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Cover photo illustration by Denver Auditor’s Office staff.
AUDITOR’S LETTER

May 19, 2022

The objective of our audit of the Denver Fair Elections Fund was to determine whether the Clerk and Recorder’s Office is adequately prepared to administer the fund in compliance with city campaign finance laws and regulations ahead of the next municipal election in April 2023. I am pleased to present the results of this audit.

The audit found that, as of early February 2022, the Clerk and Recorder’s Office does not have fully developed policies and procedures to administer the Fair Elections Fund and it has no strategy to evaluate how well the fund works. But it is making progress.

By implementing recommendations to develop and implement comprehensive policies, a program evaluation plan, and a communication plan, the Clerk and Recorder’s Office will be better equipped to administer and improve the Fair Elections Fund now and in the future.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor.” We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the personnel in the Clerk and Recorder’s Office who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Fair Elections Fund
MAY 2022

Objective
To determine whether the Clerk and Recorder's Office is adequately prepared to administer the Fair Elections Fund ahead of the next municipal election in April 2023.

Background
In 2018, Denver voters approved the creation of the Fair Elections Fund to publicly finance some campaigns and promote fairness and equity in municipal elections. The fund is meant to empower average residents and reduce the influence of large donations.

The City and County of Denver sets aside some General Fund dollars to support the Fair Elections Fund. Participating candidates agree to subject themselves to lower campaign contribution limits and they must accept only smaller donations. In return, the Fair Elections Fund will provide those candidates with matching contributions of nine times the amount of each small-dollar donation they collect.

The Clerk and Recorder’s Office Lacks Fully Developed Policies and Procedures to Administer the Fair Elections Fund
While the office has taken some steps to create required policies, many gaps remain as of early February 2022.

The office can better prepare itself to administer the Fair Elections Fund by creating and implementing a comprehensive set of documented policies and procedures that would help ensure the city complies with Denver ordinance, local election rules, and leading practices.

The Clerk and Recorder’s Office Has No Strategy to Evaluate the Success of the Fair Elections Fund
As of early February 2022, the office lacks a plan to evaluate the fund and ensure it achieves its intended goals of reducing the influence of large donations in municipal elections. Without a program evaluation plan, city staff members will not:

- Be able to monitor the fund's progress.
- Have the information they need to improve the fund.
- Necessarily share information with the public about whether the fund is fulfilling voters’ intended goals.

WHY THIS MATTERS
The Clerk and Recorder’s Office needs sufficient policies and procedures and a developed evaluation strategy to ensure the city’s Fair Elections Fund achieves the goals that voters had in mind when they approved the program in 2018 — namely to reduce the impact of large donations and those from political action committees and to increase the impact average residents can have.
The Clerk and Recorder’s Office Lacks Fully Developed Policies and Procedures to Administer the Fair Elections Fund

The Clerk and Recorder’s Office Has No Strategy to Evaluate the Success of the Fair Elections Fund
BACKGROUND

Denver voters approved the creation of the Fair Elections Fund in 2018 to publicly finance certain campaigns and promote better transparency and equity in municipal elections. The fund is meant to encourage broad community involvement in funding elections and reduce the influence of large donations.

Those candidates for mayor, City Council, clerk and recorder, judge, and auditor who choose to participate in the fund agree to accept lower campaign contribution limits than other candidates in return for receiving matching public funds for each small-dollar donation they collect.¹

The fund itself:

- Provides a source of public funding for campaigns of candidates who are certified to participate in the Fair Elections Fund.
- Pays for the administrative costs of the city staff who oversee the fund.²

To fully comply with city ordinance requirements for the Fair Elections Fund, the Clerk and Recorder’s Office developed a new campaign finance system called “SearchLight Denver” — which it implemented in late February 2022 in order to fully comply with Fair Elections Fund requirements.

As shown in Figure 1, because the next municipal election is not until April 2023 and because the Clerk and Recorder’s Office had not yet implemented its new campaign finance system when we conducted our audit, we approached our audit as a readiness assessment.

FIGURE 1. Timeline of Fair Elections Fund Implementation as Compared to Audit Work

Source: Created by Auditor’s Office staff.

Therefore, this report addresses the state of the office's preparedness to manage the Fair Elections Fund and related campaign finance issues only as of Feb. 3, 2022. According to leading practices, a readiness assessment — formally called a “prospective” audit — provides information based on potential events and future actions.³

Denver’s Fair Elections Fund

The Fair Elections Fund is subject to requirements set out in Denver ordinance, as well as the city’s election rules.⁴

**HOW THE FUND WORKS** – Effective January 2020, Denver ordinance requires the city to put $2.88 for each Denver resident into the Fair Elections Fund annually. The money comes from the city's General Fund; it is not an added tax residents pay. City ordinance prohibits the Fair Elections Fund from having more than $8 million at any time.⁵

For each qualifying campaign contribution of $50 or less that participating candidates receive, the Fair Elections Fund will match that amount by nine times the original contribution, as shown in Figure 2.⁶

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**FIGURE 2. Example of How the Fair Elections Fund Matches Campaign Contributions**

![Diagram showing how the Fair Elections Fund matches campaign contributions.](source)

**Source:** Created by Auditor’s Office staff using information from the Clerk and Recorder’s Office.

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For a contribution to be considered “qualifying,” the contribution must meet specific requirements. It must:

- Come from a Denver resident.
- Have an accompanying receipt including the donor’s name and home address.
- Include the donor’s acknowledgment that they freely gave the contribution.  

