



**New York City Campaign Finance Board**  
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Via C-Access  
February 23, 2016

Luke L. Frye  
Santos 2013



Dear Luke Frye:

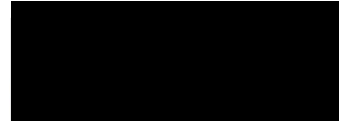
Please find attached the New York City Campaign Finance Board's ("CFB" or "Board") Final Audit Report for the 2013 campaign of Edward Santos (the "Campaign"). CFB staff prepared the report based on a review of the Campaign's financial disclosure statements and documentation submitted by the Campaign.

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. 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,

A black rectangular redaction box covering the signature of Jonnathon Kline.

signature on  
original

Jonnathon Kline, CFE  
Director of Auditing and Accounting

c: Edward N. Santos

A black rectangular redaction box covering contact information for Edward N. Santos.

Santos 2013

A black rectangular redaction box covering contact information for Santos 2013.

Attachments



# **EC2013 Final Audit Report**

Santos 2013

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 Edward Santos (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 report or inaccurately reported financial transactions to the Board (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 did not document the fair market value of in-kind contributions received and did not disclose in-kind contributions received (see Finding #3).
- The Campaign did not provide requested documentation related to reported contributions (see Finding #4).

### ***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 #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: Edward N. Santos	Contribution Limit:
ID: 1688	\$2,750
Office Sought: City Council	
District: 08	Expenditure Limit:
	2010–2012: N/A
Committee Name: Santos 2013	2013 Primary: \$168,000
Classification: Participant	2013 General: N/A
Certification Date: June 10, 2013	
	Public Funds:
Ballot Status: Primary	Received: \$76,590
Primary Election Date: September 10, 2013	Returned: \$1,963
Party: Democratic	
	Campaign Finance Summary:
	<a href="http://bit.ly/1yS63Hp">http://bit.ly/1yS63Hp</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. 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. 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 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 number 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. Financial Disclosure Reporting - Discrepancies

Campaigns are required to report every disbursement made, and every contribution, loan, and other receipt received. *See* Admin. Code § 3-703(6); Rule 3-03. In addition, campaigns are required to deposit all receipts into an account listed on the candidate's Certification. *See* Admin. Code § 3-703(10); Rule 2-06(a). Campaigns are also required to provide the CFB with bank records, including periodic bank statements and deposit slips. *See* Admin. Code §§ 3-703(1)(d), (g); Rules 4-01(a), (b)(1), (f).

The Campaign provided the following bank statements:

BANK	ACCOUNT #	ACCOUNT TYPE	STATEMENT PERIOD
Chase	XXXXXX9766	Checking	Jan 2013 – Oct 2014
American Express	XXXXXX5268	Merchant	Mar 2013 – Aug 2013
Chase Paymentech	XXX0799	Merchant	Mar 2013 – Jan 2014

Below are the discrepancies and the additional records needed, as identified by a comparison of the records provided and the activity reported by the Campaign on its disclosure statements.

a) The Campaign must provide the bank statements listed below:

BANK	ACCOUNT #	STATEMENT PERIOD
American Express	XXXXXX5268	September 1, 2014 – October 29, 2014

b) The Campaign did not report the transactions listed below that appear on its bank statements.

ACCOUNT #	NAME	CHECK NO./ TRANSACTION	PAID DATE	AMOUNT
XXXXX9766	Withdrawal	Debit	08/02/13	\$499.00
XXXXX9766	Withdrawal	Debit	08/05/13	\$175.00
<b>Total</b>				<b>\$674.00</b>

c) The Campaign reported the following transactions that do not appear on its bank statements:

NAME	CHECK NO./ TRANSACTION	STATEMENT/ SCHEDULE/ TRANSACTION	PAID DATE	AMOUNT
Lightbourne, Iolani	1686706358	16/M/R0001308	08/02/13	\$100.00
Harper, Katrina	1686706359	16/M/R0001306	08/02/13	\$175.00
Diallo, Assato	1686706360	16/M/R0001307	08/02/13	\$50.00
Schwartz, Laurel	1686706361	16/M/R0001310	08/02/13	\$25.00
Fareri, Mark	1686706363	16/M/R0001309	08/02/13	\$50.00
<b>Total</b>				<b>\$400.00</b>

d) The Campaign reported duplicate transactions as listed below:

