



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

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CY 2021-2022 PDC Compliance Staff Audit Findings

Audit Background/Scope

The PDC has the authority to conduct audits of candidates, committees, and other filers (.105 & .110)

The PDC has used audits to identify problem areas in campaign reporting or committee activities that could lead us to improve instruction manuals, produce clearer guidance, rules or even statutory changes. Ultimately, the goal is to get the public more complete information and to enhance/strengthen the public's confidence in the campaign finance information being disclosed by filers.

PDC Staff's Audit Program for calendar years 2021-2022 included conducting a total of 31 limited scope candidate audits and involved:

- Eight 2018 State Senate candidates from four contested 2018 general election races.
- Eight 2020 State House of Representative candidates from four contested 2020 general election races.
- The criteria used in selecting the 2018 and 2020 Legislative candidates for audit was based on both candidates appearing on the November 2018 and 2020 general election ballots, the candidates were in a closely contested election, and the two candidates had significant contribution and expenditure activities disclosed on the Monetary Contributions reports (C-3 reports), and Summary Full Campaign Contribution and Expenditure reports (C-4 reports).
- Fifteen 2019 local candidates for county and city offices from eight contested 2019 general election races.
- The 2019 local candidate audit criteria included both candidates appeared on the November 2019 general election ballot, were in a contested general election race, and filed campaign finance reports disclosing between \$10,000 to \$55,000 in contribution and expenditure activities disclosed on the C-3 and C-4 reports.

The audit findings are meant to provide the public and the filing community with the degree of compliance with the reporting requirements of the provisions of this chapter.

Audit Findings

Eight 2018 State Senate candidate audits:

- Seven of the eight audit candidates retained the services of Professional Treasurers, and one candidate retained the services of a Local Treasurer with a lot of Campaign experience.
- The eight candidates disclosed \$3.4 million in total contributions and \$3.3 million in expenditure activities.
- The eight candidates disclosed receiving 10,323 separate monetary and in-kind contributions from contributors.
- Staff reviewed 163 C-3 reports totaling more than \$1.4 million in contributions and found that the candidates timely filed 162 of the C-3 reports reviewed with the one late C-3 report being filed one day late.
- The eight candidates timely deposited the contributions received for 162 of the 163 C-3 reports reviewed, with the one late deposit being made one day late.
- The eight candidates provided the occupation and employer information for 3,905 individuals that made contributions of more than \$100, for a total of \$710,859 in total contributions received from these contributors.
- Staff selected 80 contributions received by the eight candidates from political action committees (PAC's) and tracked the timeframe from the date the PAC made the contribution to the date the candidates received and disclosed the contributions. The timeframe from the making of the contributions to the date disclosed was between 0 to 48 days.
- The eight candidates timely filed all 80 of the C-4 reports reviewed by staff for timeliness and accuracy, including the 21-Day, 7-Day, and Post Primary and General elections for 2018.
- Six of the eight candidates disclosed orders placed, debts or outstanding obligations on the C-4 reports.
- Only two of the candidates disclosed small amounts of candidate loans made to their respective Campaigns. None of the candidates exceeded the candidate loan repayment amounts.
- All eight 2018 State Senate candidates maintained the Campaign books of account and provided the requested expenditure documentation and written response concerning campaign practices and procedures for the 2018 election cycle.

Eight 2020 State House of Representative candidate audits:

- Four of the eight audit candidates retained the services of Professional Treasurers, two candidates retained the services of a Local Treasurer, one candidate's spouse served as Treasurer, and one candidate served as their own Treasurer.
- The eight candidates disclosed \$2.27 million in total contributions and \$2.2 million in expenditure activities.
- The eight candidates disclosed receiving 7,805 separate monetary and in-kind contributions from contributors.
- Staff reviewed 182 C-3 reports totaling more than \$1.05 million in contributions and found that the candidates timely filed 177 of the C-3 reports reviewed.
- The five late-filed C-3 reports were filed between one to five days late.
- The eight candidates timely deposited the contributions received for all 182 of the C-3 reports reviewed.
- The eight candidates provided the occupation and employer information for 1,819 individuals that made contributions of more than \$100, for a total of \$414,943 in total contributions received from these contributors.
- Staff selected 80 contributions received by the eight candidates from political action committees (PAC's) and tracked the timeframe from the date the PAC made the contribution to the date the candidates received and disclosed the contributions. The timeframe from the making of the contributions to the date disclosed was between 0 to 40 days.
- The eight candidates timely filed 65 of the 66 C-4 reports reviewed by staff for timeliness and accuracy, including the 21-Day, 7-Day, and Post Primary and General elections for 2018. The one late filed C-4 report was filed three days late.
- Four of the eight candidates disclosed orders placed, debts or outstanding obligations on the C-4 reports.
- Only two of the candidates disclosed candidate loans made to their respective Campaigns, one candidate loan was for \$6,000 and the other candidate loan was from \$1,304.
- All eight 2020 State Representative candidates maintained the Campaign books of account and provided the requested expenditure documentation and written response concerning campaign practices and procedures for the 2020 election cycle.

