



## **NOTICE OF PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION OF THE STATE OF ARIZONA CITIZENS CLEAN ELECTIONS COMMISSION**

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**Location:** Citizens Clean Elections Commission  
1616 West Adams, Suite 110  
Phoenix, Arizona 85007

**Date:** Thursday, January 19, 2017

**Time:** 9:30 a. m.

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Commissioners of the Citizens Clean Elections Commission and the general public that the Citizens Clean Elections Commission will hold a regular meeting, which is open to the public on January 19, 2017. This meeting will be held at 9:30 a.m., at the Citizens Clean Elections Commission, 1616 West Adams, Suite 110, Phoenix, Arizona 85007. The meeting may be available for live streaming online at [www.livestream.com/cleanelections](http://www.livestream.com/cleanelections). Members of the Citizens Clean Elections Commission will attend either in person or by telephone, video, or internet conferencing.

The Commission may vote to go into executive session, which will not be open to the public, for the purpose of obtaining legal advice on any item listed on the agenda, pursuant to A.R.S. § 38-431.03 (A)(3). The Commission reserves the right at its discretion to address the agenda matters in an order different than outlined below.

The agenda for the meeting is as follows:

- I. Call to Order.
- II. Discussion and Possible Action on Commission Minutes for December 15, 2016 meeting.
- III. Discussion and Possible Action on Executive Director's Report.
- IV. Discussion and Possible Action on Voter Education Activities in the 2016 Election and the 2017 Voter Education Plan.
- V. Discussion and Possible Action on Final Audit Approval for the following Participating Candidates for the 2016 election cycle:
  - A. Rick Gray – Primary Election Audit
  - B. Bill Mundell – Primary Election Audit
  - C. Todd Clodfelter – Primary Election Audit
  - D. Isela Blanc – Primary Election Audit

- E. Deanna Rasmussen-Lacotta – Primary Election Audit
- F. Chris Ackerley – Primary Election Audit
- G. Ana Henderson – Primary Election Audit
- H. John Fillmore – Primary Election Audit
- I. Juan Mendez – Primary Election Audit
- J. Kathleen Rahn – Primary Election Audit
- K. Michael Muscato – Primary Election Audit
- L. Pamela Powers Hannley – Primary Election Audit
- M. Jesus Rubalcava – Primary Election Audit
- N. Athena Salman – Primary Election Audit

VI. Discussion and Possible Action on the following enforcement matters:

- A. MUR 16-004 – Corin Hammond
- B. MUR 16-005 – Querard Complaint against Democratic Candidates
- C. MUR 16-007 – Senate Victory PAC
- D. MUR 16-008 – House Victory PAC
- E. MUR 16-009 – Arizona’s Legacy PAC

VII. Discussion and Possible Action on the 5 Year Review Report submitted to the Governor’s Regulatory Review Council and Related Matters in 2015.

**The Commission may choose to go into executive session on this item for consultation with its attorneys regarding pending or contemplated litigation in order to consider its positions and instruct its attorneys. A.R.S. § 38-431.03(A)(4).**

VIII. Recognition and Appreciation to Mitchell C. Laird for his service to the Commission.

IX. Public Comment

This is the time for consideration of comments and suggestions from the public. Action taken as a result of public comment will be limited to directing staff to study the matter or rescheduling the matter for further consideration and decision at a later date or responding to criticism

X. Adjournment.

This agenda is subject to change up to 24 hours prior to the meeting. A copy of the agenda background material provided to the Commission (with the exception of material relating to possible executive sessions) is available for public inspection at the Commission’s office, 1616 West Adams, Suite 110, Phoenix, Arizona 85007.

Dated this 17<sup>th</sup> day of January, 2017.

Citizens Clean Elections Commission

Thomas M. Collins, Executive Director

Any person with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Commission at (602) 364-3477. Requests should be made as early as possible to allow time to arrange accommodations.

THE STATE OF ARIZONA  
CITIZENS CLEAN ELECTIONS COMMISSION

REPORTER'S TRANSCRIPT OF PUBLIC MEETING

Phoenix, Arizona

December 15, 2016

9:34 a.m.

COASH & COASH, INC.  
Court Reporting, Video & Videoconferencing  
1802 North 7th Street, Phoenix, AZ 85006  
602-258-1440  
staff@coashandcoash.com

Prepared by:  
LILIA MONARREZ, CSR, RPR  
Certificate No. 50699

<p style="text-align: right;">Page 2</p> <p>1 PUBLIC MEETING BEFORE THE CITIZENS CLEAN 2 ELECTIONS COMMISSION, convened at 9:34 a.m. on December 3 15, 2016, at the State of Arizona, Clean Elections 4 Commission, 1616 West Adams, Conference Room, Phoenix, 5 Arizona, in the presence of the following Board members: 6 Mr. Mitchell C. Laird, Chairperson 7 Mr. Mark S. Kimble 8 Mr. Damien Meyer 9 Mr. Steve Titla 10 Mr. Galen D. Paton 11 12 OTHERS PRESENT: 13 Thomas M. Collins, Executive Director 14 Paula Thomas, Executive Officer 15 Sara Larsen, Financial Affairs Officer 16 Gina Roberts, Voter Education Manager 17 Mike Becker, Policy Director 18 Alec Shaffer, Executive Support Specialist 19 Mary O'Grady, Osborn Maledon 20 Rivko Knox, LWV/AZ 21 Samantha Pstross, AZAN 22 Joe Larue, AZ Attorney General's Office 23 Kara Karlson, AZ Attorney General's Office 24 25</p>	<p style="text-align: right;">Page 4</p> <p>09:35:38-09:36:44</p> <p>1 CHAIRMAN LAIRD: It carries unanimously. 2 The next item on the agenda is the 3 discussion and possible action on the Executive 4 Director's Report. 5 Director Collins? 6 MR. COLLINS: Hi. Thank you, 7 Commissioners, and thank you all for being here. It's 8 good to see you all. I'll try to keep the director's 9 report brief. 10 Just for folks who are tuning in or -- or 11 will be here, you know, we've got the agenda set up to 12 try to get through a lot of the work that we think will 13 go quicker first and then that's why the rules come 14 second, just in case anyone is wondering about that. 15 I wanted to specifically congratulate Sara 16 on graduating from the Flinn-Brown Civic Leadership 17 Academy. Sara was selected as a fellow in a 18 competitive process and completed a 12-part series lead 19 by Arizona policy and political experts, a leadership 20 master class and executive coaching. And we think that 21 that was a benefit to -- not just to Sara, really, but 22 really to the whole Commission both in terms of what 23 she brings back to us and her opportunity to talk to 24 folks about what we do. 25 And I think it was a really good</p>
<p>09:34:40-09:35:38</p> <p style="text-align: right;">Page 3</p> <p>1 PROCEEDING 2 3 CHAIRMAN LAIRD: Now is the time set for 4 the Thursday, December 15th, 9:30 a.m. meeting of the 5 Arizona Citizens Clean Elections Commission. 6 I hereby call the meeting to order, and the 7 first item on the agenda after the call to order is a 8 discussion and possible action on the Commission 9 minutes for November 17th. 10 Is there any corrections, discussion with 11 respect to the November 17th, 2016 minutes? 12 (No response.) 13 CHAIRMAN LAIRD: Seeing none, do I hear a 14 motion to approve? 15 COMMISSIONER KIMBLE: Mr. Chairman, I move 16 we approve the minutes. 17 CHAIRMAN LAIRD: Do I have a second? 18 COMMISSIONER MEYER: Second. 19 CHAIRMAN LAIRD: I have a motion and a 20 second to approve the November 17th, 2016, minutes as 21 presented. 22 All in favor say aye. 23 (Chorus of ayes.) 24 CHAIRMAN LAIRD: Opposed, nay. 25 (No response.)</p>	<p>09:36:45-09:38:01</p> <p style="text-align: right;">Page 5</p> <p>1 opportunity for the Commission and for Sara. And so 2 we're really proud of the fact that she finished that. 3 So, you know, I just wanted to make sure you -- we all 4 get a chance to say congratulations to Sara. 5 I will say on the -- hitting the voter 6 education highlights, Gina and I were at the Election 7 Directors and Records of all the counties on 8 December 1. So we had Records from every county in 9 the state as well as election directors, and I think 10 what we heard in terms of feedback is that what we're 11 doing on voter education is what they need in order to 12 help -- help them to be in a position to inform voters 13 in all the counties of the state. 14 They recognize we have a statewide mandate, 15 and so we were able to tick through the things we've 16 done, whether it be the efforts we've made in Apache 17 County to help them reach voters on specific changes 18 they have made or the efforts we've made working with 19 Maricopa County to talk to them about -- to talk to 20 folks about getting their early ballots back. 21 All of those things, some of them 22 statewide, some of them localized are all things that 23 the State is -- that the officials closest to the 24 voters all told us they're in need of and they 25 appreciate the fact that this Commission is receptive</p>

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<p>1 to their ideas. And so I really think -- and they</p> <p>2 really like Gina, as we all do. So that was good.</p> <p>3 Candidate audits are underway. We'll have</p> <p>4 some of those complete. We expect to bring some of</p> <p>5 those to you -- maybe all of those from the primary to</p> <p>6 you next month.</p> <p>7 The last thing I'll say is we do have some</p> <p>8 pending enforcements. We have held all of those until</p> <p>9 next month because of the heavy administrative calendar</p> <p>10 this month. We'll probably be looking at what to do</p> <p>11 with the -- all of the 16 matters.</p> <p>12 And then there was a news story this week</p> <p>13 about the -- the file we keep open, which is the</p> <p>14 Tom Horne file from 2014 where part of the conciliation</p> <p>15 involved him completing what -- whatever the Gilbert</p> <p>16 town attorney ends up ordering him to do after appeals.</p> <p>17 That is still ongoing, from what I could tell from the</p> <p>18 news stories, but that's just -- just to remind</p> <p>19 everyone that is why we carry that as an open file is</p> <p>20 because the conciliation, although it, in effect,</p> <p>21 paused our investigation, it also has -- has in it a</p> <p>22 hook back to the ongoing Gilbert town investigation --</p> <p>23 to a town-attorney delegated investigation from the</p> <p>24 Attorney General.</p> <p>25 The Legacy Foundation filed their petition</p>		<p>1 to have to revisit that and perhaps revisit whether or</p> <p>2 not the time for deferring to the AG's office may, at</p> <p>3 some point, lapse and we just have to go ahead and see</p> <p>4 if we can -- if we can -- if we can do something or if</p> <p>5 we have some other reason to -- to close it out, but</p> <p>6 either way, it's -- it's still there and the time to</p> <p>7 act on it is getting -- to me, getting more acute.</p> <p>8 And so I'll just leave it there because I</p> <p>9 don't -- I don't have an action plan. It just is</p> <p>10 listed on the report and we've carried it on the report</p> <p>11 for some time, but that's the status of it.</p> <p>12 If Joe and Karla have any -- or Kara,</p> <p>13 rather, have anything you'd want to add to that point,</p> <p>14 I'm happy to -- but I think I've summarized your</p> <p>15 position accurately, but if I haven't let me know.</p> <p>16 MS. KARLSON: No, Tom, you did a great job.</p> <p>17 Thank you.</p> <p>18 MR. COLLINS: Okay. Okay. So that's --</p> <p>19 that's where we are on those.</p> <p>20 And I apologize for running a little long,</p> <p>21 but if there aren't any questions, that completes my</p> <p>22 report.</p> <p>23 CHAIRMAN LAIRD: Any questions or comments</p> <p>24 for Director Collins with respect to his report?</p> <p>25 (No response.)</p>	
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<p>1 for review in the Supreme Court yesterday. We'll get</p> <p>2 you copies of that. They don't give up. And -- and</p> <p>3 then -- although, it's an unpublished decision. So I</p> <p>4 don't know what -- and we can talk at the next meeting</p> <p>5 about what we think the chances are.</p> <p>6 And then the Veterans for a Strong America</p> <p>7 case, you know, we're still in a position where the --</p> <p>8 where the AG's office is not interested in coordinating</p> <p>9 with us on a resolution of that case and, frankly, it's</p> <p>10 still open from '14. And I think it's not inaccurate</p> <p>11 to say the AG's office hasn't resolved it either.</p> <p>12 So -- so we will have -- I will -- we may revisit in</p> <p>13 January what our status is on that case and how we</p> <p>14 might be able to move ahead.</p> <p>15 I'm particularly concerned about that</p> <p>16 case's staleness, a, because of the time lapse and, b,</p> <p>17 because Don McCann, who has been their attorney, is now</p> <p>18 going to be White House counsel. And so the time for</p> <p>19 the State of Arizona, whether it's the Attorney General</p> <p>20 or the Clean Elections Commission, to get a resolution</p> <p>21 of this matter for the voters in 2014 on these filings,</p> <p>22 whatever that resolution is, is going to get harder,</p> <p>23 not easier, as Mr. McCann wraps up his private practice</p> <p>24 and goes into the White House.</p> <p>25 So, you know, we're going to -- we're going</p>		<p>1 CHAIRMAN LAIRD: Okay. We will then move</p> <p>2 on to Agenda Item Number IV, which is probably my</p> <p>3 favorite agenda item on today's agenda, and that is the</p> <p>4 selection of the new chairman for 2017.</p> <p>5 COMMISSIONER TITLA: Mr. Chairman?</p> <p>6 CHAIRMAN LAIRD: Yes.</p> <p>7 COMMISSIONER TITLA: Yeah, on the</p> <p>8 director's report.</p> <p>9 CHAIRMAN LAIRD: Yes.</p> <p>10 COMMISSIONER TITLA: I'd like to</p> <p>11 congratulate our new graduate, Sara, for graduating</p> <p>12 from the Flinn-Brown Civic Leadership Academy. I</p> <p>13 understand it was a competitive process, and that she</p> <p>14 completed a 12-part seminar series led by Arizona</p> <p>15 policy and political experts. So she's now a</p> <p>16 leadership master class and executive.</p> <p>17 So congratulations, Sara.</p> <p>18 And I think that they have done a good job.</p> <p>19 The staff of the executive director and the attorneys</p> <p>20 present here have all done a good job. I'd like to</p> <p>21 commend them for doing a good job throughout the year.</p> <p>22 And at this time of year, I'd like to say to everyone</p> <p>23 here on the Commission and the attorneys merry</p> <p>24 Christmas and have a happy New Year.</p> <p>25 Thank you.</p>	

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<p>1 CHAIRMAN LAIRD: Thank you, Commissioner</p> <p>2 Titla. You -- you filled in my oversight. I intended</p> <p>3 to congratulate Sara. I'm very, very proud of her. I</p> <p>4 knew her before she came to work here and before I came</p> <p>5 on the Commission, and I'm very, very proud of her.</p> <p>6 Which, I think, brings up a perfect point,</p> <p>7 Commissioner Titla. Your picking up for my failure is</p> <p>8 one of the reasons -- I mean, is an example of why you</p> <p>9 would be an outstanding chairman next -- next year.</p> <p>10 And we do have a tradition of the senior most</p> <p>11 commissioner typically is selected to serve as</p> <p>12 chairman, and I think you would be an outstanding</p> <p>13 choice if you were willing to serve.</p> <p>14 So I'd make a motion that we elect</p> <p>15 Commissioner Titla as chairman for 2017 if he's willing</p> <p>16 to accept, but I'll let him comment.</p> <p>17 COMMISSIONER TITLA: Yeah. If the board</p> <p>18 wishes, I will be honored to serve.</p> <p>19 COMMISSIONER MEYER: Second.</p> <p>20 COMMISSIONER KIMBLE: Mr. Chairman, I will</p> <p>21 second your motion.</p> <p>22 CHAIRMAN LAIRD: Okay. All in favor say</p> <p>23 aye.</p> <p>24 (Chorus of ayes.)</p> <p>25 CHAIRMAN LAIRD: Opposed, nay.</p>		<p>1 that those be the dates or that's just -- it's just</p> <p>2 a --</p> <p>3 MR. COLLINS: We have done that in the past</p> <p>4 just for the -- for the sake of it. It makes it easier</p> <p>5 for Paula to -- so everybody is sort of committed and</p> <p>6 knows these are the dates. I mean, whether or not --</p> <p>7 so I would go ahead and make a motion or ask for a</p> <p>8 motion.</p> <p>9 CHAIRMAN LAIRD: Okay. Do I hear a motion?</p> <p>10 COMMISSIONER TITLA: Chairman, I make a</p> <p>11 motion to approve the meeting dates for 2017.</p> <p>12 CHAIRMAN LAIRD: Second?</p> <p>13 COMMISSIONER MEYER: Second.</p> <p>14 CHAIRMAN LAIRD: All right. Moved and</p> <p>15 seconded that we adopt the proposed 2017 meeting dates</p> <p>16 set forth in our materials today.</p> <p>17 All in favor say aye.</p> <p>18 (Chorus of ayes.)</p> <p>19 CHAIRMAN LAIRD: Opposed, nay.</p> <p>20 (No response.)</p> <p>21 CHAIRMAN LAIRD: Again, unanimous.</p> <p>22 Item Number VI on the agenda is next, and</p> <p>23 that is a discussion and possible action on the</p> <p>24 Calendar Year 2017 budget and related matters.</p> <p>25 Sara?</p>	
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<p>1 (No response.)</p> <p>2 CHAIRMAN LAIRD: Thank you for not saying</p> <p>3 nay, Commissioner Titla.</p> <p>4 COMMISSIONER TITLA: I abstain.</p> <p>5 CHAIRMAN LAIRD: It's unanimous.</p> <p>6 Okay. The next item on the agenda is Item</p> <p>7 Number V which is proposed 2017 meeting dates, and</p> <p>8 those were submitted. I did not pay that much</p> <p>9 attention because I'm not supposed to be on the</p> <p>10 Commission, although I will be available for the</p> <p>11 January date, but I'm hoping I don't have to do that.</p> <p>12 So I think --</p> <p>13 MR. COLLINS: I think -- I think the</p> <p>14 January date you have to do. The rest -- you know, we</p> <p>15 can -- we can keep you at least till January 30th.</p> <p>16 CHAIRMAN LAIRD: Okay. Darn. Well, so I</p> <p>17 will be looking at the January date.</p> <p>18 COMMISSIONER TITLA: I motion to --</p> <p>19 CHAIRMAN LAIRD: I can make that one. I</p> <p>20 think I'm not relevant on the others.</p> <p>21 Is everybody else -- is everybody else okay</p> <p>22 with the proposed dates, or are there conflicts that we</p> <p>23 can't get around?</p> <p>24 (No response.)</p> <p>25 CHAIRMAN LAIRD: Okay. Do we need a motion</p>		<p>1 MS. LARSEN: Good morning, Chairman,</p> <p>2 Commissioners. Thank you for your kind words this</p> <p>3 morning. It's really an honor to work for all of you.</p> <p>4 As you guys know, we operate on a calendar</p> <p>5 year budget so we are not on the same fiscal year that</p> <p>6 the rest of the State is on. So every December we have</p> <p>7 to approve a new budget for the upcoming calendar year.</p> <p>8 And most of our calculations for our budget are derived</p> <p>9 from the Clean Elections Act and are in statute, and</p> <p>10 I've tried to reference those in the presentation and</p> <p>11 in the memo that you have.</p> <p>12 My clicker is not working. Hold on.</p> <p>13 MR. COLLINS: There you go.</p> <p>14 MS. LARSEN: All right. It just had to</p> <p>15 wake up.</p> <p>16 So the Clean Elections Fund -- we'll start</p> <p>17 with our revenues first. The Clean Elections Fund</p> <p>18 revenues are derived from a 10 percent surcharge on all</p> <p>19 civil and criminal fines and penalties. The courts</p> <p>20 automatically transfer those to the Treasurer's Office</p> <p>21 and the Treasurer's Office deposits those right into</p> <p>22 the Clean Elections Fund.</p> <p>23 We also, in election years, receive \$5</p> <p>24 qualifying contributions from the candidates. So when</p> <p>25 the candidates are out there collecting their \$5</p>	