**REQUIREMENTS OF PARTICIPATING CANDIDATES** – To receive matching funds, participating candidates must apply and be approved to receive public financing for their campaign through a certification process.

They must agree to raise money in lower amounts and accept contributions only from individuals and small-donor groups. This helps empower average residents and reduce the influence of larger donors. Specifically:

- Mayoral candidates can accept no more than $500 from a single donor.
- Candidates for judge, clerk and recorder, and auditor as well as candidates for at-large council seats can accept no more than $350 from a single donor.
- Candidates for district-level seats on the City Council can accept no more than $200 from a single donor.

To be eligible for certification, interested candidates must:

- Be competing against at least one other candidate.
- Apply by the end of the qualifying period, which is 50 days before Election Day — or for 2023, Feb. 13.
- Collect a minimum number of qualifying contributions — depending on the office they are seeking — before the qualifying period ends.

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7 Denver Revised Municipal Code § 15-53(a)(3) and 15-54(c).
- Give each donor a receipt and keep a copy of that receipt for two years after the election.

Mayoral candidates must collect at least 250 qualifying donations during the qualifying period. Candidates running for the City Council, auditor, judge, or clerk and recorder must collect at least 100 qualifying donations.\footnote{Denver Revised Municipal Code § 15-53.}

**PAYMENTS TO PARTICIPATING CANDIDATES** – According to city ordinance, the Clerk and Recorder’s Office must authorize payments to certified candidates on the Aug. 15 before a regularly scheduled municipal general election.\footnote{Denver Revised Municipal Code § 15-56.} Therefore, the first payments from the Fair Elections Fund will go out in August 2022, before Denver’s next municipal election in April 2023.

Candidates are limited in how much they can each receive in matching public funds, as shown in Figure 3.\footnote{Denver Revised Municipal Code § 15-56.} For example, mayoral candidates can receive no more than $750,000 in public financing for their campaigns.

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**FIGURE 3. Maximum Possible Public Financing from the Fair Elections Fund, by Candidate Type**

<table>
<thead>
<tr>
<th></th>
<th>District Council Member</th>
<th>At-Large Council Member, Clerk and Recorder, Judge, or Auditor</th>
<th>Mayor</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 million</td>
<td>$125,000</td>
<td>$250,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>$750,000</td>
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<td>$0</td>
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</tbody>
</table>

*Source: Created by Auditor’s Office staff using information from the Clerk and Recorder’s Office.*
The Clerk and Recorder’s Office is responsible for conducting “fair, accurate, accessible, secure, transparent, and efficient” elections.

STRUCTURE AND SERVICES – The Clerk and Recorder’s Office has several responsibilities, such as recording land and marriage documents and maintaining legislative records and city contracts. The office also manages elections in the City and County of Denver by:

- Overseeing city ordinances concerning lobbyist registration, campaign finance, and financial and gift disclosures of city officers.
- Conducting “fair, accurate, accessible, secure, transparent, and efficient” elections in Denver.
- Educating the public and encouraging them to vote.
- Maintaining accurate voter registration and election records.15

As shown in Figure 4, the Clerk and Recorder’s Office has three divisions: the Recording and Public Trustee Division, the Administration Division, and the Elections Division.

The Recording and Public Trustee Division and the Administration Division are both directly involved with campaign finance.16 The campaign finance unit within the Recording and Public Trustee Division has two staff members and oversees the implementation of both the Fair Elections Fund and the city’s new campaign finance system.17

FIGURE 4. Organizational Structure of the Clerk and Recorder’s Office

Source: Created by Auditor’s Office staff using information from the Clerk and Recorder’s Office.

16 City and County of Denver, “Mayor’s Proposed 2022 Budget.”
17 City and County of Denver, “Mayor’s Proposed 2022 Budget.”
MISSION, VALUES, GOALS, AND INITIATIVES – The Clerk and Recorder’s Office aims “to provide customer-friendly processes that are efficient and transparent, records that are easy to access, and elections that are accurate, secure, and convenient for voters.”

The campaign finance unit’s draft strategic plan for 2021 through 2024 says the unit wants to “be a nationally recognized agency.” It plans to work toward “continual improvement” and “expanded transparency and engagement of the residents of the City and County of Denver.” The unit also pledges to “contribute to rebuilding trust in government by allowing the public, media, and residents unparalleled access to data.”

As illustrated in Figure 5, the draft strategic plan also outlines the unit’s five core values: integrity, responsibility, access, nonpartisanship, and transparency.

FIGURE 5. The Denver Campaign Finance Unit’s Core Values

Source: Created by Auditor’s Office staff using information from the campaign finance unit’s draft strategic plan for 2021 through 2024.

