



Audits and Assistance Division Update

August 2023

Shrdha Shah - Chief of Audits & Assistance

Audit Purpose

To determine the level of compliance of the auditees with the Political Reform Act's (PRA) recordkeeping and disclosure provisions.

- Fraud deterrence - Minimize the risk of non-compliance with the PRA.
- Educate auditees on the importance of proper recordkeeping of campaign statements and reports.
- Continuous improvement – serving as a tool to update/amend regulations and guidelines related to campaigns.

These activities support the mission of the agency to ensure that public officials act in a fair and unbiased manner in the governmental decision-making process, to promote transparency in government, and to foster public trust in the political system.

Audit Authority

Audits authority is provided to the FPPC and FTB per § 90001- 90008 of the PRA.

- **Mandatory Audits - §90001**

- (a) Lobbying firms and lobbyist employers.
- (b) [Statewide*](#), Supreme Court, Court of Appeal, or [Board of Equalization candidates \(*Controller\)](#).
- (c) Legislative or contested superior court candidates.
- (d) Legislative candidates in special election
- (e) [Controlled committee \(*Controller & BOE\)](#)
- (f) Committee primarily supporting/opposing a candidate
- (g) Committee primarily in support/opposition to a state measure or state measures
- (h) General purpose committees.
- (i)(1) Local jurisdictions.
- (i)(2) [CalPERS](#)

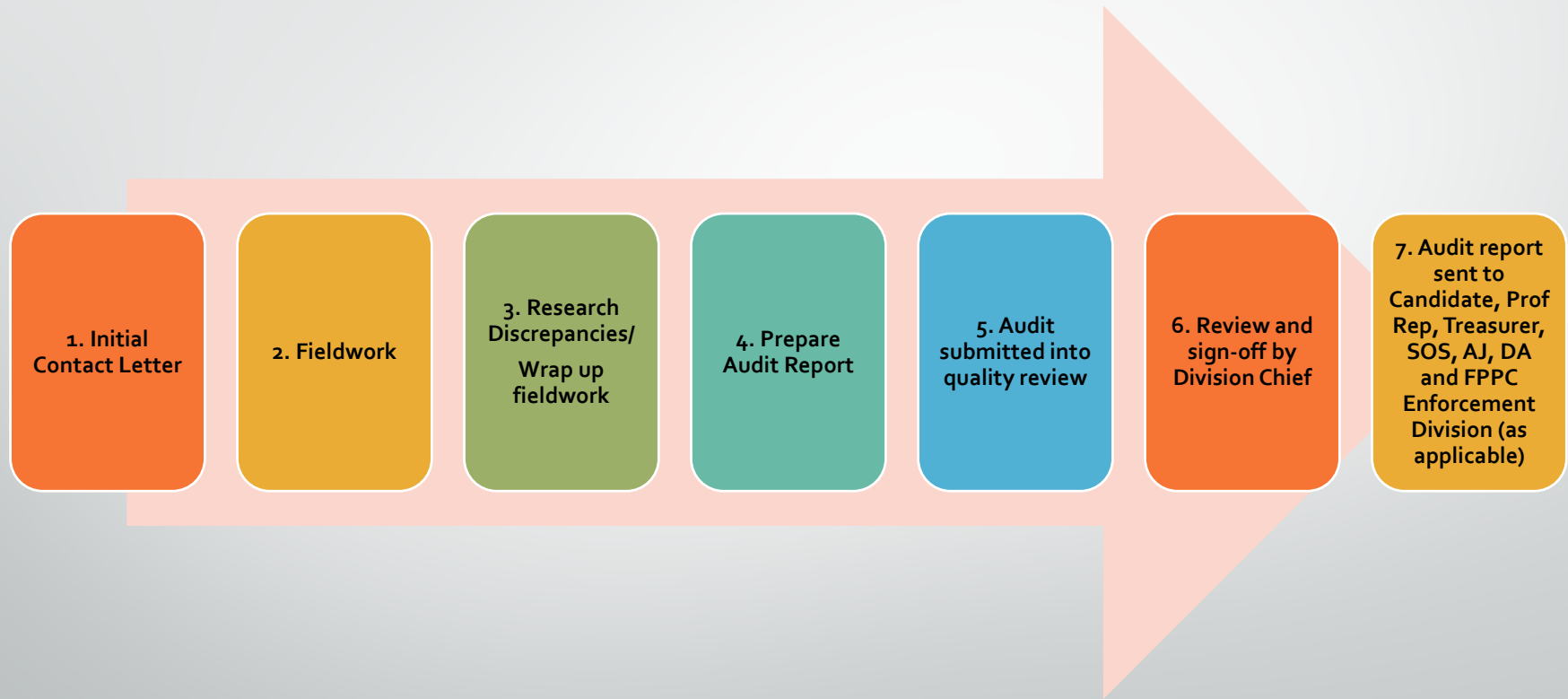
Random draws are conducted in February, August and December of odd numbered years by FPPC.

Audit Authority (cont...)