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<p>1 qualifying contributions, they have to turn those over</p> <p>2 to us in order to receive a funding check. So -- so</p> <p>3 this last year in 2016, we did receive \$5 qualifying</p> <p>4 contributions.</p> <p>5 We do have some miscellaneous revenues.</p> <p>6 These are fixed assets that candidates pay for or prior</p> <p>7 assets. If candidates have used campaign materials</p> <p>8 from a previous election year, they are required by our</p> <p>9 rules to pay us for a percentage of those materials.</p> <p>10 Previously we had a \$5 tax donations on the income tax</p> <p>11 returns. There was a \$5 checkoff. We have -- and that</p> <p>12 went away in 2012 as a result of negotiations with the</p> <p>13 State legislature.</p> <p>14 We do see back filings, people who are</p> <p>15 still filing tax returns from 2012. We do get a little</p> <p>16 bit of those coming in. I think we had about 300 of</p> <p>17 them this year, so \$300 worth.</p> <p>18 The dollar for dollar tax credit, we -- we</p> <p>19 don't have that anymore either so we don't see any</p> <p>20 revenues from that.</p> <p>21 The first graph that I'm going to show you,</p> <p>22 just so you can see what our previous revenues look</p> <p>23 like to what we have now, at one point in time in 2010</p> <p>24 we actually received about \$19 million in revenues.</p> <p>25 This year I'm nervous that we're not even going to make</p>	<p>1 impact the revenues that we have. So I wanted to put</p> <p>2 this in here just to give you some perspective on where</p> <p>3 we are and why Tom and I are concerned about our budget</p> <p>4 and we -- and we monitor these things.</p> <p>5 Another one, this is a little bit about our</p> <p>6 monthly revenues. We used to bring in about a million</p> <p>7 dollars a month. So I have several years here. For a</p> <p>8 while we were seeing -- since 2013, we were seeing</p> <p>9 about a 5 percent decrease in annual monthly revenues.</p> <p>10 We're now seeing about a 1 to 3 percent decrease, but</p> <p>11 that's at a much lower level. So we're bringing</p> <p>12 anywhere from about 200,000 to \$500,000 a month.</p> <p>13 So -- so even though the decrease has shrunk, it's at</p> <p>14 a -- our monthly revenues are at a lower level.</p> <p>15 So we do need to calculate our four-year</p> <p>16 revenue projections, and this is also in the memo and</p> <p>17 in the spreadsheets that I handed out to you. On a</p> <p>18 conservative side, I would say I would not anticipate</p> <p>19 that we are going to bring in more than \$7 million in</p> <p>20 court assessments over the next four years. Commission</p> <p>21 assessments, because we do have pending audits and some</p> <p>22 enforcement matters, I would say we might bring in</p> <p>23 \$5,000 in Commission assessments in 2017.</p> <p>24 Miscellaneous revenue could be any -- anything from</p> <p>25 people paying things back or people gearing up for the</p>		
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<p>1 \$7 million. So you can see there are about three</p> <p>2 significant decreases. One is from 2010 to 2011, and</p> <p>3 we can directly attribute that to photo radar. The --</p> <p>4 the contract with the photo radar companies expired at</p> <p>5 the end of 2010. So we no longer receive the 10</p> <p>6 percent surcharge on the photo radar tickets, and we</p> <p>7 lost about \$4.7 million in revenues from the photo</p> <p>8 radar. So -- so 2011 was our first decrease.</p> <p>9 Our next decrease you see is a significant</p> <p>10 jump from 2012 to 2000 -- to 2013, and we lost about</p> <p>11 \$5.7 million. That was when our dollar for dollar tax</p> <p>12 credit went away and our \$5 tax checkoff went away. So</p> <p>13 since then, from 2013, '14 and '15, we held fairly</p> <p>14 consistent at about \$8.48 million in revenues. This</p> <p>15 year so far we have not even made \$7 million in</p> <p>16 revenues, and so we're about \$1.2 million short of what</p> <p>17 we -- what we brought in in revenues in last year.</p> <p>18 And our revenues this year include \$5</p> <p>19 qualifying contributions. So we don't know why this</p> <p>20 year we've received. I do know that court cases are</p> <p>21 down all across the country, you know, and here in</p> <p>22 Arizona we do have that going on. So I know Tom and I</p> <p>23 are paying fairly close attention to the Fairness and</p> <p>24 Justice for All. That's happening at the Supreme Court</p> <p>25 because a waiver of our fines and fees will directly</p>	<p>1 2018 election and they're going to use prior assets.</p> <p>2 Anything like that pretty much is miscellaneous. We</p> <p>3 don't anticipate receiving any more \$5 tax checkoffs.</p> <p>4 I would be shocked if we saw any of those come in this</p> <p>5 year, and it's a non-election year. So we will not be</p> <p>6 receiving any \$5 qualifying contributions.</p> <p>7 2018, 2019 and 2020 are all kind of</p> <p>8 guesses. We don't know what's going to happen in 2017.</p> <p>9 So I kind of modeled those after the previous election</p> <p>10 years that we've had. So 2018 is -- we have more</p> <p>11 candidates running in 2018. We have all the statewide</p> <p>12 offices up. So we do anticipate bringing in more \$5</p> <p>13 qualifying contributions than we did in the last</p> <p>14 election cycle. 2019 will probably be similar to 2017</p> <p>15 because it's an off-election year, and to 2020 we're</p> <p>16 thinking will probably be similar to -- to 2016 because</p> <p>17 that is the off-election cycle year where only the</p> <p>18 Corporation Commission and the legislative candidates</p> <p>19 run.</p> <p>20 So if anybody has any questions about that,</p> <p>21 I'm happy to go over it.</p> <p>22 MR. COLLINS: Can I -- Sara, I don't know</p> <p>23 if this is an appropriate place to point this out,</p> <p>24 but -- and this is in the spreadsheets and other backup</p> <p>25 materials. What we tried to do -- and stop me if you</p>		

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<p>1 want to -- if you're going to get to this later but --</p> <p>2 no? What we tried to do is maintain -- you know, is</p> <p>3 come as close to breaking even as we can in the -- in</p> <p>4 the non-gubernatorial election years. Then we pick up</p> <p>5 a little -- I wouldn't call it profit, but we pick up a</p> <p>6 little excess funding in the non-election year and</p> <p>7 the -- and that all then gets us to the gubernatorial</p> <p>8 year where we have an uptake in our expenditure</p> <p>9 because, obviously, more candidates are at a higher</p> <p>10 rate.</p> <p>11 What we can say is that I think the goal</p> <p>12 that Sara and I have set and managed to maintain, for</p> <p>13 the most part, is that the average balance of the Clean</p> <p>14 Elections Fund itself has remained relatively stable.</p> <p>15 It's fluctuated between about 19 and \$23 million over</p> <p>16 the course of the last five years, but what that</p> <p>17 means -- what we're trying to do is, if you look at the</p> <p>18 pre -- the prior graph, the delta where we start to,</p> <p>19 you know, have no choice but to eat into that, that --</p> <p>20 into the base fund is probably, you know, maybe --</p> <p>21 maybe ten years from now, maybe five years from now,</p> <p>22 depending upon how dramatic the drop-off in surcharge</p> <p>23 revenue continues to be.</p> <p>24 So we're trying to maintain that -- the</p> <p>25 fund balance at the level it was essentially when Sara</p>	<p>1 it's managed by the Treasurer's Office is the answer.</p> <p>2 COMMISSIONER PATON: So they can't take it</p> <p>3 for -- to pay the dog catcher or something?</p> <p>4 MR. COLLINS: Oh, the interest -- the</p> <p>5 interest, I believe, they currently believe they can.</p> <p>6 The fund itself, because it was appropriated by the</p> <p>7 voters through the initiative, does not revert to the</p> <p>8 general -- it's not a reverting -- a reverting fund.</p> <p>9 It's a voter-protected appropriation, and so the</p> <p>10 legislature cannot and, to its credit, has not tried to</p> <p>11 sweep that fund when it's swept over other funds like</p> <p>12 the HURF fund and all the other funds that they swept.</p> <p>13 Our fund is, we think, very clearly --</p> <p>14 COMMISSIONER PATON: Powerless?</p> <p>15 MR. COLLINS: Yeah. Well, it's -- I mean,</p> <p>16 it's -- yeah. Well, you are the stewards of the fund,</p> <p>17 I guess, would be a better way to put it. You have a</p> <p>18 fiduciary --</p> <p>19 COMMISSIONER PATON: It doesn't sound like</p> <p>20 a very good stewardship if they don't invest it,</p> <p>21 though.</p> <p>22 MS. LARSEN: Yeah, and --</p> <p>23 MR. COLLINS: Well, that's -- that's --</p> <p>24 frankly, I mean, going forward, Commissioner --</p> <p>25 Chairman, Commissioner Paton, those are the kinds of</p>		
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<p>1 and I took the positions we now have. And if we're</p> <p>2 successful, you know, we'll be able to stave off</p> <p>3 dipping into that for some time, but at some point,</p> <p>4 there's a delta where we will -- we will begin to spend</p> <p>5 our seed corn.</p> <p>6 MS. LARSEN: And Chairman, Commissioners, I</p> <p>7 do have some graphs on what Tom is talking about here</p> <p>8 in a little bit.</p> <p>9 MR. COLLINS: It wasn't the right time.</p> <p>10 You should have told me that.</p> <p>11 MS. LARSEN: That's okay. That's okay.</p> <p>12 COMMISSIONER PATON: Can I add something?</p> <p>13 So if you have this fund that you keep for a rainy day</p> <p>14 or whatever, how is -- is that invested or --</p> <p>15 MR. COLLINS: Mr. Chairman, Commissioner</p> <p>16 Paton, that's a really good question. The statute says</p> <p>17 the treasurer is just supposed to keep it for us. We</p> <p>18 are not of the -- we are led to believe that we don't</p> <p>19 get the interest off the fund because the interest off</p> <p>20 the fund is not appropriated. If things get more dire,</p> <p>21 we may want to revisit whether or not by creating the</p> <p>22 fund the voters should have anticipated the interest on</p> <p>23 the fund would go back into the fund, but as far as I</p> <p>24 know right now, the interest off that fund, the State</p> <p>25 just takes and does whatever they want with it. So</p>	<p>1 questions we've avoided in the past because we had, as</p> <p>2 you've seen, more -- many times more money than we --</p> <p>3 that we and the Commission used to actually give to the</p> <p>4 general fund out of -- out of its own volition money</p> <p>5 for programs and such. Those days are gone and we're</p> <p>6 in a different position now.</p> <p>7 So you raise a good question that we may</p> <p>8 need to explore as far as how are those funds managed</p> <p>9 and what are our obligations because the statute does</p> <p>10 say that you are obligated to ensure that funds that</p> <p>11 should be paid to the fund are paid to the fund.</p> <p>12 COMMISSIONER PATON: You'd think you could</p> <p>13 get at least a couple of percent.</p> <p>14 MR. COLLINS: We'll look into it. It's a</p> <p>15 good point.</p> <p>16 MS. LARSEN: And Chairman, Commissioner</p> <p>17 Paton, we do administer the fund separately from the</p> <p>18 state legislature. And when I mentioned previously</p> <p>19 that we received \$19 million in revenue one year, that</p> <p>20 year the Commission determined to give \$10 million back</p> <p>21 to the general fund. So -- so you guys have the</p> <p>22 discretion of what to do with the fund. Everything</p> <p>23 that I have here is a recommendation of what Tom and I</p> <p>24 have come up with, our best calculations for</p> <p>25 projections and expenditures over the next four years.</p>		

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<p>1 And the four-year projections are mandated</p> <p>2 by the statute because we do have to look long term</p> <p>3 when we talk about, you know, we have an off-year</p> <p>4 election and then we have a gubernatorial election, and</p> <p>5 we have to anticipate all of those spendings. So even</p> <p>6 though it may seem like we do have, you know, some</p> <p>7 revenue in the fund, that we have about, you know, \$20</p> <p>8 million in the fund, we are very conscious of what our</p> <p>9 spending capacity is --</p> <p>10 MR. COLLINS: Right.</p> <p>11 MS. LARSEN: -- versus what our actual</p> <p>12 spending is. So I'm going to go over that now in my</p> <p>13 presentation and that might clear up some questions.</p> <p>14 So A.R.S. 16-949, this is how we start the</p> <p>15 base of our budget. It says that we are to take the</p> <p>16 number of individual tax -- income tax returns that are</p> <p>17 filed in the State in the current year. We have a</p> <p>18 multiplier that's derived in the statute that's 7. We</p> <p>19 multiply that, and that is our overall expenditure cap.</p> <p>20 In a single year we cannot spend more money than that</p> <p>21 cap. If we do spend more money than that cap, we have</p> <p>22 to offset it in the next four years. So I will tell</p> <p>23 you since I have been here we have not spent \$20</p> <p>24 million in a year, but that is our spending capacity.</p> <p>25 Our spending capacity has increased over</p>	<p>1 Mr. Chairman, Sara, I think the other important point</p> <p>2 about that is that what we really tried to do is make</p> <p>3 sure that, you know, we have projected spending that</p> <p>4 accounts for contingencies that might develop.</p> <p>5 For example, the big unknown that we now</p> <p>6 face on a yearly basis is what are our legal costs</p> <p>7 going to be. And so we have -- you know, we have</p> <p>8 consistently budgeted significantly for legal costs.</p> <p>9 We haven't gone -- we haven't hit the -- we haven't hit</p> <p>10 what we budget for legal costs in any of the years</p> <p>11 we've done that, but nevertheless, you know, we want to</p> <p>12 be clear that there's enough -- there's -- it's not</p> <p>13 just defensive positions. It's how to deal with all</p> <p>14 the different legal issues that we deal with.</p> <p>15 We just -- we want to have -- we don't --</p> <p>16 we'd rather overestimate on things that have</p> <p>17 contingencies associated with them and then come back</p> <p>18 in December and say we -- we were under budget on that</p> <p>19 because those contingencies didn't happen than --</p> <p>20 than -- than under budget and have to come back to you</p> <p>21 and say we're now going to have to allocate additional</p> <p>22 dollars towards -- you know, legal is the easiest one</p> <p>23 to -- for me, at least, salient one to me because it</p> <p>24 can be -- it could be big. It could be small, all</p> <p>25 depending on actions that have -- that we don't</p>		
10:00:59-10:02:34	Page 23	10:04:01-10:05:25	Page 25
<p>1 the last five years. Last year it was about -- it was</p> <p>2 a little over \$19 million was our spending capacity.</p> <p>3 So this year is over \$20 million. So that's our</p> <p>4 overall spending capacity, what we could spend. If we</p> <p>5 spent that much money, we would eat up our entire fund.</p> <p>6 Administration and enforcement expenditures</p> <p>7 are capped at 10 percent of that \$20 million. So of</p> <p>8 the overall cap, we take 10 percent of that and it's a</p> <p>9 little over \$2 million. That's the entire amount that</p> <p>10 we can spend in 2017 for administration and enforcement</p> <p>11 expenses. So I do project that our admin and</p> <p>12 enforcement expenditures will be about \$1.6 million.</p> <p>13 That's about -- I think I have in here 79 percent of</p> <p>14 what we could spend. So -- and that's not saying that</p> <p>15 we will even spend all of that money. This is our best</p> <p>16 guess, our potential to spend for 2017. So we most</p> <p>17 likely won't even spend \$1.6 million.</p> <p>18 I think for -- for 2018, I had about 1.8</p> <p>19 that we would spend. Right now we haven't even hit a</p> <p>20 million dollars in admin and enforcement expenses. So</p> <p>21 I will have the full 2016 numbers for you next month.</p> <p>22 Because we don't have December completed yet, I don't</p> <p>23 have those numbers. So everything in the spreadsheets</p> <p>24 are the actuals through November.</p> <p>25 MR. COLLINS: And if I could real quickly,</p>	<p>1 control. So --</p> <p>2 MS. LARSEN: Mr. Chairman, yeah, Tom -- Tom</p> <p>3 is correct on that. So we do, you know, forecast what</p> <p>4 we think our expenditures potentially could be.</p> <p>5 Whether we spend that amount or not, yeah, it happens</p> <p>6 throughout the year.</p> <p>7 Our public education cap is derived the</p> <p>8 same way. Now, this is specifically for paid media and</p> <p>9 advertisement. So -- so when Gina talks about voter</p> <p>10 education, this -- this is part of Gina's cap. So I</p> <p>11 know next month she is going to present a voter</p> <p>12 education plan to you, and so this cap -- we always</p> <p>13 budget at the cap for this to be able to spend that</p> <p>14 amount on -- on public education services. So it's</p> <p>15 also 10 percent.</p> <p>16 The voter education and public education</p> <p>17 budget is great, is larger than the administration and</p> <p>18 enforcement budget because reasonable and necessary</p> <p>19 expenditures for voter education and public education</p> <p>20 are not included in this amount. So while</p> <p>21 administration and enforcement is capped at a certain</p> <p>22 amount, our paid media services are also capped, but</p> <p>23 any other day-to-day or reasonable and necessary</p> <p>24 operations for voter education are not capped so that</p> <p>25 we can really be out there in the community and, you</p>		