Along with these core values, the draft strategic plan also defines several initiatives for the campaign finance unit, such as:

- Launching a new campaign finance reporting system and training campaign committees on how to use it.
- Helping promote a better understanding of the program.
- Improving systems and setting a high standard for documentation, policies, procedures, and training.
- Striving to become a national leader in campaign finance.
- Implementing an audit strategy.

**SearchLight Denver**

“SearchLight Denver” is the city’s new campaign finance system.

To create this reporting system, the Clerk and Recorder’s Office hired MapLight, a nonprofit organization that focuses on campaign finance research.

The city contracted with MapLight in December 2020 to build a system for Denver that would improve how the Clerk and Recorder’s Office manages, validates, and reports campaign finance data. The new system was also designed to help city staff manage and implement the new Fair Elections Fund.19

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FINDING 1 AND RECOMMENDATION

The Clerk and Recorder’s Office Lacks Fully Developed Policies and Procedures to Administer the Fair Elections Fund

To be adequately prepared to manage the Fair Elections Fund ahead of the next municipal election in April 2023, the Clerk and Recorder’s Office needs complete policies and procedures to help ensure the office complies with city ordinance, city election rules, and leading practices.

While the office has taken positive steps to create some required policies, significant gaps remain as of the end of our audit fieldwork in early February 2022.

The office did not finalize policies and procedures before launching its new campaign finance system, SearchLight Denver, in late February 2022. We found the Clerk and Recorder’s Office specifically lacks policies and procedures to ensure it:

- Verifies that campaign contributions to participating candidates come from valid sources.
- Accurately pays out matching funds when it begins doing so in August 2022.
- Consistently, and within the required time, trains candidates seeking certification to participate in the Fair Elections Fund.
- Reviews and consistently audits how candidates spend their matching public funds.

The City Launched Its New Campaign Finance System before Finalizing Necessary Policies and Procedures

As of early February 2022, the Clerk and Recorder’s Office is still drafting its policies and procedures for managing the Fair Elections Fund. According to staff members, this was because they were waiting for the city to launch its new campaign finance system.

Although the city launched SearchLight Denver in late February 2022, the Clerk and Recorder’s Office does not expect to have comprehensive policies and procedures for the system until May.

The city will make its first payments from the Fair Elections Fund in August 2022, and city ordinance requires the Clerk and Recorder’s Office to have certain policies and procedures in place before then.20

For example, a city election rule requires the Clerk and Recorder’s Office to provide online and in-person training for candidates participating in the Fair Elections Fund within 20 days of them filing to be certified to receive public financing for their campaigns. But as of the end of the fieldwork period of our audit, the office does not have policies and procedures to conduct this required training.

In some other instances, it might be best to not finalize certain policies and procedures while a new system is being developed. But without finalized policies required by city ordinance, the Clerk and Recorder’s Office risks:

- Candidates accepting contributions come from prohibited sources.
- The city not paying out the matching public funds on time or in accurate amounts.
- Candidates accepting ineligible contributions from donors or using the matching public funds on ineligible or non-campaign-related expenses.
- The office improperly managing the Fair Elections Fund, especially if key employees leave before documented policies and procedures are approved and implemented.

Turnover has impacted the staff’s ability to complete policies and procedures in the past.

Staff members said the office had no documented policies or procedures to manage the city’s previous campaign finance system. When senior staff left the office, the office lost crucial information on how to operate that previous system.

**The Clerk and Recorder’s Office’s Policies and Procedures for the Fair Elections Fund Are Insufficient in Several Key Areas**

As of early February 2022, the office has drafted only some of the policies required by city ordinance and election rules. Of those, none are finalized.

Some of the draft policies and procedures the office provided to us did not have sufficient detail for new and existing staff to adequately manage the Fair Elections Fund. The draft policies lack appropriate detail, and certain vital policies and procedures to oversee Fair Elections Fund operations do not exist.

We determined the Clerk and Recorder’s Office prioritized its new campaign finance system over developing policies and procedures to administer the Fair Elections Fund.

Internal controls are a key foundation to adequate governance. They are safeguards — created and documented in policies, procedures, and

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other tools — that help ensure the accuracy of information, promote accountability, prevent fraud, and improve efficiency of operations.\textsuperscript{22} Federal standards say organizations should document responsibilities in enough detail that staff members can perform their duties and that management can then effectively monitor the staff’s work.\textsuperscript{23}

Specifically, the office needs finalized policies and procedures to address the following issues:

\begin{itemize}
  \item **ENSURE CAMPAIGN CONTRIBUTIONS TO PARTICIPATING CANDIDATES COME FROM VALID SOURCES** – Candidates applying for certification need to collect a minimum number of qualifying contributions depending on the office they are seeking. City ordinance specifically prohibits the candidates participating in the Fair Elections Fund from accepting contributions from certain types of campaign committees.\textsuperscript{24}

  As of early February 2022, however, the Clerk and Recorder’s Office does not have a procedure to ensure contributions come from valid sources. Staff members said they plan to add a feature in SearchLight Denver to ensure the office knows what type of campaign committee is connected to each contribution.