NAME	CHECK NO./ TRANSACTION	STATEMENT/ SCHEDULE/ TRANSACTION	PAID DATE	AMOUNT	DUPLICATE REPORTED AMOUNT
Hassinger, Jesse	1054	16/F/R0001301	09/13/13	\$12.60	
Hassinger, Jesse	1054	13/F/R0001365	09/13/13		\$12.60

### Previously Provided Recommendation

a) The Campaign must provide all pages of the requested bank statements.

b) The Campaign must amend its disclosure statements to report these transactions. The Campaign must also provide documentation for each transaction. Because bank statements

provide limited information about a transaction, the Campaign should review invoices or other records to obtain all of the information necessary to properly report the transaction.

c) For each transaction reported in the Campaign's disclosure statements that does not appear on the Campaign's bank statements, the Campaign must provide evidence to show that the transaction cleared the bank (i.e., a copy of the front and back of the check, and the bank statement showing the payment). Alternatively, the Campaign may provide evidence that the transaction was reported in error, or amend the Campaign's disclosure statement to void the check. For each voided check, the Campaign must either issue a replacement check or forgive the expenditure payment. Any forgiven liabilities will be considered in-kind contributions, which could result in contribution limit violations, or be considered contributions from a prohibited source. The Campaign may need to contact the payee to determine why the transaction did not clear.

d) For duplicate transactions, the Campaign must delete the duplicate transactions in C-SMART and submit amended disclosure statements. If the transactions are not duplicates, the Campaign must explain why the transactions are not duplicates, and provide supporting documentation. The Campaign may also need to amend its disclosure statements if it did not report transactions accurately.

Please note that any newly entered transactions that occurred during the election cycle (01/12/10—01/11/14) will appear as new transactions in an amendment to Disclosure Statement 16, even if the transaction dates are from earlier periods. Any transactions dated after the election cycle will appear in disclosure statements filed with the New York State Board of Elections. Also note that the Campaign must file an amendment for each disclosure statement in which transactions are being modified. Once all data entry is completed, the Campaign should run the Modified Statements Report in C-SMART to identify the statements for which the Campaign must submit amendments. The C-SMART draft and final submission screens also display the statement numbers for which the Campaign should file amendments. If the Campaign added any new transactions, it must submit an amendment to Disclosure Statement 16.<sup>1</sup>

## **Campaign's Response**

a) In response to the Draft Audit Report, the Campaign provided merchant account statements for the American Express account ending in 5268 through August 2014 and a letter from American Express stating that the account was closed as of October 29, 2014. The Campaign's response is inadequate because the Campaign failed to provide a statement covering activity from September 2014 through October 29, 2014, when the account was closed.

b) In response to the Draft Audit Report, the Campaign amended its reporting to disclose several transactions that were previously unreported. However, the Campaign failed to report two of the transactions.

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<sup>1</sup> If the Campaign amends its reporting with the CFB, it must also submit amendments to the New York State Board of Elections.

c) In response to the Draft Audit Report, the Campaign resolved several previously uncleared transactions by providing requested bank statements. However, the Campaign also amended its disclosure statements to report five new contribution refunds that were not identified on the Campaign’s bank statements.

d) In response to the Draft Audit Report, the Campaign amended its reporting to delete previously identified duplicate transactions. However, the Campaign added a new duplicate transaction in its attempt to report an advance repayment.

**Board Action**

a – d) The Board has taken no further action on these matters other than to make these 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 a contribution from an entity listed on the New York State Department of State’s website as a corporation, partnership, and/or LLC in the following instance:

CONTRIBUTIONS FROM PROHIBITED SOURCES				
NAME	STATEMENT/ SCHEDULE/ TRANSACTION	RECEIVED DATE	AMOUNT	NOTE
Perception Imaging	12/F/R0001089	09/06/13	\$951.00	(1)

(1) The Campaign did not pay tax on this expenditure. At a tax rate of 8.875%, the Campaign should have paid an additional \$84.40, resulting in an in-kind contribution from the vendor.

**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 it did not accept a contribution 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**

The Campaign responded to the Draft Audit Report and stated the vendor's failure to charge tax on the expenditure was erroneous. The Campaign provided an invoice from the vendor for \$73.83, the cost of the tax (8.63% in Suffolk County), and provided a copy of the Cashier's Check from the Campaign made payable to the vendor.

### **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. 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) Documentation obtained by the CFB indicates that one or more expenditures were made to advance the election of the Candidate. However, the Campaign did not report the expenditure.