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<p>1 know, helping county recorders and doing messaging for</p> <p>2 them. And I know Gina will cover a lot more of that in</p> <p>3 January when she does her presentation.</p> <p>4 So the reasonable and necessary</p> <p>5 expenditures are going to be about 1.8 million -- or</p> <p>6 1.1 million. Sorry. And this will include things for</p> <p>7 our website, for a roundtable that Gina is going to</p> <p>8 talk to you about that we're going to do for the county</p> <p>9 recorders again. This also includes any potential</p> <p>10 interagency service agreements that we might have. We</p> <p>11 budgeted again for money to go to work with the</p> <p>12 Secretary of State's office to enhance the campaign</p> <p>13 finance reporting system. So if anything does happen</p> <p>14 there, we do have that money available to work with</p> <p>15 them on making a useful campaign finance reporting</p> <p>16 system and have that -- and it looks like Tom would</p> <p>17 like to say something.</p> <p>18 MR. COLLINS: Well, I don't mean to keep</p> <p>19 interrupting you, but -- but I do want to point out</p> <p>20 that when we were at ACO, you know, the county</p> <p>21 recorders are looking at the possibility of having the</p> <p>22 Secretary of State cram down the cost of their new</p> <p>23 system for campaign finance on the counties and cities.</p> <p>24 And more than one county recorder said, well, why can't</p> <p>25 you guys help out with this?</p>		<p>1 officer; this is where those documents are filed at.</p> <p>2 And so previously we helped them develop the current</p> <p>3 system that they have. We gave them so much money to</p> <p>4 help develop that system, and we have in previous years</p> <p>5 entered into interagency service agreements that have</p> <p>6 come before the Commission.</p> <p>7 And I want to make that clear. Even though</p> <p>8 we budget for this amount, if any interagency service</p> <p>9 agreement does transpire over the next year, it will</p> <p>10 come to the Commission for approval in order to spend</p> <p>11 that money that we have budgeted for that ISA. So --</p> <p>12 so the system, we feel, we have candidates and we have</p> <p>13 reports in our act that candidates have to file. So we</p> <p>14 helped them develop that system so our candidates could</p> <p>15 be able to file those reports.</p> <p>16 So we would hope that this new system that</p> <p>17 they are developing that potentially we could, you</p> <p>18 know, utilize some of our resources because our</p> <p>19 candidates are required to use that system and do have</p> <p>20 reports that they have to file.</p> <p>21 MR. COLLINS: And they're -- and they're --</p> <p>22 and they're expanding -- they seek to expand the system</p> <p>23 to be statewide. And so -- so that's where the new</p> <p>24 expense is. That's -- so as part of 1516 last year,</p> <p>25 there was a provision that said that there will be a</p>	
10:06:56-10:08:15	Page 27	10:09:55-10:11:05	Page 29
<p>1 And our answer was -- or my answer, I</p> <p>2 should say, not to associate Gina with this answer</p> <p>3 because it was a me-type answer -- was basically -- was</p> <p>4 that the reality is that we have -- you know, that the</p> <p>5 Secretary of State has rather emphatically refused to</p> <p>6 take our money to improve the campaign finance</p> <p>7 reporting system. And now -- and is looking at</p> <p>8 potentially shifting those costs to cities and towns</p> <p>9 that don't have any money to pay for it.</p> <p>10 So it's a -- it's a -- it's a -- it's a --</p> <p>11 I don't know what the word is when you have resources</p> <p>12 here and you're going over here to get it. We're</p> <p>13 hoping at some point that logically the Secretary will</p> <p>14 realize that this allocation we continue to make is in</p> <p>15 good faith and we're willing to -- and the counties are</p> <p>16 looking for someone to step up and help them with</p> <p>17 whatever financial burden that imposes but --</p> <p>18 COMMISSIONER PATON: What does that</p> <p>19 involve? What are we talking about?</p> <p>20 MS. LARSEN: Chairman, Commissioner Paton,</p> <p>21 the campaign finance reporting system is the reporting</p> <p>22 system that all candidates have to utilize in order to</p> <p>23 disclose their campaign finance activity. So it's a</p> <p>24 single system. And I know our statute says that, you</p> <p>25 know, the Secretary of State's office is the filing</p>		<p>1 statewide system and counties and cities are obligated</p> <p>2 to provide an electronic filing system and if they</p> <p>3 don't provide their own electronic filing system, they</p> <p>4 must use the Secretary's. And it also said the</p> <p>5 Secretary shall determine the price they have to pay at</p> <p>6 some other date.</p> <p>7 So the Secretary has been -- was actually</p> <p>8 at our meeting, unwilling to even discuss what they</p> <p>9 were going to charge the counties for access to the</p> <p>10 system if they don't develop their own system. And</p> <p>11 that's why the counties immediately were, like, you</p> <p>12 know, well, how are we going to supplement our own</p> <p>13 budgets if this becomes a cramdown on us?</p> <p>14 So that's -- so the system that exists now,</p> <p>15 as Sara says, absolutely right, we built with the</p> <p>16 Secretary in conjunction with the former Secretary.</p> <p>17 They're expanding the scope of that system, but they</p> <p>18 don't have -- they don't have -- they have not</p> <p>19 identified the revenues they're going to use to do it.</p> <p>20 They have authorization to charge the counties and</p> <p>21 cities an unknown amount of money to do it, and the</p> <p>22 cities and counties are concerned about what that</p> <p>23 amount of money is going to be.</p> <p>24 MS. LARSEN: Chairman, Commissioners,</p> <p>25 again, that's just one portion of what would be in this</p>	

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<p>1 \$1.1 million, and there are some line items I have laid</p> <p>2 out in the spreadsheet for you too.</p> <p>3 We also are required to project candidate</p> <p>4 funding for every election year. 2017 is a</p> <p>5 non-election year so we do project that there is no</p> <p>6 candidate funding that will be disbursed in 2017. So</p> <p>7 that's an easy one.</p> <p>8 Here's an overview of the combined total</p> <p>9 projected expenditures for -- for 2017. They're much</p> <p>10 lower than what we projected for 2016. They're -- I</p> <p>11 think for 2016 we projected we'd have about \$11 million</p> <p>12 in expenditures because that included candidate</p> <p>13 funding. This year it's about \$4.8 million for 2017,</p> <p>14 just depending on the things that evolve throughout the</p> <p>15 year. I don't anticipate that we will spend that full</p> <p>16 amount, but again, we are doing our best guess to have</p> <p>17 an accurate projection of what possible expenditures</p> <p>18 might occur throughout the year.</p> <p>19 So I have a couple of graphs on -- on</p> <p>20 different scenarios just to lay it out for you. The</p> <p>21 light blue is what we expect our -- or what have been</p> <p>22 our actual expenditures versus our expenditure cap. So</p> <p>23 in 2016, this last year, we had a \$19 million</p> <p>24 expenditure cap. Our actual expenditures so far are</p> <p>25 about \$7.5 million. So those will increase a little as</p>		<p>1 does include our, you know, all full-time -- six</p> <p>2 full-time staff members, our -- our IT person that is</p> <p>3 contracted with us hourly, our intern. And we</p> <p>4 potentially may be adding additional staff members in</p> <p>5 2017. That has not been clarified, but we did budget</p> <p>6 for it just in case that does occur. So there was an</p> <p>7 increase in that, but that's just for potential</p> <p>8 additional staff.</p> <p>9 So our projected expenditures looking</p> <p>10 forward versus our expenditure caps, again, we have \$20</p> <p>11 million that we can spend. That's our capacity to</p> <p>12 spend. In 2017 I don't even project that we'll spend</p> <p>13 \$5 million. So you can see looking forward what we</p> <p>14 actually anticipate on spending is not nearly the</p> <p>15 amount that we would possibly spend.</p> <p>16 COMMISSIONER PATON: So this year, how much</p> <p>17 do you anticipate spending?</p> <p>18 MS. LARSEN: Chairman, Commissioner Paton,</p> <p>19 this year as in 2016?</p> <p>20 COMMISSIONER PATON: Correct.</p> <p>21 MS. LARSEN: I would anticipate that will</p> <p>22 probably be about 8.5 million.</p> <p>23 COMMISSIONER PATON: Because it's an</p> <p>24 election year?</p> <p>25 MS. LARSEN: Because it was an election</p>	
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<p>1 we start getting in our December numbers, but just</p> <p>2 because we have the ability to spend \$19 million and we</p> <p>3 have that capacity does not mean that we -- that we</p> <p>4 actually spend that much.</p> <p>5 So you can see in the off-election years,</p> <p>6 we don't spend nearly as much as we do in the election</p> <p>7 years. And in a gubernatorial election year, we spend</p> <p>8 more than we do in a non-gubernatorial election year.</p> <p>9 COMMISSIONER MEYER: Questions.</p> <p>10 CHAIRMAN LAIRD: Commissioner Meyer?</p> <p>11 COMMISSIONER MEYER: Sara, thank you for</p> <p>12 the board. I just have a few questions.</p> <p>13 On the personal services of 750,000,</p> <p>14 what -- what makes personal services?</p> <p>15 MS. LARSEN: Chairman, Commissioner Meyer,</p> <p>16 so we do have an increase for personnel services.</p> <p>17 Those are salaries and compensation for Staff.</p> <p>18 COMMISSIONER MEYER: Oh, that's personnel,</p> <p>19 not personal.</p> <p>20 MS. LARSEN: Personnel, yeah.</p> <p>21 COMMISSIONER MEYER: Oh, okay.</p> <p>22 MS. LARSEN: So it's called personal</p> <p>23 services in the system --</p> <p>24 COMMISSIONER MEYER: Okay.</p> <p>25 MS. LARSEN: -- that we use. We do -- that</p>		<p>1 year and we had significant amounts that we distributed</p> <p>2 in candidate funding, but we still came -- we will</p> <p>3 still come in under budget significantly.</p> <p>4 COMMISSIONER PATON: So you had to take a</p> <p>5 million and a half from your 20 million balance that</p> <p>6 you have?</p> <p>7 MS. LARSEN: Correct.</p> <p>8 COMMISSIONER PATON: Okay.</p> <p>9 MS. LARSEN: We also bring in revenues</p> <p>10 throughout the year. So it's really offset. So we</p> <p>11 will potentially spend more in 2016 than we brought in</p> <p>12 in revenues, but we anticipate that in election year</p> <p>13 that that's going to happen.</p> <p>14 COMMISSIONER PATON: Okay. So that's</p> <p>15 normal.</p> <p>16 MS. LARSEN: Correct.</p> <p>17 So 2017, our revenue projections versus our</p> <p>18 potential capacity to spend. So the first graph that I</p> <p>19 showed you where, you know, in 2010 we brought in \$19</p> <p>20 million, our capacity to spend and the revenues that we</p> <p>21 would bring in would be about equal. Now we're</p> <p>22 bringing about \$7 million and we have a \$20 million</p> <p>23 capacity to spend. So there's -- there's no way that</p> <p>24 we could spend our capacity. It's just -- it's not</p> <p>25 possible.</p>	

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<p>1 This is what -- our revenue projections</p> <p>2 versus our actual expenditures, this is what we</p> <p>3 anticipate that it will actually look like. So the</p> <p>4 dark green is what our projected expenditures will be</p> <p>5 and the light green is what our projected revenues will</p> <p>6 be. You can see that in an election year we will spend</p> <p>7 more money. So in our off-election years, we can't</p> <p>8 spend nearly as much money. So we tend to build up the</p> <p>9 fund in non-election years so that we can spend more</p> <p>10 money in candidate funding and voter education. We</p> <p>11 have our candidate statement pamphlet that we have to</p> <p>12 distribute twice throughout the election year, and</p> <p>13 those are significant costs.</p> <p>14 So in summary, we are asking you guys to</p> <p>15 approve the 2017 expenditure cap at 20 million --</p> <p>16 \$20,321,063 as derived by the statute, and then our</p> <p>17 admin and enforcement cap at 10 percent of that and our</p> <p>18 public education cap at 10 percent of that. We're</p> <p>19 asking you to approve the projection that candidate</p> <p>20 funding is zero and to approve additional voter</p> <p>21 education expenditures and to approve the revenue</p> <p>22 projections and the calendar year budget projection.</p> <p>23 MR. COLLINS: Do we need to do the finding</p> <p>24 that we don't have the excess funds too? Because we --</p> <p>25 MS. LARSEN: Yes. Yeah. That would be</p>	<p>1 four years.</p> <p>2 And as you can see on page 2 of the memo,</p> <p>3 you know, we're in a capacity deficit. We're not in a</p> <p>4 deficit in the sense that we're spending money we don't</p> <p>5 have, but we are spending -- but our capacity -- the</p> <p>6 voters, if you will, set the system up so we would have</p> <p>7 vastly more capacity to spend than we currently have</p> <p>8 funding to meet. And so, you know -- so, basically,</p> <p>9 it's a -- it's a deficit that formulaically means</p> <p>10 there's no excess funds because -- because the voters</p> <p>11 didn't want us to give money back to the general fund</p> <p>12 at the expense of ongoing programs.</p> <p>13 And right now the disparity -- the delta</p> <p>14 between our capacity to spend and our -- and our</p> <p>15 revenues is like this wide. So there really is no</p> <p>16 realistic way to determine that there would be excess</p> <p>17 funds.</p> <p>18 MS. LARSEN: And, Chairman, Tom, if we</p> <p>19 spend at capacity, we would not make it through 2018.</p> <p>20 MR. COLLINS: Right. That's another way to</p> <p>21 put it.</p> <p>22 MS. LARSEN: We would not have revenues to</p> <p>23 make it to 2018.</p> <p>24 MR. COLLINS: We would not have any money</p> <p>25 at all, let alone -- let alone excess money.</p>		
10:18:14-10:19:40	Page 35	10:20:56-10:22:01	Page 37
<p>1 Item 5 on my memo that I did -- that I did not get in</p> <p>2 here.</p> <p>3 Every year that we do this projection, we</p> <p>4 have to decide if we have excess funds. And if we have</p> <p>5 excess funds, it's your determination to -- to revert</p> <p>6 those back to the general fund. In years past, I</p> <p>7 believe since 2012, we have not made any determination</p> <p>8 that there have been excess funds in the fund due to</p> <p>9 our increasing capacity to spend and the increase in</p> <p>10 costs and the decreasing revenues that we are</p> <p>11 receiving.</p> <p>12 And with us receiving a million dollars</p> <p>13 less in revenues than we have previously, that is</p> <p>14 concerning for us. So Tom and I have talked about it</p> <p>15 and we do not feel that we have excess revenues in the</p> <p>16 fund in order to revert back to the general fund, but</p> <p>17 that is a Commission determination to make but we would</p> <p>18 ask that you make that.</p> <p>19 MR. COLLINS: If I -- if I could just</p> <p>20 real -- just real quick. There's a statutory formula</p> <p>21 that basically says that to determine whether or not</p> <p>22 there are excess funds, you assume the -- the spending</p> <p>23 capacity calculation that Sara has identified and then</p> <p>24 you look at the revenue and the fund compared to that.</p> <p>25 Well, right now there is -- and you project that over</p>	<p>1 CHAIRMAN LAIRD: Do we know the current</p> <p>2 balance of the fund? I mean, obviously, it looks like</p> <p>3 it's going to be really tight the next four years if</p> <p>4 you look at actual expenditures --</p> <p>5 MR. COLLINS: Right.</p> <p>6 CHAIRMAN LAIRD: -- versus actual revenue,</p> <p>7 but if you -- you know, when you use the statutory test</p> <p>8 capacity, then, you know, we're red, red, red and red.</p> <p>9 MR. COLLINS: Right.</p> <p>10 MS. LARSEN: Yes, Chairman. On page 7 of</p> <p>11 my spreadsheet -- I don't know what Bates number it</p> <p>12 is -- the balance going into 2017 will be \$23.5</p> <p>13 million.</p> <p>14 MR. COLLINS: So -- and the calculation is</p> <p>15 based on a four-year projection. So that \$3 million</p> <p>16 doesn't become excess funds. It would -- because of</p> <p>17 the way that the calculation is made, because the</p> <p>18 calculation has actually excess funds over four years</p> <p>19 which is really \$80 million. So 23 million compared to</p> <p>20 80 puts us in a -- in a -- in a capacity that -- not a</p> <p>21 real deficit, but a capacity deficit of \$60 million.</p> <p>22 So we'd have to get an additional \$60 million in the</p> <p>23 fund before we could begin to have a conversation about</p> <p>24 having excess funds.</p> <p>25 Now, notably -- and this is something JLBC</p>		