  \item **ENSURE CANDIDATES ARE NOTIFIED OF APPROVAL** – City ordinance requires the Clerk and Recorder’s Office to notify interested candidates within 10 days whether their application is approved to receive public financing for their campaigns.\textsuperscript{25} But as of early February, the office does not have a procedure to notify candidates of whether they are approved. Staff members said they plan to add a feature to SearchLight Denver that would notify each candidate.

  But to ensure this notification occurs consistently and on time, the office needs a policy that documents this process, especially given candidates are already seeking certification.

  \item **ENSURE THE CLERK AND RECORDER’S OFFICE CORRECTLY ADMINISTERS THE PUBLIC DEBATE REQUIREMENT** – Candidates receiving public financing from the Fair Elections Fund must agree to participate in certain public debates with their opponents.\textsuperscript{26} City ordinance requires the Clerk and Recorder’s Office to choose sponsors for these debates. The rules for holding them — including the dates, times, and locations — are the responsibility of the debate sponsor. However, the rules cannot be made final without consulting the office.\textsuperscript{27}
\end{itemize}


\textsuperscript{24} Denver Revised Municipal Code § 15-54(b).

\textsuperscript{25} Denver Revised Municipal Code § 15-55(a).

\textsuperscript{26} Denver Revised Municipal Code § 15-54(e)(1).

\textsuperscript{27} Denver Revised Municipal Code§ 15-54(e)(2).
As of early February 2022, the Clerk and Recorder’s Office has no policy addressing the legal requirements for the public debates and it does not have a timeline for when the required debates would take place. Staff members said they are still developing those policies. City ordinance does not say when the public debates should take place. The office should finalize a policy, including a potential timeline, before reaching out to potential sponsors. Because of the detailed requirements in city ordinance, the office should finalize its policy as soon as possible to ensure it — and any debate sponsors — can comply with the law.

- **ENSURE TIMELY AND ACCURATE PAYOUT OF FAIR ELECTIONS FUNDS** – City ordinance dictates how the matching contributions from the Fair Elections Fund must be calculated for each candidate. The Clerk and Recorder’s Office said SearchLight Denver should automatically calculate projected payments based on the criteria in city ordinance. Staff members said they validated SearchLight Denver’s calculations before the system launched in late February 2022 and they plan to continue spot-checking the calculations.

We could not confirm either of these statements because our audit fieldwork ended in early February, and as of that time, the office’s policies and procedures to validate payments were incomplete.

Provided the first payments will be sent in August 2022, the Clerk and Recorder’s Office should finalize policies and procedures to validate payments as soon as possible to ensure candidates receive payments from the fund on time and in the accurate amounts.

- **ENSURE CANDIDATES RECEIVE REQUIRED TRAINING** – City election rules require the Clerk and Recorder’s Office to offer online and in-person training to candidates seeking fair elections funding. The election rules do not provide specific guidance on what to include in the trainings. However, city ordinance requires the Clerk and Recorder’s Office to create forms and provide instructional materials for all reporting required for the Fair Elections Fund.

To receive public financing for their campaigns, candidates must first apply for certification. In addition, candidates are required to sign an affidavit agreeing to follow all city election rules. They are required by city election rules to complete the necessary training no later than 20 days after filing their intent to be certified.

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Some candidates have already filed their intent to seek certification.\footnote{Information about all current candidates for Denver municipal office is available here: https://denver.maplight.com/public/candidate. Meanwhile, information about candidates seeking to participate in the Fair Elections Fund is available here: https://www.denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Office-of-the-Clerk-and-Recorder/Campaign-Finance-and-the-Fair-Elections-Fund.} But the Clerk and Recorder’s Office has no training policies or procedures to conduct the required training, nor has it provided any training, as of early February 2022. The Clerk and Recorder’s Office said it is still developing those policies.

But, until those policies are finalized, the office cannot ensure that candidates who need the training will receive it in compliance with city election rules.

And without the appropriate training, candidates may not be fully informed of the requirements for accepting public financing from the Fair Elections Fund. As a result, they risk accepting ineligible campaign contributions or using the matching public funds for inappropriate campaign expenses.

\begin{itemize}
  \item \textbf{ENSURE AUDITS OF CAMPAIGN FINANCE REPORTS} – City ordinance requires the Clerk and Recorder’s Office to audit two types of campaign reports:
    \begin{itemize}
        \item General campaign finance reports required of every candidate and every campaign committee.\footnote{Denver Revised Municipal Code § 15-35(b).}
        \item Financial reports from those candidates who receive public financing from the Fair Elections Fund.\footnote{Denver Revised Municipal Code § 15-53(a)(1)(b).}
    \end{itemize}
\end{itemize}

The ordinance does not provide specific guidance on how the Clerk and Recorder’s Office should audit these campaign reports and, as of early February 2022, the office has no policies and procedures specifically for auditing.\footnote{Denver Revised Municipal Code § 15-35(b) and § 15-53(a)(1)(b).}

