



**New York City Campaign Finance Board**

100 Church Street, 12<sup>th</sup> Floor, New York, NY 10007  
212.409.1800 | [www.nycffb.info](http://www.nycffb.info)

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Via C-Access  
September 23, 2016

Moira M. McDermott  
Elizabeth Crowley 2013  
240-38 42<sup>nd</sup> Avenue  
Douglaston, NY 11363

Dear Moira M. McDermott:

Please find attached the New York City Campaign Finance Board's ("CFB" or "Board") Final Audit Report for the 2013 campaign of Elizabeth S. Crowley (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,



Sauda S. Chapman  
Director of Auditing and Accounting

c: Elizabeth S. Crowley



Elizabeth Crowley 2013  
240-38 42<sup>nd</sup> Avenue  
Douglaston, NY 11363

Attachments



# **EC2013 Final Audit Report**

Elizabeth Crowley 2013

September 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 Elizabeth S. Crowley (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 file the required daily disclosure statements during the two weeks preceding the 2013 general election (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 expenditures that were not in furtherance of the Campaign (see Finding #2).
- The Campaign made post-election expenditures that are not permissible (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: Elizabeth Crowley	Contribution Limit:
ID: 530	\$2,750
Office Sought: City Council	
District: 30	Expenditure Limit:
	2010–2012: \$45,000
Committee Name: Elizabeth Crowley 2013	2013 Primary: N/A
Classification: Participant	2013 General: \$168,000
Certification Date: June 10, 2013	
	Public Funds:
Ballot Status: General	Received: \$92,400
	Returned: \$16,459.84 <sup>1</sup>
General Election Date: November 5, 2013	
Party: Democratic, Working Families	Campaign Finance Summary:
	<a href="http://bit.ly/1k8BIBp">http://bit.ly/1k8BIBp</a>

<sup>1</sup> The Campaign provided a check for \$16,459.84, dated July 27, 2015.

## 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.

After reviewing the Campaign's response(s), 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. Daily Pre-Election Disclosure – Statements of Contributions/Expenditures

During the 14 days preceding an election, if a candidate: (1) accepts a loan, contribution, or contributions from a single source in excess of \$1,000; or (2) makes aggregate expenditures to a single vendor in excess of \$20,000, the candidate shall report such contributions, loans, and expenditures to the Board in a disclosure, received by the Board within 24 hours of the reportable transaction. *See* Rule 3-02(e). This includes additional payments of any amount to vendors who have received aggregate payments in excess of \$20,000 during the 14-day pre-election period. These contributions and expenditures must also be reported in the Campaign’s next disclosure statement.

The Campaign did not file the required daily disclosures to report the following transactions:

#### EXPENDITURES:

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	DATE INCURRED	AMOUNT
Berlin Rosen, LTD	15/F/R0002047	10/25/13	\$10,152.00
Berlin Rosen, LTD	15/F/R0002049	10/25/13	\$9,287.00
Berlin Rosen, LTD	15/F/R0001925	11/01/13	\$4,425.00
Berlin Rosen, LTD	15/F/R0001943	11/04/13	\$1,770.00

#### Previously Provided Recommendation

If the Campaign believes it filed the required daily disclosures timely, as part of its response it must submit the C-SMART disclosure statement confirmation email as proof of the submission. The Campaign may provide an explanation if it believes that its failure to file the daily disclosures is not a violation, but it cannot file daily pre-election disclosures now.

#### Campaign’s Response

In response to the Draft Audit Report, the Campaign stated that it misunderstood the daily disclosure requirement. The Campaign stated, “[it] failed to realize the requirement is for expenditures with an aggregate exceeding \$20,000 and believed it to be one expenditures exceeding the amount.”

In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign agreed that it failed to file the pre-elections daily disclosure because it misunderstood the filing

requirement. The Campaign stated, “this was a mistake that was made in good faith, as the treasurer believed she was meeting the requirements.”

### **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 – Not In Furtherance of the Campaign**

Campaigns may only spend campaign funds for items that further the candidate’s election. Campaigns must keep detailed records to demonstrate that campaign funds were used only for those purposes. *See* Admin. Code §§ 3-703(1)(d), (g); Rule 4-01. The law gives examples of the types of expenditures that are presumed to be campaign-related, although in certain circumstances expenditures of the types listed as appropriate may be questioned. Among the relevant factors are: the quality of the documentation submitted; the timing and necessity of the expenditure; the amount of the expenditure and/or all expenditures of a specific type in relation to the Campaign’s total expenditures; and whether the expenditure is duplicative of other spending. The law also prohibits the conversion of campaign funds to personal use which is unrelated to a political campaign, and provides examples of expenditures that are not in furtherance of a campaign. *See* New York State Election Law §14-130; Admin. Code §§ 3-702(21), 3-703, and 3-710(2)(c); Rules 1-03(a), and 5-03(e), and Advisory Opinion No. 2007-3 (March 7, 2007). Expenditures not demonstrated to be in furtherance of the candidate’s election are considered “non-campaign related.”