10:22:05-10:22:54	Page 38	10:23:49-10:25:04	Page 40
<p>1 forgets all the time when they're writing up our -- our</p> <p>2 report for the legislature. They took away our tax</p> <p>3 credit. So the legislature is getting lots of money</p> <p>4 that used to go to Clean Elections already by borrowing</p> <p>5 the tax credit. They just --</p> <p>6 COMMISSIONER PATON: So, basically, they're</p> <p>7 taking -- they've taken away that tax credit --</p> <p>8 MR. COLLINS: Right.</p> <p>9 COMMISSIONER PATON: -- that came to us.</p> <p>10 MR. COLLINS: Right.</p> <p>11 COMMISSIONER PATON: -- and then -- so</p> <p>12 that's our way of giving them excess funds.</p> <p>13 MR. COLLINS: That's exactly right.</p> <p>14 MS. LARSEN: That's correct. And</p> <p>15 previously when I started out when I was showing the</p> <p>16 graph and certain decreases, that was about \$5.7</p> <p>17 million a year.</p> <p>18 MR. COLLINS: You have it precisely,</p> <p>19 Commissioner Paton.</p> <p>20 Can I ask one other question, Sara?</p> <p>21 MS. LARSEN: Sure.</p> <p>22 MR. COLLINS: And this is -- do you think</p> <p>23 that if the Commission approved the memo that you</p> <p>24 prepared, does that have all of the numbers in it?</p> <p>25 Would that suffice to give us what we need?</p>	<p>1 we do not know why, other than that court cases are</p> <p>2 down.</p> <p>3 COMMISSIONER KIMBLE: Well -- and then</p> <p>4 you're projecting it going up in '17, and we have</p> <p>5 this -- this situation hanging over us about -- that</p> <p>6 they may waive those fees.</p> <p>7 So how realistic is it that it's going to</p> <p>8 bounce back up?</p> <p>9 MS. LARSEN: I'm sorry. Chairman,</p> <p>10 Commissioner Kimble, we yet don't have December's</p> <p>11 revenue numbers. So I do anticipate that we will get</p> <p>12 more than -- I think we're about \$300,000 short. So I</p> <p>13 do anticipate that we will receive at least \$300,000 in</p> <p>14 December for -- for revenue. So that will put us over</p> <p>15 \$7 million.</p> <p>16 COMMISSIONER KIMBLE: But are we confident</p> <p>17 that we're going to persuade the Supreme Court not to</p> <p>18 allow judges to waive our share of their assessments?</p> <p>19 MS. LARSEN: Chairman, Commissioner Kimble,</p> <p>20 I would not say that we are confident that that will --</p> <p>21 that that will happen, but we also don't know what that</p> <p>22 impact will be. So if that does occur and they are</p> <p>23 allowed to waive fees and, say, that does start in</p> <p>24 2017, we'll have a better idea at the end of 2017 what</p> <p>25 the impact of the court waiving our 10 percent</p>		
10:22:57-10:23:47	Page 39	10:25:07-10:26:39	Page 41
<p>1 MS. LARSEN: Yeah, if they approve --</p> <p>2 Chairman, if you would like to approve the memo and the</p> <p>3 attached spreadsheets, that would -- that would be</p> <p>4 sufficient.</p> <p>5 CHAIRMAN LAIRD: Yeah. I mean,</p> <p>6 specifically, there was three things that you need</p> <p>7 approved, and they are all in the memo, as Tom</p> <p>8 correctly points out. The three caps need to be</p> <p>9 approved. The budget needs to be approved and the</p> <p>10 conclusion that there are not excess funds based on</p> <p>11 your four-year projections. Those are the three things</p> <p>12 you need, and those are all laid out in the memo.</p> <p>13 So if someone wants to make a motion to</p> <p>14 approve the memo and specifically those -- those three</p> <p>15 things.</p> <p>16 COMMISSIONER KIMBLE: Mr. Chairman, I have</p> <p>17 a couple of questions first.</p> <p>18 CHAIRMAN LAIRD: Sure.</p> <p>19 COMMISSIONER KIMBLE: In the revenue side,</p> <p>20 our major source of revenue, court assessments, you</p> <p>21 talked about how it dropped because of the red light</p> <p>22 situation five years ago or so. I see it also dropped</p> <p>23 substantially from '15 to '16.</p> <p>24 Do you know why that was?</p> <p>25 MS. LARSEN: Chairman, Commissioner Kimble,</p>	<p>1 surcharge would be rather than -- we just -- we just</p> <p>2 don't have any information on who is waiving the fees,</p> <p>3 how many fees are being waived and at what rate. So --</p> <p>4 so really we -- we can't even begin to guess at how</p> <p>5 that will impact us until we have some kind of data,</p> <p>6 and that's not going to happen until the end of 2017.</p> <p>7 MR. COLLINS: Can I -- if I can add a</p> <p>8 specific point, Mr. Chairman, Commissioner Kimble.</p> <p>9 We've -- you know, we've been looking at the court task</p> <p>10 force report. We've also been looking at the existing</p> <p>11 law, and the existing law that passed in 2011 appears</p> <p>12 to allow the waiver of the surcharge too which has the</p> <p>13 same problem. So -- and if you look at the task force</p> <p>14 report, there's very, very little on actual data in it.</p> <p>15 It's long on policy sort of declarations and rhetoric</p> <p>16 and short on physical impact.</p> <p>17 And so we do think that -- we have a plan</p> <p>18 that involves working with -- with the approval of the</p> <p>19 Attorney General. We have the ability to work with --</p> <p>20 with Joe Kanefield on that issue to try to -- and he's</p> <p>21 working to work up sort of what our plan would be, but</p> <p>22 to try to get numbers on how -- how much waiving is</p> <p>23 going on now, what the best way to go about getting</p> <p>24 our, you know, VPA argument accepted as an</p> <p>25 administrative matter because mostly this is going</p>		

10:26:41-10:27:44	Page 42	10:29:15-10:30:34	Page 44
<p>1 through the Administrative Office of the Courts, not</p> <p>2 through the Supreme Court acting as a court. And then,</p> <p>3 thirdly, you know, how that all factors in the</p> <p>4 legislative.</p> <p>5 So we'll have a report, I think, on</p> <p>6 progress on that, you know, within the -- hopefully --</p> <p>7 well, we'll be able -- we'll have a report and a plan</p> <p>8 within the first quarter of 20 -- of 20 -- what year is</p> <p>9 this?</p> <p>10 MS. LARSEN: 2016.</p> <p>11 MR. COLLINS: -- of 2017 and then -- and</p> <p>12 then -- and then from -- once we have Joe's -- I think</p> <p>13 once we have Joe's assessment of what he's able to</p> <p>14 glean through AOC, I think we'll have a little bit --</p> <p>15 we'll -- hopefully we'll define the problem a little</p> <p>16 more concretely.</p> <p>17 COMMISSIONER KIMBLE: Okay. My only point</p> <p>18 is that this is our largest source of revenue and if</p> <p>19 there's a big problem with that, we've got a big</p> <p>20 problem.</p> <p>21 MR. COLLINS: That is correct.</p> <p>22 COMMISSIONER KIMBLE: And I don't know</p> <p>23 that -- I don't know what to say about it now. And I</p> <p>24 understand the problems with trying to project it</p> <p>25 but --</p>	<p>1 of that spending when we are budgeting that.</p> <p>2 COMMISSIONER KIMBLE: Okay. And my last</p> <p>3 question is about external legal services. 2016</p> <p>4 actuals through, I guess, November, 126,000, and we're</p> <p>5 projecting in 2017, 550,000.</p> <p>6 Is this like a very generous projection --</p> <p>7 MS. LARSEN: Yes.</p> <p>8 COMMISSIONER KIMBLE: -- assuming we're in</p> <p>9 lawsuits constantly?</p> <p>10 MS. LARSEN: Chairman, Commissioner Kimble,</p> <p>11 you are correct. Last year I budgeted 500,000 for --</p> <p>12 for legal expenditure. So going into an unknown year,</p> <p>13 we don't really know what is going to happen, what</p> <p>14 circumstances are going to arise. We have Legacy</p> <p>15 Foundation who's already filed a petition for review in</p> <p>16 the Supreme Court. You know, we have numerous things</p> <p>17 out there. So we do, you know, make a healthy legal</p> <p>18 services budget to work with. And it looks like Tom</p> <p>19 would like to say something.</p> <p>20 MR. COLLINS: Well, I mean, this is my -- I</p> <p>21 apologize for continuing to interrupt, but this is my</p> <p>22 favorite line item. I mean, this line item is the one</p> <p>23 that I care about the most, and I'll tell you why.</p> <p>24 It's because -- I mean, we have two different things</p> <p>25 going on. We have a number of unknowns -- we have a</p>		
10:27:44-10:29:11	Page 43	10:30:37-10:32:11	Page 45
<p>1 MS. LARSEN: And Chairman, Commissioner</p> <p>2 Kimble, I am happy to continue providing, you know,</p> <p>3 quarterly memos and quarterly statements, to add that</p> <p>4 as a -- as a line item or as a subject of Tom's</p> <p>5 executive director memo for you, if you would like.</p> <p>6 COMMISSIONER KIMBLE: I think that's a good</p> <p>7 idea.</p> <p>8 MS. LARSEN: To keep you, you know,</p> <p>9 apprised monthly of what our revenues are, if they are</p> <p>10 up, if they are down, if they are anywhere near what we</p> <p>11 have seen in the past. I'm happy to do that for you,</p> <p>12 if you would like.</p> <p>13 COMMISSIONER KIMBLE: Okay. I also have a</p> <p>14 couple of questions about some expenditures.</p> <p>15 Public education media, you project going</p> <p>16 from -- in '16, which was an election year, 1.489</p> <p>17 million to 2 million. And is this -- you don't</p> <p>18 actually project spending this, but this is the cap?</p> <p>19 MS. LARSEN: Chairman, Commissioner Kimble,</p> <p>20 so, again, the actuals, the 2016 actuals do not include</p> <p>21 some November and December work. So -- so those</p> <p>22 numbers are going to continue to increase. So we had</p> <p>23 about \$1.9 million for paid media. We do budget at the</p> <p>24 cap for that. It's how -- Gina works out our voter</p> <p>25 education plan. So we do allow her the full capacity</p>	<p>1 number of known -- you know, we have a bunch of known</p> <p>2 knowns, like GRRC and other stuff. We have a number of</p> <p>3 unknown unknowns and then -- and, again, with -- no</p> <p>4 disrespect to our assistant attorney generals who are</p> <p>5 here and who are always doing good work.</p> <p>6 We -- we are -- we are not in a position to</p> <p>7 predict when the Attorney General himself may have a</p> <p>8 conflict that's irreconcilable, and that requires us to</p> <p>9 pay out of pocket. So we get a deal from the AG's</p> <p>10 office when we can use the AG's office, but that's not</p> <p>11 foreseeable.</p> <p>12 And I -- I -- maybe it's because I became</p> <p>13 executive director when the Commission was engaged in a</p> <p>14 particularly expensive piece of litigation that -- but</p> <p>15 I -- I have just felt like, you know -- if nothing</p> <p>16 else, I think the public should know that the cost of</p> <p>17 other agencies interfering with our activities is not</p> <p>18 free to the public. I mean, most of this stuff is all</p> <p>19 interagency stuff. This isn't -- this isn't, you know,</p> <p>20 us, you know -- a lot of it is.</p> <p>21 And we don't spend that much, but -- but I</p> <p>22 just assume make sure that everybody understands that,</p> <p>23 you know, at least on those areas where the Commission</p> <p>24 believes its legal obligations are being threatened,</p> <p>25 the Commission has allocated sufficient funds to meet</p>		

10:32:16-10:33:22	Page 46	10:34:38-10:36:03	Page 48
<p>1 that need without, you know -- it's just -- it's a bit</p> <p>2 of -- it's not -- it's not a deterrent, but it's -- but</p> <p>3 it's an acknowledgment that when the Secretary of State</p> <p>4 engages in both litigation against the Commission or</p> <p>5 whatever you call the administrative action at GRRC,</p> <p>6 it's not free.</p> <p>7 When, you know, the courts make decisions</p> <p>8 that have an impact on the Commission's obligations to</p> <p>9 see to it that funds are placed in the Clean Elections,</p> <p>10 funds that ought to be there, it's not free. And so I</p> <p>11 really -- it's my personal view to push that up just</p> <p>12 because I don't -- I don't want anyone to think that</p> <p>13 we're -- that we can be bullied by some outside spender</p> <p>14 into submission. That's -- that's my view and maybe --</p> <p>15 maybe that's --</p> <p>16 CHAIRMAN LAIRD: Well, I think that's a</p> <p>17 good -- from my perspective would be that's a</p> <p>18 conservative approach and a prudent approach. You</p> <p>19 don't know what year you're going to have real active</p> <p>20 litigation. We certainly have a history where there's</p> <p>21 been years that we've had that.</p> <p>22 MR. COLLINS: Right.</p> <p>23 CHAIRMAN LAIRD: So to -- the conservative</p> <p>24 approach would be to assume we're going to have a real</p> <p>25 active year and budget for that; otherwise, you're put</p>	<p>1 COMMISSIONER KIMBLE: Thank you,</p> <p>2 Mr. Chairman.</p> <p>3 CHAIRMAN LAIRD: Thank you, Commissioner.</p> <p>4 Any other questions?</p> <p>5 COMMISSIONER PATON: I kind of want to go</p> <p>6 back to this original idea about these fines and the 10</p> <p>7 percent surcharge and so on.</p> <p>8 How long are we going to be in suspense</p> <p>9 about --</p> <p>10 MS. LARSEN: Chairman, I don't know. I</p> <p>11 don't -- I'm hoping that we'll probably know this this</p> <p>12 legislative session if -- if the Justice and Fairness</p> <p>13 for All happens. We just -- we don't know what the</p> <p>14 impact will be until we start seeing numbers in 2017 if</p> <p>15 that goes through.</p> <p>16 COMMISSIONER PATON: Can we not get an</p> <p>17 answer from the courts? Are we in suspense forever?</p> <p>18 MR. COLLINS: Mr. Chairman, Commissioner</p> <p>19 Paton, I mean, I've spent time with the court's</p> <p>20 lobbyist, the director of the AOC and the task force</p> <p>21 itself. It is a -- it is a numbers-free zone. It is</p> <p>22 about their view that folks who are already poor who</p> <p>23 also commit crimes oughten to have to pay excessive</p> <p>24 financial penalties. It's an ideological argument.</p> <p>25 Our position is and what we've enlisted Joe</p>		
10:33:24-10:34:34	Page 47	10:36:06-10:37:49	Page 49
<p>1 in a position of if, you have a minimal budget, you</p> <p>2 have to come back to us to approve an increase in the</p> <p>3 budget every time there's another lawsuit. Absolutely.</p> <p>4 MR. COLLINS: Right. Exactly, which</p> <p>5 calls -- which calls attention to the spending and also</p> <p>6 creates an opportunity, frankly, in a body like this</p> <p>7 for the actual people who are trying -- who are trying</p> <p>8 to arguably undermine the Commission's authority to</p> <p>9 come in front of you and tell you not -- and lobby you</p> <p>10 not to spend the money on the lawsuit.</p> <p>11 I mean, it creates a strange kind of a</p> <p>12 dichotomy where you're -- where, you know, one of the</p> <p>13 arguments that folks like to make is that -- in</p> <p>14 general -- and this is not about our Commission</p> <p>15 specifically -- is that the state government spends too</p> <p>16 much money on lawyers and lawyers suing each other and</p> <p>17 agencies suing each other. I'd be willing to stipulate</p> <p>18 with that, but with one exception. The Commission has</p> <p>19 never been the instigator of this litigation that we've</p> <p>20 been involved in.</p> <p>21 And I think that will continue, that, you</p> <p>22 know, in all likelihood, will continue to be the case,</p> <p>23 but -- but it's because it's beyond our control that we</p> <p>24 want to have a sufficient -- a sufficiently large</p> <p>25 allocation available to draw on.</p>	<p>1 to help us do in a legal representation capacity is to</p> <p>2 say, look, folks, you have -- you have a statute that</p> <p>3 says X. We think you're applying it incorrectly and we</p> <p>4 also would like to know what are the numbers that are</p> <p>5 behind your argument that this is being done in a way</p> <p>6 that actually is causing these folks to be unduly</p> <p>7 oppressed.</p> <p>8 I mean, the reality is that -- and that's</p> <p>9 the problem is that the task force -- not all of the</p> <p>10 task force, but some of the task force members have a</p> <p>11 highly ideological view about the rights of criminal --</p> <p>12 convicted criminals to be free from financial sanction.</p> <p>13 And that ideological view is impervious to data. And</p> <p>14 so they didn't collect any data that we can find. What</p> <p>15 Joe, we hope, will help us work with the courts to do</p> <p>16 is actually identify what is the true burden.</p> <p>17 And then if you look at it legally, our --</p> <p>18 our surcharge at worst can only be one-eighth of the</p> <p>19 surcharges that the State otherwise imposes. So we're</p> <p>20 a small -- we're small potatoes, but for whatever</p> <p>21 reason, some of the task force members have come to the</p> <p>22 conclusion that all potatoes are equal and all of these</p> <p>23 folks who have been duly convicted or pled guilty and</p> <p>24 are convicted of crimes are entitled to this financial</p> <p>25 relief.</p>		

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<p>1 And, again, we're not -- and I've said this</p> <p>2 to the task force itself. The Commission isn't the</p> <p>3 Commission on whether or not folks ought to be punished</p> <p>4 in a certain way or not punished in a certain way. The</p> <p>5 Commission is a Commission -- but the Commission has a</p> <p>6 fiduciary obligation -- or I would call it a fiduciary</p> <p>7 obligation under 16-956 to see to it that funds that</p> <p>8 are to be paid to the fund are paid to the fund.</p> <p>9 So all of you can have whatever beliefs you</p> <p>10 have about the rights of criminal defendants and</p> <p>11 whether or not they're in fact having -- having an undo</p> <p>12 burden posed on them, but in this particular case, our</p> <p>13 burden is one-eighth of one part of the burden, first</p> <p>14 of all, as a practical matter. And, secondly, it's</p> <p>15 legally -- it's a legal question. It's not a policy</p> <p>16 question. If the voters wanted to change how the</p> <p>17 surcharge works, they can do that. If the voters</p> <p>18 wanted to give judges discretion, they could do that.</p> <p>19 These are all -- these aren't policy</p> <p>20 issues. You know, you can be as sympathetic as you</p> <p>21 want to -- to the fact that there are financial</p> <p>22 penalties because those financial penalties affect</p> <p>23 different people differently. Our point isn't that</p> <p>24 that's right or wrong. Our point is we have a statute</p> <p>25 mandated by the voters and a -- and a mandate by the</p>		<p>1 on the issue for us, and we had a -- Mike and I had a</p> <p>2 meeting with him last week to go over all this stuff.</p> <p>3 And so we're -- we're -- we're in progress. It's just</p> <p>4 a question of, you know -- but getting the numbers, to</p> <p>5 your point, that will take a little longer.</p> <p>6 COMMISSIONER PATON: It just makes me</p> <p>7 nervous. It looks like everything is going south, you</p> <p>8 know.</p> <p>9 MR. COLLINS: Right. No, I -- we're on the</p> <p>10 same page.</p> <p>11 COMMISSIONER PATON: Okay.</p> <p>12 COMMISSIONER MEYER: Mr. Chairman, I have a</p> <p>13 question.</p> <p>14 CHAIRMAN LAIRD: Commissioner Meyer.</p> <p>15 COMMISSIONER MEYER: On the excess funds</p> <p>16 determination issue, why did we use the expenditure cap</p> <p>17 for that determination when -- as opposed to the actual</p> <p>18 expenses? As Sara said, there's no way we could ever</p> <p>19 spend the \$20.3 million and we're only budgeted to</p> <p>20 spend 4.8.</p> <p>21 So why are we using that expenditure cap?</p> <p>22 What is the -- what is the reason?</p> <p>23 CHAIRMAN LAIRD: My understanding is it's</p> <p>24 statutory.</p> <p>25 Tom?</p>	
10:39:10-10:39:50	Page 51	10:40:47-10:41:49	Page 53
<p>1 voters to this Commission to see to it that the money</p> <p>2 that's supposed to come to the fund comes to the fund.</p> <p>3 COMMISSIONER PATON: So, I guess, are we in</p> <p>4 limbo for how long?</p> <p>5 MR. COLLINS: I think -- like I say, I hope</p> <p>6 to -- by the first quarter of '18 to have Joe have</p> <p>7 gotten to a place where we can assess what is right --</p> <p>8 COMMISSIONER PATON: 2018?</p> <p>9 MR. COLLINS: Yeah, which is just within</p> <p>10 the next three months.</p> <p>11 MS. LARSEN: 2017.</p> <p>12 MR. COLLINS: '17. See, I just --</p> <p>13 COMMISSIONER PATON: Okay. Yeah. That</p> <p>14 sounded like a long limbo.</p> <p>15 MR. COLLINS: So just for the record,</p> <p>16 whenever I said '17, I meant '18 and vice versa.</p> <p>17 COMMISSIONER PATON: Okay.</p> <p>18 MR. COLLINS: '17. So I think in the first</p> <p>19 three months of '17 --</p> <p>20 COMMISSIONER PATON: So it's not way down</p> <p>21 the road.</p> <p>22 MR. COLLINS: No, no, no, no, no.</p> <p>23 COMMISSIONER PATON: I was getting</p> <p>24 concerned.</p> <p>25 MR. COLLINS: Joe is already working on --</p>		<p>1 MR. COLLINS: Yeah.</p> <p>2 CHAIRMAN LAIRD: Do you have the statutory</p> <p>3 reference?</p> <p>4 MS. LARSEN: Right, because we have to make</p> <p>5 projections out for four years so we need to make sure</p> <p>6 that we have sufficient funds to pay out our</p> <p>7 expenditures for four years. And with the revenues</p> <p>8 that we are bringing in, we just won't have that</p> <p>9 ability to spend out, but I -- Tom, do you have the</p> <p>10 statute?</p> <p>11 MR. COLLINS: Yeah. The cite is 16-954(B),</p> <p>12 which I think is in the PowerPoint as a citation, but</p> <p>13 it just says, At least once per year the Commission</p> <p>14 shall project the amount of monies that the fund will</p> <p>15 collect over the next four years and the time such</p> <p>16 money shall be available. Whenever the Commission</p> <p>17 determines the fund contains more money than the</p> <p>18 Commission determines it's required to meet current</p> <p>19 debt plus expected expenses -- and this is the key</p> <p>20 sentence -- under the assumption that the expected</p> <p>21 expenses will be at the expenditure limit in 16-949(A).</p> <p>22 COMMISSIONER MEYER: Thank you. That makes</p> <p>23 sense. Well, that's what the statute says.</p> <p>24 MR. COLLINS: Right.</p> <p>25 CHAIRMAN LAIRD: Okay. Any other questions</p>	