- **Discretionary Audits - §90003**
 - § 90003 allows the FPPC and FTB to conduct audits at our discretion.
- **Contractual Audits §83123.5 and 83123.6**



Audit Process



Audit Timeline

- Typically takes between 60-200 hours, depending on size and type.
- Generally covers all campaign statements and reports filed during the previous years.
 - Audit period may be extended to include any transaction that relates to or is connected with the election being audited (§ 90002).
- Begins after the last filing date for the preceding election.
- FPPC follows audit standards derived from FPPC regulations, CA State standards & policies and the Generally Accepted Auditing Standards of the American Institute of Certified Public Accountants (AICPA) in each audit.

FY 2022-23 Update

- **Major Division Changes:**

- Stand-alone Division as of December 2021.
- Audit Manual updated.
- Workpapers updated and streamlined.
- New audit review process implemented.
- Focus on auditor training



FY 2022-23 Update (Cont...)

- **Staffing:**

- 7 staff including Division Chief, Supervising Management Auditor, 4 Auditors and 1 Retired Annuitant (part-time).
 - 1 Associate Management Auditor hired to fill vacancy created in June 2023.
 - 1 Staff Services Management Auditor hired due to passing of SB 794.
 - SB 794 allows a committee to knowingly accept contributions up to twice the limit, so long as they return the excess within a specified period and do not use the contribution prior to returning it.

- **Reports adopted:**

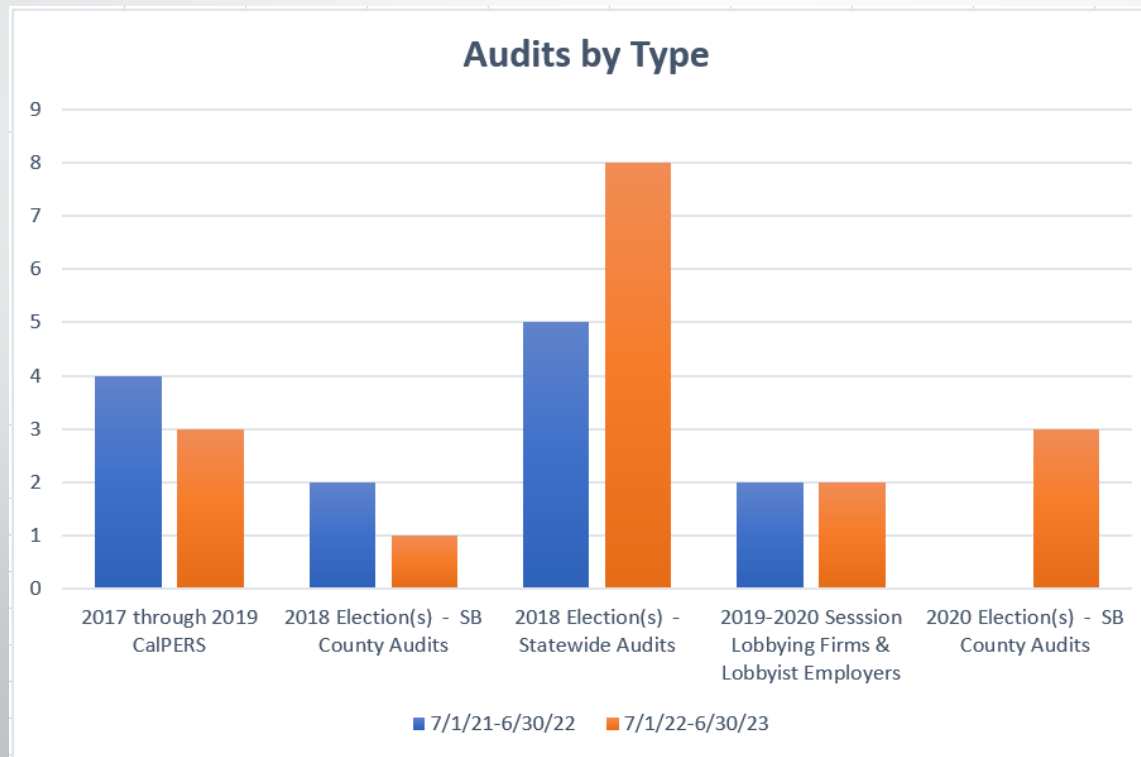
- 17 audit reports adopted during the fiscal year.

- **Other projects:**

- Investigations
- Random draws
- Special projects as needed

FY 2022-23 Update

- **Two-year audit comparison:**
 - **17 reports adopted in FY 2022/23 vs 13 in FY 2021/22.**



Common Audit Findings

- **Most commonly noted:**

- Not filing required FPPC campaign statements and reports on a timely basis.
- Failure to timely disclose required information – such as accrued expenses and subvendor information.
- Failure to maintain source documents for contributions, loans, expenditures, etc.

- **Other findings noted:**

- Incorrectly disclosing or not disclosing all required information – i.e. payee address, purpose of expenditure, etc.
- Failure to report non-monetary contributions accurately.
- Failure to provide records for FPPC audits when requested (numerous follow-ups, subpoenas are time consuming and costly).



**Questions?
Comments?**

