



New York City Campaign Finance Board

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Via C-Access

June 2, 2015

Ronnie Croce
Re-elect Koslowitz 2013



Dear Ronnie Croce:

Please find attached the New York City Campaign Finance Board's ("CFB" or "Board") Final Audit Report for the 2013 campaign of Karen Koslowitz (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 with any questions about the enclosed report.

Sincerely,



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

c: Karen Koslowitz


Re-elect Koslowitz 2013


Attachments



EC2013 Final Audit Report

Re-elect Koslowitz 2013

June 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 Karen Koslowitz (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 accepted a contribution from a prohibited source (see Finding #2).
- The Campaign accepted a contribution from an unregistered political committee (see Finding #3).

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 for reported expenditures (see Finding #4).

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: Karen Koslowitz	Contribution Limit:
ID: GS	\$2,750
Office Sought: City Council	
District: 29	Expenditure Limit:
	2010–2012: \$45,000
Committee Name: Re-elect Koslowitz 2013	2013 Primary: N/A
Classification: Participant	2013 General: \$168,000
Certification Date: May 30, 2013	
	Public Funds:
Ballot Status: General	Received: \$21,945
General Election Date: November 5, 2013	Returned: \$21,945
Party: Working Families, Democratic	
	Campaign Finance Summary:
	http://bit.ly/1rkLYH8

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. 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 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. 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.

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
Hudson TG LLC	\$12,384.75

Previously Provided Recommendation

This finding was identified as a result of the Campaign’s response to the Draft Audit Report dated August 14, 2014.

Campaign’s Response

This finding was identified as a result of the Campaign’s response to the Draft Audit Report dated August 14, 2014.

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. Codes § 3-703(1)(l), 3-719(d); Rules 1-04(c), (e).

Prior to the election, 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 instance. Upon notification from the CFB, the Campaign refunded the contribution.

PREVIOUSLY REFUNDED CONTRIBUTIONS FROM PROHIBITED SOURCES

NAME	STATEMENT/ SCHEDULE/ TRANSACTION	RECEIVED DATE	AMOUNT	NOTE
Darche, Gary M	4/ABC/R0001148	10/26/11	\$200.00	(1)
Darche, Gary M	5/M/R0001306	05/08/12	(\$200.00)	

(1) The documentation provided by the Campaign indicates that this contribution was from Darche Law Firm LLC.

Previously Provided Recommendation

The Campaign previously refunded 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 timely refunded the corporate contribution after CFB notification.

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. 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.nyccfb.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 contribution from unregistered political committees in the following instance. Upon 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
MFDA-PAC	6/ABC/R0001648	01/08/13	\$1,500.00
MFDA-PAC	7/M/R0001785	02/25/13	(\$1,500.00)

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 responded to the Draft Audit Report and stated, "The contribution was accepted from MFDA-PAC in reliance on the PAC being registered with the CFB in the prior (2009) election cycle. Neither the PAC nor the Committee realized the registration did not carry over, as had been CFB policy in prior cycles. The PAC registered promptly after notice." Although the Campaign timely refunded the unregistered political committee contribution after CFB notification, the CFB has never had a policy of carrying over registrations from prior cycles.

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

4. 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 on Exhibit I.

Previously Provided Recommendation

The Campaign must submit documentation, or explanations as indicated, for each listed transaction. The finding numbers and exhibit numbers, as well as the number of transactions included in the finding, may have changed from the Draft Audit Report to the Final Audit Report.

Campaign's Response

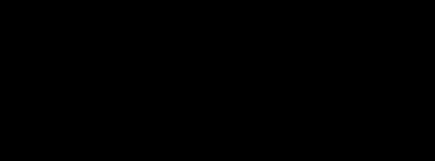
In response to the Draft Audit Reported dated August 14, 2014, the Campaign provided documentation for six out of the seven transactions previously listed on Exhibit I. The Campaign stated that documentation for the Staples expenditure (Transaction ID 4/P/R0001161) is missing.

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,



Jonnathon Kline, CFE

Director of Auditing and Accounting
signature on original

Date: June 2, 2015

Staff: Selene Muñoz

Hormis Thaliath

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

Candidate: Koslowitz, Karen (ID:GS-P)**Office:** 5 (City Council)**Election:** 2013

1. Opening cash balance (All committees)		\$0.00
2. Total itemized monetary contributions (Sch ABC)		\$99,139.00
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)		\$0.00
7. Total unitemized other receipts		\$0.00
8. Total itemized expenditures (Sch F)		\$75,811.68
Expenditure payments	\$72,366.07	
Advance repayments	\$3,445.61	
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)		\$220.40
17. Total receipts adjustment (Sch M - excluding CFB repayments)		\$3,485.00
18. Total outstanding liabilities (Sch N - last statement submitted)		\$175.00
Outstanding Bills	\$175.00	
Outstanding Advances	\$0.00	
19. Total advanced amount (Sch X)		\$0.00
20. Net public fund payments from CFB		\$0.00
Total public funds payment	\$21,945.00	
Total public funds returned	(\$21,945.00)	
21. Total Valid Matchable Claims		\$21,814.00
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
Re-elect Koslowitz 2013
Document Request
(see Finding #4)

Name	Transaction Type	Statement/ Schedule/ Transaction ID	Incurred/ Received/ Paid Date	Amount
Staples	Advance Purchase	4/P/R0001161	10/12/11	\$102.14