10:41:52-10:42:37	Page 54	10:44:19-10:45:54	Page 56
<p>1 or comments?</p> <p>2 (No response.)</p> <p>3 CHAIRMAN LAIRD: Okay. Do I hear a motion</p> <p>4 that we approve Sara's report, including the three</p> <p>5 expenditure caps set forth, the four-year revenue</p> <p>6 projections, the conclusion that we don't have excess</p> <p>7 monies and the 2017 calendar year budget?</p> <p>8 COMMISSIONER TITLA: Chairman, I make that</p> <p>9 motion to approve.</p> <p>10 CHAIRMAN LAIRD: Okay. Motion to approve.</p> <p>11 Second?</p> <p>12 COMMISSIONER MEYER: Second.</p> <p>13 CHAIRMAN LAIRD: Motion and second to</p> <p>14 approve the report, including those specific things</p> <p>15 mentioned.</p> <p>16 All in favor say aye.</p> <p>17 (Chorus of ayes.)</p> <p>18 CHAIRMAN LAIRD: Opposed, nay.</p> <p>19 (No response.)</p> <p>20 MS. LARSEN: Thank you.</p> <p>21 CHAIRMAN LAIRD: Thank you, Sara. Nice</p> <p>22 job.</p> <p>23 Okay. Item Number VII on the agenda is</p> <p>24 next, and that is a discussion and possible action on</p> <p>25 the five-year review report submitted to the Governor's</p>		<p>1 you can look at it.</p> <p>2 Beyond that, I will say -- and this is just</p> <p>3 for my -- for -- for those who may be watching. At our</p> <p>4 last discussion around GRRC, I -- in trying to make</p> <p>5 light of a situation that at times can be a little</p> <p>6 frustrating, I may have been more sarcastic than I --</p> <p>7 than folks would prefer. And so I -- I may always be</p> <p>8 more sarcastic than folks would prefer, but I do want</p> <p>9 to say that I certainly didn't mean any offense by</p> <p>10 that.</p> <p>11 We have taken the GRRC process seriously,</p> <p>12 notwithstanding our legal objections to it, and the</p> <p>13 Commission certainly has done so. And I, in fact, have</p> <p>14 done so and Sara has as well. So any comments I made</p> <p>15 that were attempts to lighten the mood that were --</p> <p>16 that were seen as personal or other kinds of attacks, I</p> <p>17 so surely didn't intend to try to bring any more</p> <p>18 tension to the situation than already exists, but --</p> <p>19 but as soon as Mike -- yeah, Mike has the thing we</p> <p>20 handed out.</p> <p>21 So what we would ask of you -- and I know</p> <p>22 you haven't had a chance to look at this, but you've</p> <p>23 seen it in the past. This document says, Recently the</p> <p>24 Arizona Secretary of State filed a memorandum with the</p> <p>25 Governor's Regulatory Review Council requesting that</p>	
10:42:42-10:44:17	Page 55	10:46:03-10:47:21	Page 57
<p>1 Regulatory Review Council and related matters in 2015</p> <p>2 and 2016.</p> <p>3 MR. COLLINS: Mr. Chairman, Commissioners,</p> <p>4 the only thing I would say on this -- a couple of</p> <p>5 things. I don't know. Do we have -- I don't think we</p> <p>6 have copies of -- we would recommend that we -- we -- I</p> <p>7 don't know. Maybe we do. Did we -- no, we didn't --</p> <p>8 that we reiterate the position that we have taken in</p> <p>9 the past publicly on our website. We posted a notice</p> <p>10 that says that GRRC's actions don't have an effect on</p> <p>11 the statute or the rules and that folks should continue</p> <p>12 to follow the Commission's rules and the Clean</p> <p>13 Elections Act.</p> <p>14 We would ask, I guess, for -- there's a</p> <p>15 copy of it on my desk. And so if we wanted to</p> <p>16 distribute the copy of the -- of the thing, is that --</p> <p>17 can I ask somebody to do that real quick while we're</p> <p>18 talking here? That's sort of -- for public purposes,</p> <p>19 that's the main thing we're asking is we believe it's</p> <p>20 important to -- given the upcoming GRRC meeting, to</p> <p>21 reiterate the Commission's position that whatever GRRC</p> <p>22 thinks it's doing is not effective as a matter of law.</p> <p>23 Mike is running to get a copy of the notice</p> <p>24 we put on our website last year we updated to 2016 and</p> <p>25 dated today, but I want to get it to you real quick so</p>		<p>1 body strike numerous rules related to candidates and</p> <p>2 other persons subject to the Clean Elections Act and</p> <p>3 Rules. It's the Citizens Clean Elections Commission's</p> <p>4 position that GRRC cannot effectively take the action</p> <p>5 the Secretary of State proposes. Moreover, GRRC cannot</p> <p>6 change the terms of the Act itself. Consequently,</p> <p>7 persons subject to the Act and Rules are advised it is</p> <p>8 this Commission's position that an action by GRRC or</p> <p>9 the Secretary of State cannot relieve them of their</p> <p>10 obligation under the Act and Rules. And then, Please</p> <p>11 see the Executive Director's Letter to GRRC Chairwoman</p> <p>12 Nicole Ong for more detail.</p> <p>13 We would ask that you approve us</p> <p>14 reiterating this statement with a December 2016 date on</p> <p>15 it going -- or December -- yeah, December 2016 is what</p> <p>16 month we're in. So we would post it. It's what we've</p> <p>17 already done, and we would post it on our website. You</p> <p>18 have the opportunity to talk to Mary in an</p> <p>19 attorney-client context if you have any questions, but</p> <p>20 if you don't, I would just ask for your approval that</p> <p>21 we update the notification for 2016 to 2017. So it'll</p> <p>22 be -- for 2016, it will say, Citizens Clean Elections</p> <p>23 Commission notification, 2016 to 2017, same language,</p> <p>24 and post -- and post it on our website and make it</p> <p>25 available broadly.</p>	

10:47:22-10:48:40	Page 58	10:50:33-10:52:10	Page 60
<p>1 That would be a motion I would look for if</p> <p>2 you're -- if you're willing to reiterate that. Again,</p> <p>3 we think it's appropriate because this has dragged on</p> <p>4 so long people, you know, may have forgotten what the</p> <p>5 Commission's position has been all along. And if you</p> <p>6 have questions for Mary, of course, she's here as well.</p> <p>7 COMMISSIONER KIMBLE: Mr. Chairman?</p> <p>8 CHAIRMAN LAIRD: Commissioner.</p> <p>9 COMMISSIONER KIMBLE: So, Tom, what is the</p> <p>10 schedule going forward with GRRC? Are they still</p> <p>11 expecting a revised report from Sara? Yes?</p> <p>12 MR. COLLINS: They are. We have not -- to</p> <p>13 my knowledge, not finalized the date for that. We do</p> <p>14 intend to update that, depending upon your actions,</p> <p>15 today to include the current version of the rule. So</p> <p>16 it's certainly that it can't be any -- and we also had</p> <p>17 said to you at our last meeting that we intended to</p> <p>18 bring that back to you before we submitted it to GRRC.</p> <p>19 So that means that from our perspective, the earliest</p> <p>20 we could possibly produce a report to GRRC would be the</p> <p>21 end of January.</p> <p>22 COMMISSIONER KIMBLE: So notwithstanding</p> <p>23 the fact they're expecting another report from us, they</p> <p>24 have told the Secretary of State to remove the rules?</p> <p>25 MR. COLLINS: Mr. Chairman, Commissioner</p>	<p>1 theory, there's a January 15th report that I think</p> <p>2 applies to all political committees, the way Eric is</p> <p>3 interpreting his own statutory drafting, not</p> <p>4 withstanding some ambiguity in that drafting, but that</p> <p>5 would be an area in which it is unlikely we would have,</p> <p>6 you know, an issue.</p> <p>7 I suspect the first time this would become</p> <p>8 a real issue would not arise until 2018 unless there's</p> <p>9 some either unknown 2016 issue that hasn't reared its</p> <p>10 head yet and they -- and they raise this issue, but as</p> <p>11 part of 2017 reports, I think there is only the</p> <p>12 January 15th report. And after that I don't think</p> <p>13 there's anything until 2018 at all, but -- but we don't</p> <p>14 know because we don't know exactly how Eric is</p> <p>15 interpreting the statute that he drafted.</p> <p>16 COMMISSIONER KIMBLE: Okay. So how do we</p> <p>17 propose communicating this to the affected parties?</p> <p>18 MR. COLLINS: Right now we would do it in</p> <p>19 two principal ways. We would post it on our website.</p> <p>20 I would send it to a group of contacts that I have</p> <p>21 around the state which is mostly campaign finance</p> <p>22 lawyers, a couple of campaign finance gurus. You know,</p> <p>23 we would send it to Rivko and Sam. I mean, we really</p> <p>24 do. We have a list of about -- I have a list of about</p> <p>25 30 people that I send all of our notices to both sides</p>		
10:48:44-10:50:30	Page 59	10:52:15-10:53:16	Page 61
<p>1 Kimble, it is our understanding that it is their belief</p> <p>2 that on the first business -- I think January 4th, that</p> <p>3 the rules that they have ordered amended will be</p> <p>4 ineffective. It is not clear to us how they will</p> <p>5 communicate that nor is it clear to us how they will</p> <p>6 address the fact that the rules that they declared</p> <p>7 ineffective are going to be dealt with, given that</p> <p>8 those rules have undergone considerable substantive and</p> <p>9 organizational changes.</p> <p>10 We don't know who will do that, how they</p> <p>11 will do it. Will they do it in public? Will they do</p> <p>12 it in private? Will they just say to Eric Spencer, do</p> <p>13 whatever you want with the code? We don't know the</p> <p>14 answer to any of those questions.</p> <p>15 COMMISSIONER KIMBLE: Well, from a</p> <p>16 practical matter, assuming that on January 4th the</p> <p>17 rules are wiped off the Secretary of State's site and</p> <p>18 books and records, what would be the next -- what would</p> <p>19 be the trigger point where something would happen with</p> <p>20 someone taking an action that this letter would come</p> <p>21 into play? In other words, are there reports upcoming</p> <p>22 that would be affected that someone might not turn in</p> <p>23 because there was some confusion? What would those</p> <p>24 reports be?</p> <p>25 MR. COLLINS: That's a good question. In</p>	<p>1 of the isle to try to get the word out.</p> <p>2 We could take out a -- I mean, we can put</p> <p>3 out a press release if wanted to, a formal press</p> <p>4 statement. I don't know how to -- what are all the</p> <p>5 ways to give actual knowledge, and it's really a</p> <p>6 question for Mary whether or not actual knowledge is</p> <p>7 going to be the -- it's really a legal question for</p> <p>8 Mary.</p> <p>9 Mary, if it's -- I think what Mark is</p> <p>10 asking is do we have to show actual knowledge of this</p> <p>11 statement.</p> <p>12 COMMISSIONER KIMBLE: Well -- no. No. I'm</p> <p>13 asking how are we going to make sure people know about</p> <p>14 it, not a legal --</p> <p>15 MR. COLLINS: Oh, okay.</p> <p>16 COMMISSIONER KIMBLE: -- state of</p> <p>17 knowledge, and how are we going to know if someone</p> <p>18 doesn't do something that they should be doing?</p> <p>19 MR. COLLINS: Well, that we usually end up</p> <p>20 relying on complaints. It's a complaint-driven</p> <p>21 process, for the most part. I have the authority to</p> <p>22 make complaints in my own name if I find out about</p> <p>23 stuff, but -- or, you know, all the campaigns watch</p> <p>24 each other and so they file complaints when they see</p> <p>25 something amiss.</p>		

10:53:17-10:54:41	Page 62	10:56:05-10:57:08	Page 64
<p>1 And some of them file them with us and some</p> <p>2 of them don't and -- and so I will tell you that Eric</p> <p>3 Spencer has -- has made a point of telling people not</p> <p>4 to file complaints with the Clean Elections Commission.</p> <p>5 He has expressly told the Campaign Finance Committee</p> <p>6 not to file complaints with the Clean Elections</p> <p>7 Commission at all. That doesn't stop us from doing</p> <p>8 complaints sua sponte, or on my -- on my name,</p> <p>9 basically, but that's how we'll find out is if -- I'll</p> <p>10 give you an example.</p> <p>11 In the solar case that we did where we</p> <p>12 conciliated just the last month or the month before,</p> <p>13 there were really -- there really were two complaints,</p> <p>14 in some sense. There was a complaint about a failure</p> <p>15 to -- a mailer that went out and there was no</p> <p>16 associated report. And then when we went back through</p> <p>17 their records, we found a bunch of other independent</p> <p>18 expenditures and said, hey -- you know, they had</p> <p>19 reported those in other places, but they didn't file</p> <p>20 the timely report that they were supposed to file with</p> <p>21 us. So we, as a supplement, said, hey, you also should</p> <p>22 have filed all these reports earlier. And that's what</p> <p>23 ended up aggregating that total -- total -- total</p> <p>24 liability the way that it did.</p> <p>25 So -- so it really is a matter of</p>	<p>1 that's going to be our position in 2017 as well.</p> <p>2 Do I hear a motion in that regard?</p> <p>3 COMMISSIONER MEYER: So moved.</p> <p>4 CHAIRMAN LAIRD: Second?</p> <p>5 COMMISSIONER KIMBLE: Second.</p> <p>6 CHAIRMAN LAIRD: Okay. A motion and a</p> <p>7 second.</p> <p>8 Do I -- any discussion? Comment?</p> <p>9 (No response.)</p> <p>10 CHAIRMAN LAIRD: All in favor, aye.</p> <p>11 (Chorus of ayes.)</p> <p>12 CHAIRMAN LAIRD: Opposed, nay.</p> <p>13 (No response.)</p> <p>14 CHAIRMAN LAIRD: There is none. So it</p> <p>15 passes unanimously.</p> <p>16 Now we come to Agenda Item Number VIII</p> <p>17 which I think may be an eventful one. And in order to</p> <p>18 organize it a little bit differently maybe in the sake</p> <p>19 of efficiency, there are three of them that I think</p> <p>20 there may be some differences of opinion on, and that's</p> <p>21 8C, E and H. So I propose that we skip those three and</p> <p>22 move them to the end. The other ones, I think there</p> <p>23 may be unanimity of opinion on some of the less</p> <p>24 controversial ones.</p> <p>25 So I thought that, Tom, unless you have a</p>		
10:54:45-10:56:03	Page 63	10:57:10-10:58:07	Page 65
<p>1 monitoring the campaign finance reports that exist,</p> <p>2 being somewhat aware of who the players are, which is</p> <p>3 something, I think, Sara, Mike and myself have sort of</p> <p>4 an institutional knowledge about, and looking out for</p> <p>5 folks who need to be made aware of this. And we -- so</p> <p>6 we'll make -- the way we'll do it, though, the</p> <p>7 practical matter at the outset is put the statement on</p> <p>8 the web. We can publish the statement as a public --</p> <p>9 as a P -- as a press release and then I'll send it to</p> <p>10 all of the lawyers who work in this area that I know as</p> <p>11 well as many of the campaign consultants and others</p> <p>12 that I work with.</p> <p>13 And it will be -- that will cover most of</p> <p>14 the waterfront. That won't take away their ability to</p> <p>15 go and -- go and argue, you know, what the Clean</p> <p>16 Elections Commission is doing is wrong and they will</p> <p>17 have -- the Secretary of State's office will line up</p> <p>18 with them to say that, but that's the best we can do.</p> <p>19 COMMISSIONER KIMBLE: Okay. Thank you,</p> <p>20 Mr. Chairman.</p> <p>21 CHAIRMAN LAIRD: Okay. Based on Tom's</p> <p>22 request, do we hear a motion that we ratify again the</p> <p>23 statement that has been distributed to us this morning</p> <p>24 that we -- I think we've approved before, but Tom is</p> <p>25 asking us to ratify it again and make it clear that</p>	<p>1 different plan, we might tackle the ones that are</p> <p>2 likely easier and then --</p> <p>3 MR. COLLINS: So can you just give me again</p> <p>4 what you think --</p> <p>5 CHAIRMAN LAIRD: Yeah. The three that I</p> <p>6 think are -- where, based on previous discussions and</p> <p>7 previous votes, there may be a difference of opinion,</p> <p>8 Item Number 8C --</p> <p>9 MR. COLLINS: Okay.</p> <p>10 CHAIRMAN LAIRD: -- E and H.</p> <p>11 MR. COLLINS: Okay. Okay. I think that --</p> <p>12 I think that that makes sense.</p> <p>13 Would you like me to kind of give an</p> <p>14 overview of where we are and --</p> <p>15 CHAIRMAN LAIRD: Sure. Sure. Absolutely.</p> <p>16 Please do.</p> <p>17 MR. COLLINS: Okay. So we've provided to</p> <p>18 you over the course of the last few weeks, I know, a</p> <p>19 number of different documents presenting these issues</p> <p>20 in various ways. Those are all up on our -- on our</p> <p>21 website. So you have to scroll through, but you can --</p> <p>22 you can read every document that has been received as</p> <p>23 well as all the public comment if you're watching at</p> <p>24 home.</p> <p>25 The upshot is that, you know, we see the</p>		

