



WATCHDOG

# In wake of indictments, San Diego Democrats demand outside audit of party finances



Attendees gather for a San Diego County Democratic Party's election watch event during the June 2022 primary. Members of the party's central committee and others are pushing for an outside review of party finances after two local Democrats were indicted this month. (Adriana Heldiz/The San Diego Union-Tribune)

The party's chair said a review has already been commissioned and may be completed early next year

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The indictments this month of political consultant Jesus Cardenas and his sister, Chula Vista Councilmember Andrea Cardenas, have pushed members of the San Diego County Democratic Party central committee and others to demand an audit of organization finances.

Nearly two dozen committee members and club presidents are requesting an independent review of party fundraising and spending practices in the wake of criminal charges against the Cardenas siblings, who are accused of fraud, conspiracy, money laundering and other felonies.

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“There isn’t a more urgent time for the local Democratic Party to establish an audit committee so that it may fulfill its due diligence prior to the upcoming March primary and November elections,” the members told Chair Rebecca Taylor in the Nov. 10 letter.

“Local press is reporting, daily, campaign finance irregularities and violations perpetrated by a Democratic consultant and an elected official who are members of this committee, and closely affiliated and connected to the San Diego County Democratic Party,” it added.

The party has owed one of its largest campaign vendors hundreds of thousands of dollars for more than a year — a significant debt that campaign experts say is not typical.

Public filings show the money is owed to Margin Victories, a relatively new firm with close ties to Jesus Cardenas.

Senior party officials said they agreed to hire an outside finance expert earlier this year, but they had difficulty finding an auditor. They said an accounting professional they retained is expected to complete a review early next year.

“We have commissioned an independent review of our 2022 finances by a professional auditor, which we expect will give our central committee members additional insight on last year’s activities from an outside perspective,” Taylor said by email.

The independent audit is critical to central committee members and others because Jesus Cardenas, through his Grassroots Resources consulting firm, historically has been one of the biggest fundraisers for the county Democratic party.

Central committee member Lori Saldana, a former member of the California Assembly, said party leadership has withheld important financial information from the volunteers.

“The chair and controller have avoided providing financial information to central committee members for far too long, despite clear bylaws requiring them to do so,” she said.

“I support an independent audit committee, with fresh eyes, to investigate these matters thoroughly — and without personal bias or conflicts of interest,” Saldana added.

Taylor said she and other party leaders have been planning an outside review for more than a year.

“Conversations about an independent audit have come up in our central committee since at least the previous chair’s tenure,” she said. “We decided to undertake that and started soliciting bids early this year.”

Campaign rules allow unlimited donations to the party, but the money cannot be designated for any one candidate.

The party typically keeps 10 to 15 percent of political contributions for administrative costs, so donations raised by Cardenas represented a significant source of revenue.

## ‘They worked together’

Jesus and Andrea Cardenas were indicted Nov. 1 on a total of 12 felony counts.

Prosecutors say they filed false paperwork to secure more than \$176,000 in federal COVID-19 relief funds under the Paycheck Protection Program, then used the proceeds to pay credit card bills, personal expenses and campaign debt.

Democratic Party finances were previously called into question earlier this year, when newly filed records showed the Cardenas firm was doing business while not legally permitted.

Campaign filings submitted by the party showed that Grassroots Resources was paid more than \$200,000 for digital ads during the time the company had been suspended by the state Franchise Tax Board.

Following the suspension, much of the campaign work previously performed by Grassroots Resources was shifted to another company.

In all, more than \$1 million in business has been raised and spent by Margin Victories, which was established in 2020 by former Grassroots Resources employee Jehoan Espinoza. The company’s contact address is a UPS Store in Allied Gardens.

Democratic Party filings show the organization has more than \$200,000 in unpaid debts to Margin Victories. Espinoza said he has repeatedly sought to get paid.

“I cannot speak on behalf of the party, but there have been attempts to collect the debt,” he said by email.

But at least one elected official told The San Diego Union-Tribune that Espinoza and Cardenas were acting as a team on behalf of Margin Victories' clients during the final weeks of her 2022 campaign.

“What they told me is they worked together,” National City Councilmember Ditas Yamane said in an interview last week. “But I dealt with Jehoan, and I paid his company.”

Yamane said she paid all of her debts to Margin Victories.

But according to a Democratic Party election filing from July, part of the debt it owes to the company includes \$5,808 for mailers and postage that was sent out to support Yamane's campaign.

County Democrats also are withholding \$3,000 that Margin Victories reportedly spent on consulting work for Chula Vista mayoral candidate Ammar Campa-Najjar.

But the majority of debt, some \$190,000, is earmarked for campaign mailers supporting a slate of candidates.

In total, the San Diego County Democratic Party owes Margin Victories just over \$200,000, the midyear revenue and spending report states. The outstanding debt reported in July has lingered for more than one year.

Carrying debt for months on end is not a typical accounting practice for political parties, experts say. Disputes over specific work product from campaign vendors do arise from time to time but generally do not take one year or longer to resolve.

Taylor said the party has issues with the company's billings but declined to elaborate.

“We still have some questions and disputes involving the charges from Margin Victories,” she said. “Additional documentation has been requested from them, and we want to make sure we have all relevant information before taking further steps.”

Two sources within the party told the Union-Tribune that Espinoza most recently sent a demand for payment to party officials last Monday.

It requested payment in full no later than the end of this year. Both Taylor and the Margin Victories founder declined to confirm or comment on the request.

## Investigation widens

As the District Attorney’s Office continues its investigation into the Cardenas siblings, two people familiar with the case told the Union-Tribune last week that investigators have been asking more questions about Cardenas’ political fundraising and spending.

The prosecutors’ office does not comment publicly on open investigations.

The broadening criminal case against the siblings is separate from and unrelated to the independent audit arranged by party leadership earlier this year.

The money owed to Margin Victories represents a fraction of the millions of dollars that flowed through the San Diego County Democratic Party throughout the 2022 election season, campaign filings show.

But the debt exceeds the \$154,157 the party reported in cash on hand at the close of 2022.

New political contributions come in every week, however.

Local Democrats raised just over \$963,000 in the first six months of 2023, the party reported.

With some \$625,000 in spending over the same period, the party's cash on hand increased to just over \$488,000 as of June 30.

Central committee members and club presidents are not the only people calling for an outside investigation into party finances.

Days after the Cardenas siblings were indicted, former San Diego City Attorney Michael Aguirre said an outside probe of potentially unlawful campaign spending was needed.

“Under these facts and circumstances, the San Diego (County) Democratic Party must authorize an internal investigation supported by agreed upon audit services to find the facts and to hold those involved accountable,” Aguirre wrote.

The former San Diego city attorney said he planned to file a lawsuit if his request is not addressed.

Taylor did not respond to questions about the demand letter.



Jeff McDonald