The general campaign finance reports from every candidate and campaign committee must include information like the number of contributions they received and the amount of expenses.\footnote{Denver Revised Municipal Code § 15-35(d).} The Clerk and Recorder’s Office is then required to audit these reports to ensure candidates and committees comply with city ordinance.\footnote{Denver Revised Municipal Code § 15-39(4).}

As shown in Figure 6 on the next page, the financial reports from candidates who receive public financing must contain similar information — like contributions and expenses — but they must also provide supporting documentation, such as receipts.
And particularly because these campaigns are publicly funded, city ordinance requires the Clerk and Recorder’s Office to audit these reports to ensure the public money was used appropriately.\textsuperscript{37}

To better understand leading practices related to audits of campaign finance reports, we reached out to seven U.S. cities that have similar programs to match private, small-dollar campaign contributions with public funding. Four cities responded — New York City; San Francisco; Seattle; and Berkeley, California — and we compared their responses to the Denver Clerk and Recorder’s Office’s auditing procedures, which are still being drafted.

After an election cycle ends, New York City and San Francisco audit all candidates and campaign committees that receive public financing. San Francisco can also audit all other candidates and committees.

These post-election audits are designed to follow generally accepted government auditing

\begin{itemize}
  \item New York City.
  \item San Francisco.
  \item Seattle.
  \item Berkeley, California.
\end{itemize}

We compared these cities’ practices with the draft Fair Elections Fund policies and procedures Denver had available as of early February.

\textsuperscript{37} Denver Revised Municipal Code § 15-59(a)(5).
Auditing campaign finance reports during and after elections can help reduce the chance that candidates misuse public funds.

Post-election audits are meant to ensure:
- All financial transactions are accurately recorded and reported.
- Campaigns maintain adequate records.
- Campaigns comply with city requirements.

Throughout an election cycle, San Francisco and New York City also compare campaign finance reports with bank records. The cities notify candidates and campaign committees of any discrepancies, which helps ensure contributions and expenses are accurately recorded and reported.

Not only does auditing campaign finance reports during and after elections reduce the chance that candidates misuse public funds, auditing also promotes public transparency—a core value of the Clerk and Recorder’s Office.

Denver’s Clerk and Recorder’s Office has not drafted any policies or procedures specific to auditing as of early February 2022. However, staff members said they intend to conduct post-election audits on all financial reports related to fair elections funding and they plan to randomly review some general campaign finance reports.

- **ENSURE CANDIDATES ACCEPT ONLY SMALL-DOLLAR CONTRIBUTIONS** –
  The Clerk and Recorder’s Office also does not have documented policies and procedures to verify that candidates seeking public financing for their campaigns accept only “qualifying contributions” from their donors.

  Specifically, a match-eligible qualifying contribution:
  - Is from a Denver resident.
  - Is between $5 and $50.
  - Has an accompanying receipt including the donor’s name and home address.
  - Includes the donor’s acknowledgment that they freely gave the contribution.

According to city ordinance, before receiving fair elections funds, candidates must collect a minimum number of these small-dollar contributions. Mayoral candidates must collect at least 250 qualifying donations, and candidates running for the City Council, auditor, judge, or clerk and recorder must collect at least 100.

In addition, candidates who are eligible to receive public financing must keep supporting documentation of all qualifying contributions.

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such as copies of deposit slips or checks.\textsuperscript{42} City ordinance requires the Clerk and Recorder’s Office to then verify receipts to ensure all contributions are eligible.\textsuperscript{43}

But as of early February 2022, the Clerk and Recorder’s Office has no policy or process to ensure candidates’ contributions are qualified and eligible to be matched with fair elections funds. The office’s preexisting procedures are based on the previous campaign finance system — which the city replaced with SearchLight Denver in late February 2022.

Now that SearchLight Denver is live, Clerk and Recorder’s Office staff members told us they plan to verify qualifying contributions using the system’s automatic address verification.

As shown in Figure 7, the system should validate match-eligible donations a candidate submits by checking a donor’s address in three systems in the following order: the Statewide Voter Registration System, a geographic information system, and U.S. Postal Service records.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{CampaignFinance_AddressVerification.png}
\caption{SearchLight Denver’s Address Verification Process}
\end{figure}

\textit{Source: Created by Auditor’s Office staff using information from the Clerk and Recorder’s Office.}

Because this address verification feature was operational before the system went live, we could test whether it appropriately checks the residency of campaign donors.

We selected two addresses — one in the City and County of Denver and one outside city limits. We input the addresses in SearchLight Denver and confirmed the system validated the selected addresses correctly.

Denver’s ability to automatically verify donor addresses stands apart from the four other cities we spoke with. None of those cities have a system that verifies addresses automatically. For instance, Seattle’s campaign finance office sends donors’ addresses to the county elections team and that team manually verifies a donor’s signature.


\textsuperscript{43} Denver Revised Municipal Code § 15-59(a)(5).
and residency.

However, besides checking residency, New York, San Francisco, Seattle, and Berkeley, California all take additional steps to validate qualifying contributions. They verify addresses on contribution receipts by matching them with supporting documentation, like copies of checks. For example, New York City also investigates instances of potentially duplicate contributions and identical signatures.