10:58:15-10:59:48	Page 66	11:01:39-11:03:27	Page 68
<p>1 issues in A, B, D, F, really largely G, although I</p> <p>2 think -- I won't say a word about it. 115 is</p> <p>3 actually -- I don't know why it's on there because I</p> <p>4 don't think we're amending 115. That's a mistake.</p> <p>5 What? What? Oh, and 202 and 201 are there for -- to</p> <p>6 allow us to discuss enforcement in the context of</p> <p>7 Mr. Spencer's comments.</p> <p>8 So let me just do this real quick. On the</p> <p>9 ones that are easy, I want to run through real quick</p> <p>10 what the goal of those is and then we'll get to the</p> <p>11 harder ones when we get to the harder ones.</p> <p>12 R-2-20-101, the main point is to get rid of</p> <p>13 either redundant or -- or obviated cross-references to</p> <p>14 Article 1 and also to address the Attorney General's</p> <p>15 concerns about our rule definition of "unopposed." So</p> <p>16 that's what it does. Having a blanket citation to</p> <p>17 16-901 in R-2-20-101 doesn't make legal sense because</p> <p>18 the voters incorporated the definitions that were</p> <p>19 operative for the Clean Elections Act in 16 -- in</p> <p>20 16-961.</p> <p>21 And so an additional citation to 16-901</p> <p>22 doesn't make any sense and, frankly, 16-901 doesn't</p> <p>23 mean what it used to mean. And I'm not even sure</p> <p>24 anybody knows exactly what all of its sections mean</p> <p>25 now. So it's an outlier in that in most cases this</p>	<p>1 that's in 703, which is why 703 is identified, related</p> <p>2 to the reporting of joint expenditures. 2-110, which</p> <p>3 deals with clean candidates, it puts everything in one</p> <p>4 place. So that's an improvement of 110. And then,</p> <p>5 again, removing some outdated cross-references and</p> <p>6 adding in because there's an ambiguity in the reporting</p> <p>7 requirements that 1516 provided that makes it -- makes</p> <p>8 it appear that in general candidates do not have to</p> <p>9 file any reports after election day in the year of</p> <p>10 their election, and that's 16-927(B).</p> <p>11 If that's true, we still need Clean</p> <p>12 Elections Commissions to -- the Clean Elections</p> <p>13 candidates to reconcile their books with us to ensure</p> <p>14 that there's no excess money and they haven't exceeded</p> <p>15 the spending cap. So we have -- instead of relying on</p> <p>16 the former post general campaign finance report with --</p> <p>17 again, the statute is ambiguous, but it surely seems to</p> <p>18 have eliminated that report for candidates. We just</p> <p>19 simply asked them to file a report that reflects all</p> <p>20 activity through -- through the general election day</p> <p>21 when they are, at that point, no longer authorized to</p> <p>22 spend clean money.</p> <p>23 So -- so how we end up working that out</p> <p>24 with the Secretary of State's system is really a</p> <p>25 secondary issue. We just want to make sure that the</p>		
10:59:53-11:01:35	Page 67	11:03:30-11:05:09	Page 69
<p>1 Commission in its current iteration has addressed</p> <p>2 issues related to how the Clean Elections Act interacts</p> <p>3 with and incorporates parts of the remainder of the</p> <p>4 campaign finance code in specific separate rules. So</p> <p>5 having a blanket adoption just no longer makes any</p> <p>6 sense, and we don't know how it got there in the first</p> <p>7 place.</p> <p>8 Same with the removal of 902(c) and then,</p> <p>9 as I said, the amendment to Section 25 is to deal with</p> <p>10 some observations that the Attorney General's office</p> <p>11 made to us during the campaign season that were helpful</p> <p>12 and we wanted to go ahead and get those implemented.</p> <p>13 Likewise, 104 is clean-up, removing outdated --</p> <p>14 outdated citations, adding some clarifying language,</p> <p>15 and that's -- and that's really that.</p> <p>16 So skipping 105, 107 is to, you know, try</p> <p>17 to make it easier for Gina to manage the debate process</p> <p>18 but also remove some outdated -- and, again, frankly,</p> <p>19 cross-references to old Article 1 that actually have</p> <p>20 nothing to do with debates and had to do with</p> <p>21 reasonable cause to file late campaign finance reports</p> <p>22 that for some reason were part of our rules. So --</p> <p>23 stop me if I say anything that sounds like it raises a</p> <p>24 question in your mind.</p> <p>25 110 is really a clean-up to move stuff</p>	<p>1 rules are clear that if you're a clean candidate,</p> <p>2 you're going to have to reconcile your books no matter</p> <p>3 what other candidates might -- you know, you and the</p> <p>4 other candidates might not have to report their</p> <p>5 spending through election day until four years later,</p> <p>6 which is what I think the statute may say.</p> <p>7 111, arguable controversy here? Not</p> <p>8 really. Mr. Spencer's comments and my response to them</p> <p>9 capture this. The -- and here, if you are looking</p> <p>10 through the redline -- I mean, working through the</p> <p>11 redline, we really should be looking through the</p> <p>12 draft -- yeah, the draft notices because they're the</p> <p>13 most updated version that we would actually file.</p> <p>14 So at Bates -- Bates Number 128 -- I'm</p> <p>15 sorry -- 130, rather, you'll see there it says the 20</p> <p>16 percent reduction in 16-941(B) applies to all campaign</p> <p>17 contribution limits on contributions that are permitted</p> <p>18 to be accepted by non-participating candidates. The</p> <p>19 original version of this that we circulated for comment</p> <p>20 said that are permitted to be accepted by candidates.</p> <p>21 Because 941(B) applies expressly to non-participating</p> <p>22 candidates, we thought that was clear.</p> <p>23 Mr. Spencer said that if we didn't clarify</p> <p>24 it, he would not be able to accept \$5 contributions</p> <p>25 from our candidates. And so we have added the word</p>		

11:05:12-11:06:38	Page 70	11:08:21-11:09:53	Page 72
<p>1 "non-participating." So really it says the 20 percent</p> <p>2 reduction in a statute that applies to</p> <p>3 non-participating candidates applies to</p> <p>4 non-participating candidates.</p> <p>5 And then F, Eric suggested was problematic,</p> <p>6 but we -- I honestly can't understand what the problem</p> <p>7 is. There's a VPA issue with F because the limit</p> <p>8 suggested by 16-931 is absolutely not consistent with</p> <p>9 the Voter Protection Act which calls for an</p> <p>10 inflationary adjustment because it's a hundred dollar</p> <p>11 every two-year extension. I mean, it's just -- it's</p> <p>12 a -- even the House of Rules attorney agreed that it</p> <p>13 had VPA issues. However, in the interest of</p> <p>14 administrative efficiency, we've decided that we will</p> <p>15 go ahead and recommend that you had adopt that.</p> <p>16 Since we're moving in this direction, just</p> <p>17 before we get to 402 and -- 201 and 402, that's part of</p> <p>18 the reason we've drafted the preamble we drafted that</p> <p>19 is in every single one of these proposed final</p> <p>20 rule-making documents is to note that there are VPA</p> <p>21 problems with this stuff and there are other</p> <p>22 constitutional problems. There are equal protection</p> <p>23 problems. There are -- there are problems under</p> <p>24 Article 7, Section 16, of the Constitution.</p> <p>25 There are problems under the constitutional</p>		<p>1 discuss that, but there is no rule proposal on that.</p> <p>2 It's simply there because Eric's objections include his</p> <p>3 assertion of blanket authority to block all</p> <p>4 investigations which are wrong both as a matter of the</p> <p>5 construction of the statute both in terms of the "upon</p> <p>6 written complaint" and in terms of what parts of the</p> <p>7 statutes are actually captured by that, in our view.</p> <p>8 402 and 401 -- 402 and 4 -- 4-0 -- 4.0 --</p> <p>9 402.01 and 402.02, what we've done there is we have --</p> <p>10 we adjusted 402.01 to focus just on legislative</p> <p>11 candidates. The new rule AR -- A.A.C. R-2-20-402.02</p> <p>12 will mean that we will audit all statewide clean</p> <p>13 candidates in both the primary and the general if they</p> <p>14 advance to it, and that's a change. We're going to do</p> <p>15 more back end enforcement on clean statewide candidates</p> <p>16 that get -- even though they don't -- they only get a</p> <p>17 third of the money that the voters expected them to</p> <p>18 get, they still do get a pretty big chunk of money.</p> <p>19 And we think it's appropriate, given the resources we</p> <p>20 have, to devote more audit resources to those</p> <p>21 candidates. There's fewer of them, but they have more</p> <p>22 money and we think that's appropriate.</p> <p>23 And then -- and then 703 there is only as</p> <p>24 a -- as a -- to backfill the changes in 110.</p> <p>25 So to wrap all of those together, we would</p>	
11:06:48-11:08:19	Page 71	11:09:59-11:11:44	Page 73
<p>1 ban on corporate expenditures, potentially, to try to</p> <p>2 say, look, we're trying to -- to -- as much as we</p> <p>3 can -- reasonably can -- and that's a judgment call, in</p> <p>4 a certain sense -- do things to accommodate</p> <p>5 Mr. Spencer's vision of the law regardless of the</p> <p>6 constitutional implications that he has created.</p> <p>7 So bringing us to -- the reason why</p> <p>8 R2-20-201.02 to 228 are there is for a simple reason.</p> <p>9 In Mr. Spencer's comments, he basically says that no</p> <p>10 one can enforce campaign finance law, except for him,</p> <p>11 upon filing of a written complaint. Two issues with</p> <p>12 that. One, the trigger for his claim for exclusive</p> <p>13 jurisdiction is upon written complaint, which means</p> <p>14 before there's a written complaint he doesn't have</p> <p>15 exclusive jurisdiction. That's what "upon" means.</p> <p>16 "Upon" doesn't mean a written place</p> <p>17 required. It says that when a written complaint is</p> <p>18 filed, then there's exclusive jurisdiction, but as our</p> <p>19 memo points out, that would -- that only applies to</p> <p>20 Article 1. And as the Horne case, which we've been</p> <p>21 successful in -- indicates and as our law indicates, we</p> <p>22 don't -- we are not enforcing Article 1. We are</p> <p>23 enforcing Article 2 and enforce Article -- and enforce</p> <p>24 Article 2 across Chapter 6 where appropriate.</p> <p>25 So that's there in order to allow you to</p>		<p>1 ask -- we're going to have -- before we get to the ones</p> <p>2 that are controversial, on those issues we -- I think</p> <p>3 we can take a group motion to approve the draft</p> <p>4 language in the -- in the draft final rule-making</p> <p>5 documents for those subsections, but we do want to make</p> <p>6 clear that that includes the preamble language that we</p> <p>7 have included there or, alternatively, you could vote a</p> <p>8 group motion on those rules if you don't have questions</p> <p>9 on them and then, alternatively, vote on the preamble</p> <p>10 motion after we're done with everything else.</p> <p>11 It's really up to you, but I think that as</p> <p>12 long as you identify, you know, that you are voting on</p> <p>13 the draft exempt final rule-making text of 101, 104,</p> <p>14 107, 110, 111, 402.01, 402.02 and 703, you can do a</p> <p>15 group motion to approve those, I believe. And I'm</p> <p>16 looking at Mary to make sure I'm right. Unless there</p> <p>17 are any questions, I think you could do a group motion</p> <p>18 on those and move those along. And if -- if that makes</p> <p>19 sense to everybody.</p> <p>20 CHAIRMAN LAIRD: Is there any discussion on</p> <p>21 any of those more technical, less controversial</p> <p>22 sections that Tom described, which is A, B, D, F, G, K,</p> <p>23 L and M? And those all tie to the rule references that</p> <p>24 Tom did.</p> <p>25 Is there a feeling that those are --</p>	

11:11:47-11:12:42	Page 74	11:13:40-11:15:08	Page 76
<p>1 there's enough agreement on those that we can go ahead</p> <p>2 and have a group motion to approve all of those?</p> <p>3 COMMISSIONER KIMBLE: Mr. Chairman, just to</p> <p>4 clarify, you said A, B, D, F, G. You did not say I and</p> <p>5 J? Is that correct?</p> <p>6 CHAIRMAN LAIRD: Yeah, because there's no</p> <p>7 change there.</p> <p>8 Right, Tom? There's nothing --</p> <p>9 MR. COLLINS: I is a mistake.</p> <p>10 COMMISSIONER KIMBLE: Okay.</p> <p>11 MR. COLLINS: And J is there just in order</p> <p>12 to allow us to discuss Mr. Spencer's criticism.</p> <p>13 CHAIRMAN LAIRD: So there's no changes on I</p> <p>14 and J.</p> <p>15 COMMISSIONER KIMBLE: Okay. So K, L, M?</p> <p>16 CHAIRMAN LAIRD: Yes.</p> <p>17 COMMISSIONER KIMBLE: Okay. Should we ask</p> <p>18 if there's any public comment on this first?</p> <p>19 CHAIRMAN LAIRD: Sure.</p> <p>20 Any comment on any of those?</p> <p>21 MS. PSTROSS: I do.</p> <p>22 CHAIRMAN LAIRD: Good.</p> <p>23 MS. PSTROSS: Hello, everyone, Chairman,</p> <p>24 Commissioners. I -- I was going to talk about all the</p> <p>25 rules, but just for those rules that you mentioned, I</p>	<p>1 you're -- and our feeling is, look, you know -- and</p> <p>2 without, you know, getting into 105, what our feeling</p> <p>3 is is that, you know, because of the diminished</p> <p>4 participation we have, we have some more capacity</p> <p>5 there. And, frankly, we think that it is a -- you</p> <p>6 know, it's not -- it's a -- it's a prudent course. We</p> <p>7 think that our audit process is pretty slim and pretty</p> <p>8 easy to comply with.</p> <p>9 I mean, I -- I mean, I don't have any</p> <p>10 substantive response to Sam other than to say she makes</p> <p>11 a valid point, but we think that on balance, if we have</p> <p>12 the resources to look at folks who are getting -- in</p> <p>13 the case of the gubernatorial race, you know, starting</p> <p>14 at around a million bucks or 750,000 for the primary</p> <p>15 and probably 1.2 million for the general, that's a lot</p> <p>16 of money and maybe you ought to expect to be</p> <p>17 automatically audited if you get that money.</p> <p>18 CHAIRMAN LAIRD: Sara.</p> <p>19 MS. LARSEN: And, Chairman, Commissioner</p> <p>20 Kimble, just real quick over -- over what the audit is.</p> <p>21 The audit is like a random auditing of certain</p> <p>22 expenditures and contributions that candidates would</p> <p>23 receive in the primary or general election, and we only</p> <p>24 test for -- for ten items. So we are not doing a full</p> <p>25 account audit of all of their books in these random</p>		
11:12:46-11:13:39	Page 75	11:15:12-11:16:15	Page 77
<p>1 thought K and L, doing a full audit on all</p> <p>2 participating candidates may not be totally necessary,</p> <p>3 especially if you're worried about finances. And I</p> <p>4 think it might -- it might deter people from running</p> <p>5 clean, and so I would like you to consider maybe not</p> <p>6 doing a full audit.</p> <p>7 And I don't think it's -- you know, I don't</p> <p>8 think there's -- I don't think somebody would run clean</p> <p>9 because they might not be audited or something like</p> <p>10 that. I just -- I didn't see that as really</p> <p>11 necessary -- necessarily.</p> <p>12 Are there any questions or --</p> <p>13 COMMISSIONER KIMBLE: Well, Mr. Chairman,</p> <p>14 Tom.</p> <p>15 CHAIRMAN LAIRD: Yeah.</p> <p>16 COMMISSIONER KIMBLE: Is this a full audit</p> <p>17 for statewide candidates only, not legislative</p> <p>18 candidates? In other words --</p> <p>19 MS. PSTROSS: It's just --</p> <p>20 COMMISSIONER KIMBLE: -- Corporation</p> <p>21 Commission, gubernatorial, et cetera?</p> <p>22 MR. COLLINS: That's right. That's exactly</p> <p>23 right.</p> <p>24 COMMISSIONER KIMBLE: Okay.</p> <p>25 MR. COLLINS: So, basically, you know, if</p>	<p>1 audits. We're testing for certain expenditures. So</p> <p>2 it's not -- it's not as in depth as auditing sounds.</p> <p>3 It's not an enforcement audit of the entire thing.</p> <p>4 So -- so it's pretty minimal, and we -- and we only</p> <p>5 have to budget for the expenditure in election years.</p> <p>6 CHAIRMAN LAIRD: And we have the capacity</p> <p>7 as a staff to handle that audit burden with no problem?</p> <p>8 MS. LARSEN: This, Chairman, are actually</p> <p>9 the audits that we contract with an outside auditing</p> <p>10 agency. So we actually hire outside contractors to --</p> <p>11 who are accountants to review the campaign finance</p> <p>12 reports and they match certain expenditures that they</p> <p>13 randomly draw to the candidates' bank statements and</p> <p>14 having the candidates provide backup documentation.</p> <p>15 And you'll see a lot more of this in January when we</p> <p>16 get there, but it's not as -- as intensive as it would</p> <p>17 sound. And if everybody has their books in line and</p> <p>18 their campaign finance reports correct, it actually</p> <p>19 goes fairly smoothly.</p> <p>20 MR. COLLINS: I would add to that,</p> <p>21 Mr. Chairman, that it's really -- it's kind of a</p> <p>22 dipstick audit, and what it -- what it means is that if</p> <p>23 you --</p> <p>24 CHAIRMAN LAIRD: Is that an accounting</p> <p>25 term?</p>		