The Campaign reported the expenditure listed below which—based on the reporting and/or documentation—is non-campaign related:

PAYEE	STATEMENT/ SCHEDULE/ TRANSACTION	PURPOSE CODE	INVOICE DATE	DATE PAID	AMOUNT
McKenna Florist	6/F/R0001201	OTHER	12/12/12	12/12/12	\$130.54

### **Previously Provided Recommendation**

The Campaign must explain how each expenditure listed is in furtherance of the Campaign, and provide supporting documentation. The explanation and documentation may include details of how, when, where, and by whom a good was used. For services, the documentation and explanation may include work product and/or additional details regarding how, when, where, and

by whom the service was provided; and how the service was necessary in light of the timing of other transactions reported by the Campaign. The Campaign must review the questioned transactions. Expenditures that are not in furtherance of the Campaign may increase the amount of public funds that must be repaid.

### **Campaign's Response**

In response to the Draft Audit Report, the Campaign stated that the flowers were for the Queens County Democratic Organization. However, it did not explain or demonstrate the nature of the expenditure.

In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign explained that “the flowers were delivered in the holiday season to the Queens County Organization, specifically to the individuals responsible for distributing and receiving the nominating petitions for 2013. This was five months prior to the 2013 designation process, but in appreciation for their future efforts and the sentiment expressed of working together in the future. There was no guarantee that Campaign would be the Candidate that they chose to designate and to support.” Gifts valued at more than fifty dollars are considered non-campaign expenditures. *See* Admin. Code §§ 3-702(21)(b)(10).

### **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.

## **3. 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 on Exhibit I is an improper post-election expenditure due to the timing, amount and/or purpose reported by the Campaign.

### **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, the Campaign stated in regard to the First Banking Merchant expenditures that it “believe[s] our Credit Card Merchant had been cancelled in the beginning of the year. However, this was taken care of until the end of July.”

In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign stated that the Queens Ledger Greenpoint Star expenditure was for an advertisement. However, the Campaign failed to provide an invoice and a sample of the print advertisement as requested. Lastly, the Campaign stated that remaining expenditure to Eig\*Ipage was unauthorized. The Campaign did not indicate that it disputed the transaction in its response and did not provide any documentation to support its claim.

### **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,



Sauda S. Chapman

Director of Auditing and Accounting

Date: September 23, 2016

Staff: Selene Muñoz

Aaron King

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

**Candidate:** Crowley, Elizabeth S (ID:530-P)**Office:** 5 (City Council)**Election:** 2013

1. Opening cash balance (All committees)		\$0.00
2. Total itemized monetary contributions (Sch ABC)		\$188,078.00
3. Total unitemized monetary contributions		\$0.00
4. Total in-kind contributions (Sch D)		\$0.00
5. Total unitemized in-kind contributions		\$0.00
6. Total other receipts (Sch E - excluding CFB payments)		\$48.45
7. Total unitemized other receipts		\$0.00
8. Total itemized expenditures (Sch F)		\$238,140.13
Expenditure payments	\$234,397.68	
Advance repayments	\$3,742.45	
9. Total unitemized expenditures		\$0.00
10. Total transfers-In (Sch G)		\$11,950.00
Type 1	\$0.00	
Type 2a	\$0.00	
Type 2b	\$11,950.00	
11. Total transfers-out (Sch H)		\$11,950.00
Type 1	\$0.00	
Type 2a	\$0.00	
Type 2b	\$11,950.00	
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)		\$12,133.41
17. Total receipts adjustment (Sch M - excluding CFB repayments)		\$38,275.00
18. Total outstanding liabilities (Sch N - last statement submitted)		\$3.00
Outstanding Bills	\$0.00	
Outstanding Advances	\$3.00	
19. Total advanced amount (Sch X)		\$0.00
20. Net public fund payments from CFB		\$75,941.00
Total public funds payment	\$92,400.00	
Total public funds returned	(\$16,459.00)	
21. Total Valid Matchable Claims		\$20,490.00
22. Total Invalid Matchable Claims		\$600.00
23. Total Amount of Penalties Assessed		N/A
24. Total Amount of Penalty Payments		\$0.00
25. Total Amount of Penalties Withheld		\$0.00

**Exhibit I**  
**Elizabeth Crowley 2013**  
**Improper Post-Election Expenditures**  
**(see Finding #3)**

<b>Name</b>	<b>Statement/ Schedule/ Transaction ID</b>	<b>Purpose Code</b>	<b>Invoice Date</b>	<b>Paid Date</b>	<b>Amount</b>
Queens Ledger Greenpoint Star	16/F/R0002124	PRINT	12/03/13	12/03/13	\$300.00
First Banking Merchant	16/F/R0002139	FUNDR	01/03/14	01/03/14	\$19.95
First Banking Merchant	16/F/R0002141	POSTA	01/09/14	01/09/14	\$7.45
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		02/03/14	\$19.95
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		03/03/14	\$19.95
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		04/03/14	\$19.95
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		05/05/14	\$19.95
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		06/03/14	\$19.95
First Banking Merchant	2014 July Periodic Disclosure Report	FUNDR		07/03/14	\$19.95
Eig*Ipage	2015 Jan Periodic Disclosure Report	OFFCE		11/09/14	\$254.71
<b>Total</b>					<b><u>\$701.81</u></b>