Comparatively, as of early February, Denver’s Clerk and Recorder’s Office has considered only SearchLight’s address verification function as a tool to validate qualifying contributions.

• **ENSURE MATCHING PUBLIC FUNDS ARE SPENT ONLY ON CAMPAIGN EXPENSES** – Lastly, the office does not have safeguards to check whether candidates spend the matching public funds only on specific campaign expenses, as outlined in city ordinance and election rules.44

  We learned New York City and San Francisco both reconcile campaigns’ spending of matching public funds with bank statements during and after an election cycle. Also, they both ensure all campaign expenses comply with any applicable restrictions and they ensure campaigns report expenses accurately by verifying information with supporting documentation.

  As of early February 2022, the draft policy Denver’s Clerk and Recorder’s Office has has no procedure detailing how the office would verify that campaigns spent matching public funds appropriately.

Because Denver’s next municipal election is less than a year away, it is imperative that the Clerk and Recorder’s Office develop and implement a comprehensive set of policies and procedures as soon as possible, so it can sufficiently oversee the Fair Elections Fund and ensure the fund has the impact voters intended of empowering residents and reducing the influence of large donations.

1.1 RECOMMENDATION Develop and Implement Policies and Procedures

As soon as possible, the Clerk and Recorder’s Office should develop and implement policies and procedures that meet the requirements of city ordinance and election rules, as applicable, and ensure:

- Only certified candidates receive money from the Fair Elections Fund.
- The city accurately calculates the matching funds and pays them on time.
- The city offers online and in-person training for candidates who receive the matching public funds.
- Only match-eligible contributions are approved.
- The office audits candidates’ campaign finance reports.
- Participating candidates spend the matching public funds in line with election rules and city ordinance.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – AUG. 1, 2022
SEE PAGE 22 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.
FINDING 2 AND RECOMMENDATIONS

The Clerk and Recorder’s Office Has No Strategy to Evaluate the Success of the Fair Elections Fund

As of early February 2022, the Clerk and Recorder’s Office lacks a comprehensive plan to evaluate whether the Fair Elections Fund is successful in achieving the goals Denver voters intended. By not having developed a formal evaluation plan before the 2023 municipal election cycle, city staff cannot:

• Determine the city’s progress toward achieving voters’ goals for the Fair Elections Fund.
• Leverage data to improve how the fund operates.
• Share results and promote transparency with the public.

According to the U.S. Office of Management and Budget, “program evaluation” is a powerful tool that assists organizations “in determining whether government programs are achieving their intended outcomes as well as possible and at the lowest possible cost.”

Additionally, program evaluations help an organization understand which efforts are working and why. Federal guidance says program evaluations should specifically be:

• Planned early on, while a program is being designed.
• Developed with the program’s goals in mind.
• Shared with interested stakeholders.

The Clerk and Recorder’s Office Needs a Program Evaluation Plan In Place before August 2022

As of early February 2022, the Clerk and Recorder’s Office has no concrete plans to evaluate how well the Fair Elections Fund is working.

Federal guidance for creating and evaluating government programs says organizations should plan for program evaluation while they design a program — that is, before the program is implemented — so that managers can collect data when the program begins.

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47 U.S. Department of State.
48 U.S. Department of State.
Based on that guidance, the Clerk and Recorder’s Office should develop its evaluation plan for the Fair Elections Fund no later than August 2022, when the first payments from the fund go to participating candidates.

If the Clerk and Recorder’s Office does not develop a program evaluation plan before then, the office will be unprepared to gather sufficient data to evaluate how well the fund operated during the 2023 municipal election cycle and thereby improve the fund for future municipal elections.49

Clerk and Recorder’s Office staff members said they do not fully understand what developing a comprehensive program evaluation would entail. But they said they plan to conduct some form of long-term program evaluation in 2023.

The Clerk and Recorder’s Office Is Unprepared to Collect the Necessary Data that Would Tell the City How Well the Fair Elections Fund Is Working

Absent having a formal, documented program evaluation plan, Clerk and Recorder’s Office staff members shared their ideas for how they might assess the Fair Elections Fund long term, including looking at whether:

• The fund has enough money.
• The city ordinance governing the fund needs to be changed.
• The public filed complaints against any participating candidates, and if so, why.

However, establishing an adequate program evaluation plan requires significantly more planning than listing early considerations.

For example, the U.S. State Department recommends that planning for a program evaluation should include:

• Developing performance indicators or milestones.
• Collecting data to compare what is happening with what should be happening.
• Collecting data about a program’s performance and outcomes to assess its effectiveness, efficiency, and impact.50

When we spoke with four other cities that also have a program to match small-dollar donations with public funds in their municipal elections, we learned each city — New York City; San Francisco; Seattle; and Berkeley, California — had a program evaluation plan to collect information about how their programs functioned and to provide suggestions for improvement.

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49 U.S. Department of State.
As shown in Table 1, three of the four cities — New York City, San Francisco, and Seattle — require their staff to evaluate their city’s program on a recurring basis to determine whether the matching public campaign funds are meeting the intent of their city’s ordinances.