11:16:16-11:17:13	Page 78	11:17:57-11:18:47	Page 80
<p>1 MR. COLLINS: I don't know. You're the</p> <p>2 accountant. So is that an accounting term?</p> <p>3 CHAIRMAN LAIRD: I've never heard it,</p> <p>4 but --</p> <p>5 MR. COLLINS: Well, now it is.</p> <p>6 CHAIRMAN LAIRD: I've heard that on a car.</p> <p>7 MR. COLLINS: Okay. Well, yeah, that --</p> <p>8 that's what it is. It's like -- it's like if you've</p> <p>9 got problems in that random ten, chances are you're</p> <p>10 going to have problems that are going to end up in an</p> <p>11 enforcement audit. On the other hand, if you don't</p> <p>12 have problems in that random ten, you're going to be --</p> <p>13 you're going to be okay. So we really don't think this</p> <p>14 is a big deal.</p> <p>15 I recognize that candidates are unduly</p> <p>16 paranoid about things like audits, but the reality is</p> <p>17 that if we had a fully functioning campaign finance</p> <p>18 system, the Secretary of State should be auditing all</p> <p>19 the traditional candidates all the time too. It just</p> <p>20 so happens that we have the specific authority to do</p> <p>21 this and candidates ought to just accept the fact that</p> <p>22 if you're taking a million dollars in public funding,</p> <p>23 you ought to expect at least a dipstick audit.</p> <p>24 CHAIRMAN LAIRD: I learned something about</p> <p>25 accounting today.</p>		<p>1 separately.</p> <p>2 MR. COLLINS: It's up to you. It's up to</p> <p>3 you. You can do the preamble separately if you want</p> <p>4 to. It's up to you.</p> <p>5 CHAIRMAN LAIRD: Either way. Your choice.</p> <p>6 MR. COLLINS: Your discretion.</p> <p>7 COMMISSIONER MEYER: That's fine. We can</p> <p>8 do it separately.</p> <p>9 CHAIRMAN LAIRD: Okay. Just the rule</p> <p>10 amendments.</p> <p>11 MR. COLLINS: Okay.</p> <p>12 CHAIRMAN LAIRD: Okay. Do I hear a second?</p> <p>13 COMMISSIONER KIMBLE: Second.</p> <p>14 CHAIRMAN LAIRD: Okay. It's been moved and</p> <p>15 seconded that we approve the changes set forth in our</p> <p>16 materials for Items VIII A, B, D, F, G, K, L and M.</p> <p>17 All in favor say aye.</p> <p>18 (Chorus of ayes.)</p> <p>19 CHAIRMAN LAIRD: Opposed, nay.</p> <p>20 (No response.)</p> <p>21 CHAIRMAN LAIRD: It passes unanimously.</p> <p>22 And now let's address the three that I</p> <p>23 think there may be more discussion on, and the first</p> <p>24 would be Item Number C.</p> <p>25 Tom, do you want to walk us through the</p>	
11:17:14-11:17:56	Page 79	11:18:49-11:20:23	Page 81
<p>1 MR. COLLINS: Well, you're the accountant.</p> <p>2 I don't know.</p> <p>3 MS. PSTROSS: Mr. Chairman, Commissioners.</p> <p>4 CHAIRMAN LAIRD: Of course.</p> <p>5 MS. PSTROSS: Sara, thank you very much for</p> <p>6 clarifying that. If you do decide to approve that, I</p> <p>7 ask that you just make that very explicit. I think it</p> <p>8 would be great if we can audit all the candidates. I</p> <p>9 know it's kind of a weird place for me to be arguing</p> <p>10 about the audit for clean candidates for participating.</p> <p>11 I just know.</p> <p>12 MR. COLLINS: I'm shocked. I'm shocked.</p> <p>13 MS. PSTROSS: Yeah. So I just ask that you</p> <p>14 make that explicit.</p> <p>15 Thank you.</p> <p>16 CHAIRMAN LAIRD: Thank you so much for that</p> <p>17 clarification.</p> <p>18 Any other discussion on those?</p> <p>19 (No response.)</p> <p>20 CHAIRMAN LAIRD: If not, would someone like</p> <p>21 to make a group motion on A, B, D, F, G, K, L and M?</p> <p>22 COMMISSIONER MEYER: And the preamble?</p> <p>23 CHAIRMAN LAIRD: And the preamble.</p> <p>24 MR. COLLINS: Yeah, and you can do --</p> <p>25 CHAIRMAN LAIRD: We can do the preamble</p>		<p>1 purpose of the changes --</p> <p>2 MR. COLLINS: Yeah.</p> <p>3 CHAIRMAN LAIRD: -- on --</p> <p>4 MR. COLLINS: And that would be -- 105 is</p> <p>5 at Bates Number 115 and 116. Two changes here. One is</p> <p>6 statutorily -- well, I'll just go through what they all</p> <p>7 are.</p> <p>8 The change in -- in Subsection C of 105 is</p> <p>9 to recognize that the legislature passed with a</p> <p>10 three-quarter majority a bill that allows 100 percent</p> <p>11 of your \$5 qualifying contributions to be obtained</p> <p>12 through the Secretary of State's E-Qual program. So</p> <p>13 that is a -- that is a change that is essentially</p> <p>14 required by statute.</p> <p>15 The change in the -- the additional change</p> <p>16 in paragraph C deals with the fact that until the</p> <p>17 Secretary of State's office promulgates forms in how</p> <p>18 they're going to require reporting under their new</p> <p>19 statute, we need -- we simply say that -- that the</p> <p>20 charge-off, the PayPal service fee which is not a</p> <p>21 contribution just needs to be -- you know, needs to be</p> <p>22 noted and then -- and then sent that amount which can</p> <p>23 be sometimes like -- it's like what? A check for,</p> <p>24 like, five bucks or two bucks or something like that --</p> <p>25 needs to be noted in a report in some manner and</p>	

11:20:26-11:21:51	Page 82	11:23:40-11:24:58	Page 84
<p>1 transferred to us.</p> <p>2 Once the Secretary promulgates all the</p> <p>3 forms, we'll be able to get best practices, but we just</p> <p>4 wanted to make sure that the rule was clear that --</p> <p>5 that -- that we want the information and then we want</p> <p>6 the transfer and then we'll -- and we'll be able to --</p> <p>7 we'll have a best practice in -- but, I mean, the given</p> <p>8 and take here is the give is if someone did it in a</p> <p>9 manner that's not the best practice but still did it,</p> <p>10 we wouldn't come down on them, but we would -- we need</p> <p>11 to get that information.</p> <p>12 And having to do this on a time line that's</p> <p>13 not consistent with the Secretary's process for getting</p> <p>14 their stuff in order, I think just -- it's just -- it's</p> <p>15 just easier to do it this way.</p> <p>16 The last section reverts to the statutory</p> <p>17 minimums for the amount of qualifying contributions you</p> <p>18 need to collect for these -- for the offices that are</p> <p>19 eligible for clean funding. And Staff's basis for this</p> <p>20 recommendation is really three-fold. First, candidates</p> <p>21 are currently receiving, you know, one-third of the</p> <p>22 money that voters believe they should be entitled to</p> <p>23 receive when they enacted the Clean Elections Act, and</p> <p>24 the legislature session law request that we increase</p> <p>25 these limits was exclusively for the 2014 election.</p>		<p>1 need by 40 percent, not 20 percent. We've found that</p> <p>2 that has slowed certain people down. It's discouraged</p> <p>3 at least two republican Corporation Commission</p> <p>4 candidates we know of to not run clean -- Lucy Mason in</p> <p>5 2014 and Bob Burns in this year.</p> <p>6 The democratic Corporation Commission</p> <p>7 candidates were on the phone with us complaining about</p> <p>8 this constantly, and then we saw what happened when the</p> <p>9 E-Qual system collapsed during the beginning of this</p> <p>10 summer for whatever reasons those may be. And whatever</p> <p>11 actions Secretary Reagan may have had to have, it still</p> <p>12 had an impact. And so we think that that extra 20</p> <p>13 percent is not actually getting us anything in terms of</p> <p>14 weeding out fraud or anything. It's just adding an</p> <p>15 extra 10 to 20 days between the time the candidate</p> <p>16 files and the time they get funded, and that's at a</p> <p>17 time when it's critical for them to get their money so</p> <p>18 that they can compete.</p> <p>19 So that's our policy basis for making the</p> <p>20 suggestion. Again, it is a policy choice. This is not</p> <p>21 a legal -- I mean, C, we think are legal changes we</p> <p>22 would strongly recommend, but J is a -- is a policy</p> <p>23 change that is, you know, well within your discretion</p> <p>24 to approve or disapprove. That's our -- that's our</p> <p>25 pitch on it. Whether you like it or you don't, you</p>	
11:21:54-11:23:38	Page 83	11:25:03-11:26:22	Page 85
<p>1 So the 2014 election is over, and we</p> <p>2 believe that there is a -- it's hard, as a practical</p> <p>3 matter from our perspective, which, you know, others</p> <p>4 may disagree with, to ask for more qualifying</p> <p>5 contributions when you're getting less money. The</p> <p>6 second issue is that the way in which the contributions</p> <p>7 are evaluated is in two ways. One, the candidate</p> <p>8 writes us a check for the amount -- total amount of \$5</p> <p>9 contributions and then, second, the validity of the</p> <p>10 signature of the voter is sent out to the counties.</p> <p>11 The statute to -- you know -- and, again, I</p> <p>12 don't know whether this makes sense or not, but it's</p> <p>13 what the statute says. The statute says and our rules</p> <p>14 say that if you have a sample -- a random sample, we</p> <p>15 take it. And if you project at 110 percent or greater</p> <p>16 of the minimum, you are automatically qualified for</p> <p>17 funding, but if you fall below 110 percent, you have to</p> <p>18 go for what is called a full-set review. That is, the</p> <p>19 counties will review every single signature that was</p> <p>20 submitted.</p> <p>21 And what we found is two things is that</p> <p>22 getting that additional 20 percent is more difficult</p> <p>23 now because we increased the amount of signatures you</p> <p>24 need by 20 percent. So, in effect, what the 2014</p> <p>25 change did was increase the amount of signatures you</p>		<p>1 know, it's really -- because there are -- and I -- you</p> <p>2 know, there are -- there are counterarguments to be</p> <p>3 made, obviously.</p> <p>4 I can make some of them. I don't know if</p> <p>5 others would like -- one of the big counterarguments, I</p> <p>6 think, is it's public money, it's public financing, and</p> <p>7 you ought to be able to show strong support in your</p> <p>8 district and in the state. And if you can't get the</p> <p>9 minimums we set, then you shouldn't be running, I</p> <p>10 think, would be a -- and that's a fair criticism of</p> <p>11 dropping. And then that's always the -- the line we're</p> <p>12 trying to walk is what's fair to the candidates versus</p> <p>13 what's fair to the -- fairest to the public.</p> <p>14 And so I think that there are arguments to</p> <p>15 be made on both sides. Staff, in this particular case,</p> <p>16 has come -- you know, made the recommendation it made</p> <p>17 based on its assessment, but that's not the -- you</p> <p>18 know, Staff doesn't work on campaigns, hasn't worked on</p> <p>19 campaigns, doesn't know what it's out in the real word,</p> <p>20 how this works. And so other folks may have</p> <p>21 experiences that say, look, if you can't get 250</p> <p>22 signatures or 4,500 signatures in a year, you -- you</p> <p>23 know, you really ought to ask yourself whether or not</p> <p>24 you're cut out for this, you know, and really have the</p> <p>25 support of the community which is, I think, one of the</p>	

11:26:24-11:27:54	Page 86	11:29:54-11:31:25	Page 88
<p>1 main counterarguments, if I'm making it fairly, but</p> <p>2 that's -- that's sort of the -- that's sort of the pros</p> <p>3 and cons.</p> <p>4 And I would just -- that's all I have to</p> <p>5 say, and you-all can discuss amongst yourself which --</p> <p>6 you know, how you want to handle it. I don't have --</p> <p>7 you know, other than, you know, we made a</p> <p>8 recommendation, but it's not a recommendation that's</p> <p>9 free from criticism.</p> <p>10 CHAIRMAN LAIRD: Questions or comments from</p> <p>11 other commissioners?</p> <p>12 COMMISSIONER PATON: I do have a comment.</p> <p>13 I feel strongly that J should not be changed, and the</p> <p>14 reason for that -- or reasons is I have been on a</p> <p>15 campaign and -- many years ago, and I had to go door to</p> <p>16 door in the summer, in the hot -- hot time. I went to</p> <p>17 every door in Green Valley, Arizona during the summer,</p> <p>18 and it -- these people that -- I was running, but these</p> <p>19 people vet. They question you. They slam the door on</p> <p>20 your face. You have to -- they are challenging you.</p> <p>21 They make you rethink what your platform is.</p> <p>22 If you don't go through that, then you're</p> <p>23 not -- there's a saying that my dad used to say: This</p> <p>24 ain't bean bag. And if you want -- if you want to</p> <p>25 represent 200,000 people in your area and you can't get</p>		<p>1 together.</p> <p>2 So, anyway, that is my take.</p> <p>3 COMMISSIONER KIMBLE: Mr. Chairman?</p> <p>4 CHAIRMAN LAIRD: Commissioner Kimble.</p> <p>5 COMMISSIONER KIMBLE: While I appreciate</p> <p>6 Commissioner Paton's remarks, I disagree with him. I</p> <p>7 do think it's critical for candidates to go door to</p> <p>8 door. I don't think they're going to get elected if</p> <p>9 they don't and if they don't meet with the voters in</p> <p>10 their districts. However, I do not feel that it's</p> <p>11 necessary to artificially inflate the number of \$5</p> <p>12 contributions they need because I think it would</p> <p>13 decrease the likelihood of someone running clean when</p> <p>14 it's our goal to try to facilitate a candidate's</p> <p>15 ability to run clean.</p> <p>16 I don't see any benefit in getting more \$5</p> <p>17 contributions. I think if a candidate hopes to win, he</p> <p>18 will do the process that you have outlined. I don't</p> <p>19 know that -- well, I do know that I do not feel that --</p> <p>20 that we should increase the number of contributions</p> <p>21 required, thus making it less likely that people will</p> <p>22 run clean. So I support the Staff recommendation on</p> <p>23 R2-20-105(J).</p> <p>24 CHAIRMAN LAIRD: Other comments from other</p> <p>25 Commissioners?</p>	
11:28:01-11:29:48	Page 87	11:31:27-11:32:41	Page 89
<p>1 250 people to donate \$5 -- I just went to beautiful</p> <p>2 downtown Eloy this morning and I got an Egg McMuffin</p> <p>3 combo meal that cost me \$7. And so if you're not -- if</p> <p>4 you're not able to convince people to donate an Egg</p> <p>5 McMuffin combo meal to you, then you haven't got enough</p> <p>6 support to be a viable candidate.</p> <p>7 To be a viable candidate, in my mind, you</p> <p>8 have to work at it. You have to be tested, and that's</p> <p>9 what we should require of somebody that's running for</p> <p>10 office that -- you know, as, I guess, Tom was saying</p> <p>11 that people are complaining it was too hard. Running</p> <p>12 the state is too hard. It is very hard, and we want</p> <p>13 the best people to do it. We want them to be</p> <p>14 challenged. We want them to be vetted, whatever side</p> <p>15 of the equation you're on. It's not meant -- it's a</p> <p>16 competition. We're not giving everybody a ribbon. So</p> <p>17 if you don't want to do this, then maybe you should be</p> <p>18 in a different area. That's my -- my thinking.</p> <p>19 If you -- of course, it's hard. If you go</p> <p>20 to door to door by yourself, that would be a hard deal,</p> <p>21 but you are given a year to do this. So if you need</p> <p>22 250, that's less than one a day. It's like .7 a day,</p> <p>23 and so this takes planning. You can't do this as a</p> <p>24 lark. You have to be, you know, somebody that has</p> <p>25 passion to do it and the wherewithal to put all this</p>		<p>1 (No response.)</p> <p>2 CHAIRMAN LAIRD: Public comment?</p> <p>3 MS. PSTROSS: Chairman, Commissioners,</p> <p>4 Commissioner -- is it pronounced Paton or Paton?</p> <p>5 COMMISSIONER PATON: Paton.</p> <p>6 MS. PSTROSS: Paton. Sorry about that.</p> <p>7 I -- I really appreciated what you said,</p> <p>8 and I agree with you that I would love to see</p> <p>9 candidates have to canvass and collect \$5. I think</p> <p>10 it's a lot more difficult to have a regular voter give</p> <p>11 you \$5 than a big corporation that is constantly giving</p> <p>12 out large sums of money to candidates across the board,</p> <p>13 and that's -- that's why I'm so supportive of Clean</p> <p>14 Elections because I think that it really does help to</p> <p>15 take the corrupting influence that money and politics</p> <p>16 can have. So I -- I completely agree with you on that.</p> <p>17 From my experience with candidates this</p> <p>18 year, the Commission has raised that number so</p> <p>19 candidates have to collect even more, and I think it</p> <p>20 deters people from running clean. And so the reason</p> <p>21 that I support the Commission implementing letter C is</p> <p>22 because I think that we'll get more people who are</p> <p>23 running clean who are knocking on doors so that we can</p> <p>24 elect more people who are being held accountable by</p> <p>25 average everyday people.</p>	