DESCRIPTION OF ITEM	EXHIBIT #	NOTE:
Consulting Services	I	(1)

(1) The Campaign provided a letter dated October 7, 2014 from Leadership for Educational Equity stating that Leadership for Educational Equity PAC (LEE New York PAC) purchased consulting services on behalf of the Campaign in the amount of \$1,020.66. However, the Campaign only reported in-kind contributions totaling \$951.45 from LEE New York PAC (a difference of \$69.21). An in-kind contribution in the amount of \$333.89 on May 11, 2013, which actually totaled \$403.10 per the invoice provided by the Campaign, accounts for the difference of \$69.21.

b) Per the Employment Agreement provided for Jesse Hassinger, the Campaign agreed to pay the employee \$2,000 per month to serve as Deputy Campaign Manager from April 1, 2013 through September 24, 2013. A new contract was issued in August 2013, which stipulated a higher monthly wage of \$3,200.00 when Mr. Hassinger assumed the position of Campaign Manager. Based on the Campaign's reporting and documentation, the Campaign did not pay the full amount owed to Mr. Hassinger for September 2013. The Campaign paid the employee \$2,000.00 for work performed from September 1, 2013 through September 24, 2013 (the anticipated end date stipulated in the contract) when it should have paid the employee a prorated amount of \$2,560.00 [(\$3,200 per month / 30 days in the month) x 24 days in September included in the terms of the contract]. Therefore, the Campaign received an in-kind contribution from the employee in the amount of \$560.00 (\$2,560.00 - \$2,000.00).

c) Per the Employment Agreement provided for Tyrone Stevens, the Campaign agreed to pay the employee \$3,200 per month to serve as Campaign Manager beginning on February 21, 2013. Based on the explanation provided the Campaign, Mr. Stevens was paid a prorated rate of \$800.00 for work performed from February 21, 2013 through February 28, 2014. The Campaign should have paid the employee \$914.28 for this period [(\$3,200.00 per month / 28 days in February) x 8 days in February covered in the contract]. Therefore, the Campaign received an in-kind contribution from the employee in the amount of \$114.29 (\$914.28 - \$800).

### **Previously Provided Recommendation**

a) This finding was identified as a result of the Campaign's response to the Draft Audit Report dated November 26, 2014.

b – c) These findings were identified as a result of the Campaign's response to the Notice of Alleged Violations and Recommended Penalties dated June 30, 2015.

### Campaign's Response

- a) This finding was identified as a result of the Campaign's response to the Draft Audit Report dated November 26, 2014.
- b) In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign provided an in-kind contribution form from Mr. Hassinger for \$560. The Campaign did not report the in-kind contribution.
- c) In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign provided an in-kind contribution form from Mr. Stevens for \$114. The Campaign did not report the in-kind contribution.

### Board Action

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

## 4. Contribution 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.

Per the instructions in the Campaign's Draft Audit Report dated September 15, 2014, the Campaign was required to provide supporting documentation for the previously unreported contribution refunds listed below, but failed to do so.

NAME	TRANSACTION TYPE	STATEMENT/ SCHEDULE/ TRANSACTION	INCURRED/RECEIVED/ REFUNDED/PAID DATE	AMOUNT
Reid, Jessica	Contribution Refund	16/M/R0001305	08/07/13	\$20.00
Sheppard, Chrissy	Contribution Refund	16/M/R0001304	08/22/13	\$175.00

### Previously Provided Recommendation

This finding was identified as a result of the Campaign's response to the Draft Audit Report dated September 15, 2014.



## **Campaign's Response**

This finding was identified as a result of the Campaign's response to the Draft Audit Report dated September 15, 2014.

## **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.

## *Expenditure Findings*

### **5. 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 II is an improper post-election expenditure due to the timing, amount and/or purpose reported by the Campaign or identified from a review of Campaign bank statements and/or documentation.

### **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 that the expenditures to Google were needed to keep its google email while winding down the Campaign. The Campaign's response was inadequate because the expenditures continued for several months after Campaign activity had ended and the Campaign failed to explain how the expenses actually assisted in winding down the Campaign.

In response to the Notice of Alleged Violations and Recommended Penalties, the Campaign explained that it needed to keep its Paymentech and Authorize.net accounts open in order to maintain its online profile while winding down the Campaign and to gather information and

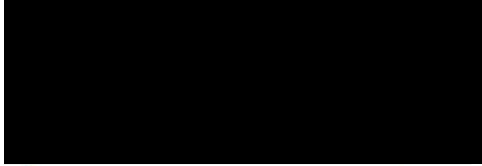
documentation for its post-election audit. However, the Campaign did not report any credit card contributions after August 26, 2013 and had no outstanding liabilities for which it would need to fundraise to repay. The Campaign did not demonstrate that keeping these accounts open assisted in the winding down of the Campaign and did not explain why it could not have retrieved all records from the accounts for its responses to CFB requests and then closed the accounts.