<table>
<thead>
<tr>
<th>City</th>
<th>Mandated Frequency of Program Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley, California</td>
<td>Once after first two election cycles</td>
</tr>
<tr>
<td>Denver</td>
<td>NONE</td>
</tr>
<tr>
<td>New York City</td>
<td>After each four-year citywide election cycle</td>
</tr>
<tr>
<td>San Francisco</td>
<td>After each election cycle</td>
</tr>
<tr>
<td>Seattle</td>
<td>After each election cycle</td>
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</tbody>
</table>

*Source: Auditor’s Office analysis of information provided by the cities of New York City; San Francisco; Seattle; and Berkeley, California.*

Properly planned program evaluations can answer questions about “progress and results at all stages” of a program and give managers valuable insight into how well a program is achieving its intended goals.51

But as of early February 2022, Denver’s Clerk and Recorder’s Office is unprepared to collect relevant data that would help it better understand how the Fair Elections Fund is functioning.

The Clerk and Recorder’s Office Has No Policy to Share the Results of Any Evaluations with the Public and Other Relevant Stakeholders

Federal guidance further recommends that organizations communicate any issues they uncover while evaluating a program, specifically with relevant stakeholders related to the fund and the public.52 The Clerk and Recorder’s Office has no such plan, as of early February 2022.

If the office did, it would strengthen how the Fair Elections Fund is managed and promote transparency — a core value of the office’s campaign finance unit.53

Having a well-thought-out evaluation plan is important to ensuring the Fair Elections Fund meets the intent of city ordinance.

51 U.S. Department of State.
52 U.S. Department of State.
53 U.S. Department of State.
### 2.1 RECOMMENDATION  Design and Implement a Program Evaluation Plan

Before Aug. 15, 2022, the Clerk and Recorder’s Office should design and implement a plan to evaluate the Fair Elections Fund to ensure it continuously collects data and analyzes performance indicators to assess the fund’s effectiveness, efficiency, and impact before, during, and after municipal elections. The analysis should be well-documented, involve relevant stakeholders and the public, and serve as the foundation for ongoing quality improvement and management decision-making regarding the Fair Elections Fund.

**AGENCY RESPONSE:** AGREE, IMPLEMENTATION DATE – AUG. 1, 2022
SEE PAGE 22 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

### 2.2 RECOMMENDATION  Develop Communication Protocols

Before Aug. 15, 2022, the Clerk and Recorder’s Office should develop formal protocols to communicate with relevant stakeholders and the public about evaluations of the Fair Elections Fund to improve the fund’s performance.

**AGENCY RESPONSE:** AGREE, IMPLEMENTATION DATE – AUG. 1, 2022
SEE PAGE 22 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.
AGENCY RESPONSE TO AUDIT RECOMMENDATIONS

April 29, 2022

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of the Fair Elections Fund.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on April 26, 2022. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The Clerk and Recorder’s Office Lacks Fully Developed Policies and Procedures to Administer the Fair Elections Fund

RECOMMENDATION 1.1
As soon as possible, the Clerk and Recorder’s Office should develop and implement policies and procedures that meet the requirements of city ordinance and election rules, as applicable, and ensure:

- Only certified candidates receive money from the Fair Elections Fund.
- The city accurately calculates the matching funds and pays them on time.
- The city offers online and in-person training for candidates who receive the matching public funds.
- Only match-eligible contributions are approved.
- The office audits candidates’ campaign finance reports.
- Participating candidates spend the matching public funds in line with election rules and city ordinance.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>August 1, 2022</td>
<td>Andy Szekevics (720) 865-2597</td>
</tr>
</tbody>
</table>

DenverClerkandRecorder.org    DenverClerk    MitoHighClerk
Narrative for Recommendation 1.1
The Office of the Clerk and Recorder has partially implemented this recommendation since the end of the fieldwork portion of the audit. Since the conclusion of the fieldwork, our office successfully launched the new SearchLight Denver system. SearchLight Denver greatly improves our office’s ability to implement the recommendation as it automates several processes that would otherwise be done manually. For example, the system contains internal guardrails with automatic flags that ensure only match-eligible contributions are approved, correct donor types are accepted, and that only certified candidates receive payments. Additionally, since the end of the fieldwork, we have conducted 11 trainings with candidates seeking matching funding. We will continue to develop, codify, and implement, policies and procedures to ensure we fully implement this recommendation.

AUDIT FINDING 2
The Clerk and Recorder’s Office Has No Strategy to Evaluate the Success of the Fair Elections Fund

RECOMMENDATION 2.1
Before Aug. 15, 2022, the Clerk and Recorder’s Office should design and implement a plan to evaluate the Fair Elections Fund to ensure it continuously collects and analyzes performance indicators to assess the fund's effectiveness, efficiency, and impact before, during, and after municipal elections. The analysis should be well-documented, involve relevant stakeholders and the public, and serve as the foundation for ongoing quality improvement and management decision-making regarding the Fair Elections Fund.

