.00
2. Total itemized monetary contributions (Sch ABC)		\$73,301.00
3. Total unitemized monetary contributions		\$0.00
4. Total in-kind contributions (Sch D)		\$0.50
5. Total unitemized in-kind contributions		\$0.00
6. Total other receipts (Sch E - excluding CFB payments)		\$420.73
7. Total unitemized other receipts		\$0.00
8. Total itemized expenditures (Sch F)		\$166,686.40
Expenditure payments	\$162,342.19	
Advance repayments	\$4,344.21	
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)		\$100.00
13. Total loan repayments (Sch J)		\$100.00
14. Total loans forgiven (Sch K)		\$0.00
15. Total liabilities forgiven (Sch K)		\$0.50
16. Total expenditures refunded (Sch L)		\$511.67
17. Total receipts adjustment (Sch M - excluding CFB repayments)		\$0.00
18. Total outstanding liabilities (Sch N - last statement submitted)		\$206.66
Outstanding Bills	\$206.66	
Outstanding Advances	\$0.00	
19. Total advanced amount (Sch X)		\$0.00
20. Net public fund payments from CFB		\$92,400.00
Total public funds payment	\$92,400.00	
Total public funds returned	\$0.00	
21. Total Valid Matchable Claims		\$18,410.00
22. Total Invalid Matchable Claims		\$695.00
23. Total Amount of Penalties Assessed		N/A
24. Total Amount of Penalty Payments		\$0.00
25. Total Amount of Penalties Withheld		\$0.00