### **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,



signature on original

Jonnathon Kline, CFE

Director of Auditing and Accounting

Date: February 23, 2016

Staff: Danielle Willemin

Angel Daniels

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

**Candidate:** Santos, Edward N (ID:1688-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)		\$29,145.01
3. Total unitemized monetary contributions		\$0.00
4. Total in-kind contributions (Sch D)		\$951.45
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)		\$102,684.01
Expenditure payments	\$101,573.64	
Advance repayments	\$1,110.37	
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)		\$1,295.00
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		\$74,627.00
Total public funds payment	\$76,590.00	
Total public funds returned	(\$1,963.00)	
21. Total Valid Matchable Claims		\$12,765.00
22. Total Invalid Matchable Claims		\$590.00
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**  
**Santos 2013**  
**LEE New York PAC Invoice**  
**(see Finding #3a)**

Leadership for Educational Equity  
1413 K Street, NW  
Washington, DC 20005  
202-552-2400  
[yolanda.hampton@educationalequity.org](mailto:yolanda.hampton@educationalequity.org)

Invoice No : [100]

Date : 5/11/13

Leadership for Educational Equity PAC  
Beki Bahar-Engler  
1413 K Street, NW  
Washington, DC 20005  
202-552-2400  
[Beki.Bahar-Engler@educationalequity.org](mailto:Beki.Bahar-Engler@educationalequity.org)

Contract Initiator	Payment Terms	Due Date
Leadership for Educational Equity PAC	Net 30	6/10/2013

Description	Employee	Sub-total
Candidate Coaching- Santos 2013	Emily Elsenbast	\$19.34
Candidate Coaching- Santos 2013	Anna Lidman	\$19.34
Candidate Coaching- Santos 2013	Anna Lidman	\$49.51
Candidate Coaching- Santos 2013	Anna Lidman	\$32.57
Candidate Coaching- Santos 2013	Mallory Hutchison	\$9.67
Candidate Coaching- Santos 2013	Dahni-El Giles	\$19.81
Candidate Coaching- Santos 2013	Brian Johnson	\$153.83
Candidate Coaching- Santos 2013	Dahni-El Giles	\$39.61
Candidate Coaching- Santos 2013	Dahni-El Giles	\$29.70
Candidate Coaching- Santos 2013	Dahni-El Giles	\$9.91
Candidate Coaching- Santos 2013	Dahni-El Giles	\$19.81
Subtotal		\$ 403.10
<b>TOTAL</b>		\$ 403.10

Make all checks payable to: **Leadership for Educational Equity**  
THANK YOU FOR YOUR BUSINESS!

**For Internal Use Only**

Account Code	Department	Project	Function	Special Code
44000 Consulting Fees	300 Elected Leadership	0000 - Default	20 - Leaders	6 - C4 - Political

**Exhibit II**  
**Santos 2013**  
**Improper Post-Election Expenditures**  
**(see Finding #5)**

<b>Name</b>	<b>Statement/ Schedule/ Transaction ID</b>	<b>Purpose Code</b>	<b>Invoice Date</b>	<b>Paid Date</b>	<b>Amount</b>
Authorize.net	16/F/R0001143	FUNDR	08/14/13	11/02/13	\$20.00
Google	16/F/R0001151	OFFCE	08/23/13	11/04/13	\$25.00
Paymentech	16/F/R0001163	OTHER	09/09/13	11/04/13	\$34.95
Google	16/F/R0001119	OFFCE	12/01/13	12/01/13	\$25.00
Paymentech	16/F/R0001127	FUNDR	12/02/13	12/02/13	\$34.95
Authorize.net	16/F/R0001129	FUNDR	12/03/13	12/03/13	\$20.00
Google	16/F/R0001121	OFFCE	01/01/14	01/01/14	\$25.00
Paymentech	16/F/R0001133	FUNDR	01/02/14	01/02/14	\$34.95
Authorize.Net	16/F/R0001131	FUNDR	01/03/14	01/03/14	\$20.00
Google	BOE	OFFCE	02/04/14	02/04/14	\$8.87
Authorize.Net	BOE	OTHER	02/04/14	02/04/14	\$4.19
<b>Total</b>					<b><u>\$252.91</u></b>