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Narrative for Recommendation 2.1
The Office of the Clerk and Recorder agrees with the recommendation and will design and implement a plan to evaluate the Fair Elections Fund. This plan will evaluate the effectiveness, efficiency, and impact of the Fair Elections Fund. We will develop and implement the plan starting August 1, 2022 and continue to collect data throughout the 2023 election cycle. Our Public Affairs Team, under new leadership since the beginning of this year, and the Campaign Finance Unit will identify key metrics to include in the evaluation plan. This will include feedback from relevant stakeholders. We will provide a report to the public evaluating the fund no later than December 31, 2023.

RECOMMENDATION 2.2
Before Aug. 15, 2022, the Clerk and Recorder’s Office should develop formal protocols to communicate with relevant stakeholders and the public about evaluations of the Fair Elections Fund to improve the fund’s performance.
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**Narrative for Recommendation 2.2**
The Office of the Clerk and Recorder Public Affairs Team is working to create a robust Fair Election Fund communication plan to ensure timely and accurate communication to the public, media, and relevant stakeholders. Within the Public Affairs Team, the Community Engagement Team, established by Clerk Paul López, has developed mechanisms to communicate with the public at in-person community events. Our office has several channels with which to communicate our work and solicit feedback and the communications protocols will ensure we are using all tools at our disposal to communicate with the public and relevant stakeholders. The Public Affairs Team is also filling a vacant position that will have a significant role in operationalizing, improving, and expanding the communication protocols.

Please contact Andy Szekeres at (720) 865-2597 with any questions.

Sincerely,

Andy Szekeres
Campaign Finance Administrator

cc: Valerie Walling, CPA, Deputy Auditor  
Dawn Wiseman, CRMA, Audit Director  
Patrick Schafer, CPA, CFE, CIA, MBA, Audit Manager
OBJECTIVE

To determine whether the Clerk and Recorder’s Office is adequately prepared to administer the Fair Elections Fund ahead of the next municipal election in April 2023 and specifically whether it:

- Has sufficient policies and procedures for the Fair Elections Fund so it can comply with city ordinance and the city’s campaign finance rules.
- Has safeguards to prevent candidates from misusing publicly funded campaign contributions.
- Has plans to assess how well the fund works over time.
- Adequately communicates with candidates and the public about the fund’s success.

SCOPE

We reviewed and assessed policies, procedures, rules, and regulations for the Fair Elections Fund, as well as the Office of the Clerk and Recorder’s responsibilities for those documents, through the lens of a readiness assessment.

The time period we reviewed was from Nov. 6, 2018 — when voters passed the ordinance governing the fund — through the end of our audit fieldwork on Feb. 3, 2022.

METHODOLOGY

We used several methodologies to gather and analyze information related to our audit objectives. These methodologies included but were not limited to:

- Reviewing Clerk and Recorder’s Office policies and procedures regarding qualified candidates and how the city will pay out money from the Fair Elections Fund.
- Reviewing Clerk and Recorder’s Office policies and procedures for auditing campaign finance reports and comparing them to:
  - Denver’s Fair Elections Fund ordinance and election rules.
  - Leading practices identified by four other cities with similar campaign finance funds that match small-donor contributions with public money:
• New York City.
• Seattle.
• San Francisco.
• Berkeley, California.

• Reviewing Clerk and Recorder’s Office policies and procedures regarding verification of qualifying contributions.
• Reviewing Clerk and Recorder’s Office procedures for residency verification and comparing them to leading practices and the practices of the four other cities that have similar campaign finance funds.
• Reviewing Clerk and Recorder’s Office policies and procedures for auditing campaign expenses and comparing them to the Fair Elections Fund ordinance, city election rules, leading practices, and the other cities with similar campaign finance funds.
• Reviewing Clerk and Recorder’s Office policies and procedures and communication plans surrounding promotion of the Fair Elections Fund and comparing them to leading practices and the other cities with similar campaign finance funds.
• Reviewing which candidates had requested to participate in the Fair Elections Fund.
• Reviewing how the Clerk and Recorder’s Office assesses and reports data to ensure the long-term success of the Fair Elections Fund.
• Reviewing the campaign finance unit's draft strategic plan and other documentation for financial reporting requirements and how goals and outcomes of the Fair Elections Fund should be reported.
• Interviewing Clerk and Recorder's Office staff members about what data they will collect and how they will use it to make decisions about the fund.
• Comparing the Clerk and Recorder’s long-term planning strategies to the U.S. Department of State’s leading practices and the other cities with similar campaign finance funds.
Office of the Auditor

The Auditor of the City and County of Denver is independently elected by the residents of Denver. He is responsible for examining and evaluating the operations of city agencies and contractors for the purpose of ensuring the proper and efficient use of city resources. He also provides other audit services and information to City Council, the mayor, and the public to improve all aspects of Denver’s government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the city's finances and operations, including the reliability of the city's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of city operations, thereby enhancing residents' confidence and avoiding any appearance of a conflict of interest.

Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public's investment in the City and County of Denver. Our work is performed on behalf of everyone who cares about the city, including its residents, workers, and decision-makers.