Fifteen 2019 Local candidate audits:

- Eight of the 15 audit candidates retained the services of a Local Treasurer, four of the candidates retained Professional Treasurers, two candidates retained the services of a family member or spouse to serve as Treasurer, and one candidate served as their own Treasurer.
- The 15 local candidates disclosed \$647,765 in total contributions received and \$620,000 in expenditure activities.
- The 15 candidates disclosed receiving 3,177 separate monetary and in-kind contributions from contributors.
- Staff reviewed 200 C-3 reports totaling more than \$251,000 in contributions and found that the candidates timely filed 190 of the reports, with six of the C-3 reports filed between 4-15 days late. Staff would note that all C-3 reports were filed prior to the 2019 general election being held.
- The 15 candidates timely deposited the contributions received for 193 of the 200 C-3 reports reviewed as part of the audits.
- The 15 candidates provided the occupation and employer information for 976 individuals that made contributions of more than \$100, for a total of \$291,232 in total contributions received from these contributors.
- Staff selected 50 contributions received by the eight candidates from political action committees (PACs) and tracked the timeframe from the date the PAC made the contribution to the date the candidates received and disclosed the contributions. The timeframe from the making of the contributions to the date disclosed was between 0 to 78 days.
- The eight candidates timely filed 92 of the 102 C-4 reports reviewed by staff for timeliness and accuracy, including the 21-Day, 7-Day, and Post Primary and General elections for 2018. Four of the late filed C-4 report were filed one day late.
- One candidate failed to timely file the initial May 2019 C-4 report (24 days late), the June 2019 C-4 report (55 days late), and the July 2019 C-4 report (85 days late). Since only two candidates filed for that office in 2019, the candidate's names did not appear on the August 6, 2019, primary election ballot.
- Three of the 15 candidates disclosed orders placed, debts or outstanding obligations on the C-4 reports.
- Six of the 15 candidates disclosed candidate loans made to their respective Campaigns that included one candidate loan for \$12,000, one for \$9,405, one was for \$6,100 and one candidate loan was for \$5,331.

- All 15 local candidate campaigns maintained the books of account and provided the requested expenditure documentation and written response concerning campaign practices and procedures for the 2019 election cycle.

Staff Observations

1. PDC staff found widespread compliance with basic reporting requirements concerning the timeliness in filing the required reports, and the accuracy contained within those reports.
2. Most of the late filed reports were submitted by the 2019 Local candidates. One local candidate serving as her own Treasurer filed seven of the late C-3 and C-4 reports, and those late filings were mitigated by the facts the reports were the initial C-3 and C-4 reports, and since only two candidates, the candidate's name did not appear on the 2019 primary election ballot.
3. It was not clear from the documentation provided by the candidates, the exact date the order for the goods or services was placed, so it was not possible to ascertain if some of those activities should have been disclosed earlier as an order placed, debt or outstanding obligation.
4. Some of the Campaign books of account provided for the requested candidate expenditures failed to fully describe the goods or services being purchased, or the sub-vendors or third-party contractors that provided the services. This makes it difficult for the Campaign Treasurers to fully describe the expenditures when entering expenditure information into the ORCA program, especially for political advertising expenditures made close to an election.

Staff Recommendations

1. Continue to communicate the importance and availability of PDC guidance and training opportunities, especially to less experienced candidates and campaigns. Advertise training opportunities where local candidates will see it.
2. Conduct outreach to vendors to improve accuracy and detail of invoices, both directly (to vendors) and indirectly (increase demand from campaigns for reporting-friendly documentation).
3. Improve guidance and instructions to candidates concerning the books of account, including content of the invoices/receipts for goods/services, utilizing:
 - a. Candidate instructions online.
 - b. As part of PDC staff's general advice and guidance provided to candidates, treasurers, political consultants, legal counsel, etc.
 - c. Through Compliance and ORCA training.

4. Continue to work with candidates/treasurers/consultants/printers/vendors on improving their invoicing and records practices for expenditure descriptions and sub-vendor breakdowns, especially for the political advertising expenditures disclosed on the C-4 reports.
5. Continue to implement updates to reporting systems to assist campaigns with collecting and disclosing adequate expenditure detail.
6. Continue to stress the importance of, and promote the availability of, PDC staff expertise for advice throughout the campaign cycle.