11:32:42-11:33:56	Page 90	11:34:54-11:36:12	Page 92
<p>1 I know it's so hard to talk to a stranger</p> <p>2 and ring that doorbell and ask for that \$5, and so your</p> <p>3 point resonates with me. I wish that we could have</p> <p>4 everyone do that, but I think that by lowering the</p> <p>5 limit so that a legislative candidate has to collect</p> <p>6 200, it's still a lot. And you're right. They have a</p> <p>7 year, but I think a lot of people, especially a lot of</p> <p>8 good candidates who would be great elected officials</p> <p>9 across the board, sometimes wait to enter the race</p> <p>10 because they're figuring out what they want to do.</p> <p>11 So -- so for those reasons, we -- the</p> <p>12 Arizona Advocacy Network supports implementing letter</p> <p>13 C, and I think we should continue to find ways to try</p> <p>14 to encourage more candidates to run clean to have to go</p> <p>15 through the system and to really work for those 5s. I</p> <p>16 think the statutory minimum is still very challenging</p> <p>17 and there's still a lot of candidates who don't qualify</p> <p>18 under the old minimum requirements that they used to.</p> <p>19 I'm not sure if -- they probably don't have the data</p> <p>20 here, but I know there are a lot of candidates who</p> <p>21 weren't able to qualify even with having to collect</p> <p>22 200. And I think that helps weed out some of the</p> <p>23 candidates as well.</p> <p>24 Thank you.</p> <p>25 CHAIRMAN LAIRD: Thank you.</p>	<p>1 MR. COLLINS: Three to two.</p> <p>2 COMMISSIONER TITLA: Opposed it.</p> <p>3 CHAIRMAN LAIRD: Three to two. I</p> <p>4 apologize, Commissioner.</p> <p>5 Okay. Now we're on to Item Agenda Number</p> <p>6 E, which has a number of interesting issues.</p> <p>7 MR. COLLINS: Which one is -- oh, 109. Oh,</p> <p>8 yes. I told someone that I was going to get R2-20-109</p> <p>9 tattooed on my arm at some point. That was going to be</p> <p>10 my -- I don't know. Maybe when I turn -- I need an</p> <p>11 appropriate occasion to do it, but anyway.</p> <p>12 So R2-20-109 is complicated for a couple of</p> <p>13 different reasons, and -- and what I want to kind of do</p> <p>14 is walk through -- if the chairman doesn't mind, just</p> <p>15 walk through each subsection from the outset.</p> <p>16 CHAIRMAN LAIRD: Sure.</p> <p>17 MR. COLLINS: And then we can focus back up</p> <p>18 on what I think the controversies are.</p> <p>19 CHAIRMAN LAIRD: Good.</p> <p>20 MR. COLLINS: Subsection A is a</p> <p>21 clarification that provides what we think is already</p> <p>22 inherently true which is that the Staff has the</p> <p>23 authority to make sure that the reporting system works</p> <p>24 even if the Secretary of State blocks us from getting</p> <p>25 the kind of reports that we're obligated to get under</p>		
11:33:56-11:34:52	Page 91	11:36:14-11:37:47	Page 93
<p>1 Any other commissioners care to comment?</p> <p>2 (No response.)</p> <p>3 CHAIRMAN LAIRD: Do I hear a motion with</p> <p>4 respect to Agenda Item Number C, the proposed changes</p> <p>5 to R2-20-105?</p> <p>6 COMMISSIONER KIMBLE: Mr. Chairman?</p> <p>7 CHAIRMAN LAIRD: Commissioner Kimble.</p> <p>8 COMMISSIONER KIMBLE: I move that we</p> <p>9 approve Staff's recommendation on R2-20-105(C) and</p> <p>10 R2-20-105(J).</p> <p>11 COMMISSIONER MEYER: Second.</p> <p>12 CHAIRMAN LAIRD: Okay. We've got a motion</p> <p>13 and a second to approve the recommended changes to 105</p> <p>14 from the Staff.</p> <p>15 All in favor say aye.</p> <p>16 (Chorus of ayes.)</p> <p>17 CHAIRMAN LAIRD: Opposed, nay.</p> <p>18 COMMISSIONER PATON: No.</p> <p>19 CHAIRMAN LAIRD: Okay.</p> <p>20 COMMISSIONER TITLA: Oppose.</p> <p>21 CHAIRMAN LAIRD: Okay. Item Number C</p> <p>22 passes four to one, I think.</p> <p>23 MR. COLLINS: Wait. I think Commissioner</p> <p>24 Titla --</p> <p>25 COMMISSIONER TITLA: Yeah, I opposed it.</p>	<p>1 the statute.</p> <p>2 And so -- so, for example, the Secretary of</p> <p>3 State removed the independent expenditure reports that</p> <p>4 Clean Elections Act specifically required from her</p> <p>5 campaign finance reporting system. And what we've</p> <p>6 found is that some people knew that. Like the solar</p> <p>7 folks knew that and knew that they had to file them,</p> <p>8 but they didn't file them. Other folks who we have in</p> <p>9 some forthcoming discipline -- potential enforcement</p> <p>10 matters actually didn't get that notice and were</p> <p>11 confused by what the Secretary did.</p> <p>12 So this -- if something like that happened</p> <p>13 in the future, this would allow Staff to step in with</p> <p>14 the -- you know, without -- we would report back to the</p> <p>15 Commission just out of -- out of -- out of a sense of</p> <p>16 prudence, but if it would -- it would -- it would</p> <p>17 clarify that there's no question but that we can -- we</p> <p>18 can make sure that the reports that ought to be filed</p> <p>19 are getting filed.</p> <p>20 Section B, the change to 2 is two-fold.</p> <p>21 First, what we did is we tried to break up the Clean</p> <p>22 Elections independent expense reports that are in</p> <p>23 16-941(D) from the reports that relate to 16-942(B) and</p> <p>24 donors into two separate sections. It was becoming</p> <p>25 unwieldy to have those treated in one section of rules.</p>		

11:37:53-11:39:15	Page 94	11:40:54-11:42:47	Page 96
<p>1 So that -- we did that.</p> <p>2 We also, we think, made clear that the</p> <p>3 analysis of "primary purpose" or "predominant purpose"</p> <p>4 does not apply to those reports. We think that's</p> <p>5 self-evident, but we put that in the rules. Some of</p> <p>6 the public comments suggest that's unnecessary, but I</p> <p>7 don't know. It's a belt-and-suspenders approach to</p> <p>8 that language.</p> <p>9 And then the rest of that is all -- is</p> <p>10 all -- the rules there are all just things that are all</p> <p>11 statutory and that we've already approved. The</p> <p>12 deletion that you see there, timely campaign finance</p> <p>13 report pursuant to 16-913 shall be subject to a civil</p> <p>14 penalty published in 16-942, that is left over from the</p> <p>15 change we approved this summer on a temporary basis,</p> <p>16 but because of the way that the legislature and the</p> <p>17 Secretary rewrote the statute, none of those citations</p> <p>18 make any sense any more except 16-942. So that's why</p> <p>19 that deletion is there.</p> <p>20 So -- so Subsection 2 -- what I'm trying to</p> <p>21 say is Subsection 2 really is reiterating what our</p> <p>22 position has been throughout the entirety of the</p> <p>23 Commission's existence, and the deletion of B is</p> <p>24 because of the way that the Secretary did -- as you</p> <p>25 recall, the Secretary did three bills: 1516 that was</p>		<p>1 Chapter 6 and then it will say section whatever and it</p> <p>2 will say reports. So we think that's pretty -- pretty</p> <p>3 clear and -- and also avoids some of the, I think,</p> <p>4 confusion that the Secretary seems to have experienced</p> <p>5 to trying to understand how the Clean Elections Act</p> <p>6 interacts with campaign finance law as they see it.</p> <p>7 The deletions in Sections 4, 5, 6, 7, 8, 9</p> <p>8 and 10 all relate to an exemption process that we</p> <p>9 provided for corporations, LLCs, and unions who had</p> <p>10 trigger reports that they were obligated to file with</p> <p>11 the Secretary of State in state races. Senate Bill</p> <p>12 1516 eliminated those time-sensitive reports. So there</p> <p>13 is no longer a dual jurisdiction problem for us to base</p> <p>14 that exemption upon and, therefore, we recommend</p> <p>15 deleting the exemption.</p> <p>16 There is no basis for a corporation that</p> <p>17 makes expenditures that are not to file the minimum,</p> <p>18 the expenditure-only reports that the Clean Elections</p> <p>19 Act required. The basis for the exemption was this</p> <p>20 redundant report the legislature created. That</p> <p>21 redundancy is gone and now it is, in fact, the case</p> <p>22 that the Clean Elections Act is the only time-sensitive</p> <p>23 independent expenditure report available to voters at</p> <p>24 all. And so we don't have a statutory basis to exempt</p> <p>25 reporting any longer, and so we have -- recommend that</p>	
11:39:20-11:40:51	Page 95	11:42:51-11:44:21	Page 97
<p>1 effective in November and then 2296 and 2297 that were</p> <p>2 effective retroactive to June 1st and we had to deal</p> <p>3 with this in the summer. So that's where that deletion</p> <p>4 comes in.</p> <p>5 16 -- the line item in number 3 is, again,</p> <p>6 consistent with what we have -- or at least I believe</p> <p>7 consistent with what our policy has been on the books.</p> <p>8 It's not something that everybody in the Commission has</p> <p>9 always been -- you know, and full agreement is great,</p> <p>10 but it is the -- this is the area in which we say that</p> <p>11 because of the language of 16-942(B), if you file -- if</p> <p>12 you overreport on your Chapter 6 that relates to</p> <p>13 expenditures on behalf of a candidate, you would face</p> <p>14 those additional penalties.</p> <p>15 We have gotten away from referring to the</p> <p>16 old sections of Article 1 because really it's not about</p> <p>17 the article. It's about whether or not it's a campaign</p> <p>18 finance report under Chapter 6, and so we think this</p> <p>19 rule is a cleaner approach because it's using the</p> <p>20 language in the Clean Elections Act and not trying to</p> <p>21 translate that to another -- another section of code.</p> <p>22 Anyone who pulls up the table of</p> <p>23 comments -- contents of the statutory books that we've</p> <p>24 gotten can tell what it reports in Chapter 6 because</p> <p>25 the headings in the table of comments [sic] say</p>		<p>1 we remove that exemption.</p> <p>2 What does that mean? As a practical</p> <p>3 matter, it means that more people will be filing</p> <p>4 reports through Clean Elections, but they won't be</p> <p>5 filing any more reports than they already were filing.</p> <p>6 In other words, there was a -- the legislature created</p> <p>7 a redundant report. The fact that the redundancy goes</p> <p>8 away -- we're not increasing the reporting load. The</p> <p>9 reporting load stays constant because of the exemption.</p> <p>10 The exemption goes away, but they still have this</p> <p>11 report.</p> <p>12 So there's no additional reporting. It's</p> <p>13 simply a matter of switching who they report to or, you</p> <p>14 know, what piece of paper they fill out rather than</p> <p>15 actually adding additional reports. And I want to make</p> <p>16 that clear that this is not an increase in reporting.</p> <p>17 It is a -- it is simply a switch in which report you</p> <p>18 fill out because the report they used to fill out to</p> <p>19 avoid ours no longer exists.</p> <p>20 Finally, we get into what is the -- I</p> <p>21 guess, the nitty-gritty. A couple of things. You</p> <p>22 know, the legislature did a couple of things in 1516</p> <p>23 that are different from what they did in 2296. So</p> <p>24 we're talking about 1516 now. First, they created two</p> <p>25 definitions of "primary purpose." One definition of</p>	

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<p>1 primary purpose was predominant purpose. I don't</p> <p>2 understand the difference between predominant purpose</p> <p>3 and primary purpose.</p> <p>4 So from my perspective, I think our primary</p> <p>5 purpose rule is still good law except that we need to,</p> <p>6 as Eric helpfully pointed out, increase the threshold</p> <p>7 to \$1,000 from \$500 which was the statutory threshold.</p> <p>8 In other words, you know, R2-20(B)(4)(b) -- or</p> <p>9 (B)(4)(a) has always been intended to -- to give</p> <p>10 guidance on how this vague -- well, arguably vague term</p> <p>11 "predominant" or "primary purpose" will be applied. So</p> <p>12 what we've done there is simply updated it, as Eric</p> <p>13 helpfully pointed out, to the new committee threshold</p> <p>14 which is \$1,000. And we maintain that they still have</p> <p>15 to spend more than 50 percent of their total spending</p> <p>16 over the election cycle.</p> <p>17 Now, I will just say I was at a conference</p> <p>18 in New Orleans this week on campaign finance and talked</p> <p>19 to some folks who are -- I don't know -- well, folks</p> <p>20 who are pretty far on the right who think that our rule</p> <p>21 is pretty good if they can get it in their state. So I</p> <p>22 don't know -- you know, putting aside the dual</p> <p>23 jurisdiction issue, I think this is a solid rule that</p> <p>24 actually does the bipartisan job that you'd want out of</p> <p>25 a body like this, being not too far on the left, not</p>		<p>1 can rationally, let alone if strict scrutiny applies,</p> <p>2 distinguish 501(c) corporations registered with the</p> <p>3 Corporation Commission from 501(c) organizations that</p> <p>4 are not incorporated because they're not obligated to</p> <p>5 be -- i mean, we can all form a 501(c) together without</p> <p>6 forming a company, you know, a corporation -- or how</p> <p>7 you distinguish between corporate filers and unions who</p> <p>8 are neither 501s or corporations or any number of</p> <p>9 combinations.</p> <p>10 There's one select group that is not a</p> <p>11 political committee, and it's very hard to understand</p> <p>12 what the rationale for that group being selected for</p> <p>13 particular treatment versus other groups that are doing</p> <p>14 the same thing: Spending on elections. It's not like</p> <p>15 the case we cited in our materials which is Austin</p> <p>16 versus the Chamber of Commerce where the question was,</p> <p>17 well, is a newspaper different from a political</p> <p>18 advocacy organization?</p> <p>19 And the Supreme Court said, yeah, they're</p> <p>20 different because the newspaper's chief role is to</p> <p>21 provide information to the public, although I think</p> <p>22 Mark would probably concede the newspaper's role is</p> <p>23 also to make money but -- well, you worked for the</p> <p>24 newspaper, but -- anyway, but there's case law that</p> <p>25 basically says newspapers are different from political</p>	
11:46:11-11:47:41	Page 99	11:49:19-11:50:40	Page 101
<p>1 too far on the right.</p> <p>2 The other thing that they added into the --</p> <p>3 into the definition of -- of primary purpose was,</p> <p>4 notwithstanding any other law and, in this case, most</p> <p>5 importantly rule, you can't be a political committee</p> <p>6 who owes campaign finance reports if you are an entity</p> <p>7 that meets all the requirements of 16-901.43(A) through</p> <p>8 (E). What does that mean in laymen's terms? It means</p> <p>9 you are a 501(c) organization that also is a</p> <p>10 corporation that is also registered with the Arizona</p> <p>11 Corporation Commission.</p> <p>12 And we have presented to you as the Staff</p> <p>13 recommendation that we go along with that. We -- we</p> <p>14 make that recommendation, however, with, I think,</p> <p>15 serious legal concerns that are really three. One, by</p> <p>16 notwithstanding our rule, they seek to vitiate, I</p> <p>17 think, our rule-making authority under 16-956. In</p> <p>18 other words, the legislature can't without a</p> <p>19 three-quarter vote change the rule-making process of</p> <p>20 the Commission and yet here they say notwithstanding a</p> <p>21 rule made pursuant to that rule-making policy, this is</p> <p>22 the new law. And I think that's problematic from a VPA</p> <p>23 perspective.</p> <p>24 Two, it's been very difficult for us to</p> <p>25 understand from an equal protection perspective how you</p>		<p>1 advocates because they're not political advocates.</p> <p>2 Well, here we are talking about groups that</p> <p>3 are all political advocates and they're being treated</p> <p>4 differently, and that raises, I think, a not unserious</p> <p>5 equal protection problem. In fact, it's the Goldwater</p> <p>6 Institute that's been going around the country --</p> <p>7 starting in Kentucky. They now have a case going in</p> <p>8 Massachusetts -- making exactly this argument about</p> <p>9 when they have a ban on corporate spending but not a</p> <p>10 ban on union spending. This is just the inverse of</p> <p>11 that.</p> <p>12 So -- and then, finally, you know, we have</p> <p>13 the Arizona Constitution which provides that, you know,</p> <p>14 there's got to be disclosure of -- of expenses and</p> <p>15 contributions of political committees, and there's no</p> <p>16 case law in Arizona that we've been -- that explicates</p> <p>17 what that means. So we don't know, you know, how close</p> <p>18 to the bone you can cut that, but certainly this cuts</p> <p>19 it -- cuts towards the bone.</p> <p>20 So -- so those are real legal issues and --</p> <p>21 and, you know, I think we'd be -- but what we've said</p> <p>22 since May, if you go back to -- if you want to go back</p> <p>23 to the May memo, we've said since May that we should</p> <p>24 try to accommodate these administratively. At the end</p> <p>25 of the day, it really comes down to your -- your</p>	

11:50:49-11:52:10	Page 102	12:00:14-12:01:34	Page 104
<p>1 comfort level with what you put in and what you put</p> <p>2 out.</p> <p>3 I'll just say that if you put in that shall</p> <p>4 not apply penalties, I mean, of course, that -- that</p> <p>5 locks you into that. If you don't put it in, then it</p> <p>6 doesn't necessarily mean it won't come up later. It</p> <p>7 just -- it just doesn't lock you into it, but I guess</p> <p>8 that's about all -- all I can say about that, but</p> <p>9 that's about as brief a summary as I can get. I hope</p> <p>10 I've hit the points that everybody has been thinking</p> <p>11 about, and if I haven't and if anyone has any questions</p> <p>12 for me, I'm open to -- to answer those.</p> <p>13 CHAIRMAN LAIRD: Questions or comments on</p> <p>14 109?</p> <p>15 COMMISSIONER KIMBLE: Mr. Chairman?</p> <p>16 CHAIRMAN LAIRD: Commissioner Kimble.</p> <p>17 COMMISSIONER KIMBLE: I have serious</p> <p>18 problems with R2-20-109(B)(4)(b). As Commissioner</p> <p>19 Titla often points out to our -- points to our mission</p> <p>20 on the screen. And I'll just read part of it: To</p> <p>21 improve the integrity of the Arizona state government</p> <p>22 by diminishing the influence of special interest money.</p> <p>23 I feel if we adopt this change, that goes totally</p> <p>24 against why the Clean Elections Commission was started</p> <p>25 by voters.</p>		<p>1 COMMISSIONER MEYER: I just want to express</p> <p>2 to my fellow Commissioners that I agree with the</p> <p>3 position and thoughts of Mr. Kimble in that I do not</p> <p>4 support the adoption of R-20-109(B)(4)(b).</p> <p>5 Tom, correct me if I'm wrong, but this has</p> <p>6 never been an issue that's come up before?</p> <p>7 MR. COLLINS: With which --</p> <p>8 COMMISSIONER MEYER: With 501(c)(3), we've</p> <p>9 never had this issue come up before the Commission,</p> <p>10 correct?</p> <p>11 MR. COLLINS: That is correct. The --</p> <p>12 the -- the closest we have come has been this primary</p> <p>13 purpose issue, but this is an express if you have this</p> <p>14 qualification, you are not a political committee which</p> <p>15 is very different in terms of its effect than -- than a</p> <p>16 rule that qualitatively takes into account all of</p> <p>17 your -- all of your election spending. Basically, you</p> <p>18 know, it's just a -- it's a much more -- it's clear.</p> <p>19 I'll give it that, but it really does cut off a lot</p> <p>20 of -- of political spending in Arizona from any kind of</p> <p>21 review other than by the federal government for tax</p> <p>22 purposes.</p> <p>23 COMMISSIONER MEYER: Thank you.</p> <p>24 And in my mind, it does not make sense for</p> <p>25 the Commission to adopt a rule that would limit and</p>	
11:52:11-12:00:12	Page 103	12:01:39-12:03:18	Page 105
<p>1 In addition to that, as the Staff memo</p> <p>2 points out, there's serious VPA violations. There are</p> <p>3 equal protection violations. There are violations of</p> <p>4 the Arizona Constitution. I cannot go along with --</p> <p>5 with R2-20-109(B)(4)(b). I do support the Staff</p> <p>6 recommendations on the rest of 109, including</p> <p>7 increasing the committee threshold to \$1,000, as -- as</p> <p>8 Mr. Spencer suggested and Staff has supported.</p> <p>9 CHAIRMAN LAIRD: Okay. I think there's</p> <p>10 probably going to be some more discussion on this, and</p> <p>11 I was just handed a note that the court reporter needs</p> <p>12 a short break and maybe the chairman does too because I</p> <p>13 don't see the debate ending soon.</p> <p>14 So let's take a five -- is five minutes</p> <p>15 enough -- a five-minute break and come right back?</p> <p>16 Everybody has thoughts.</p> <p>17 We adjourn for five minutes.</p> <p>18 (Whereupon, a recess was taken in the</p> <p>19 proceedings.)</p> <p>20 CHAIRMAN LAIRD: Okay. Let's call the</p> <p>21 meeting back to order after a short break, and let's</p> <p>22 continue with discussion with respect to 109.</p> <p>23 Other -- other comments on 109?</p> <p>24 COMMISSIONER MEYER: Mr. Chairman?</p> <p>25 CHAIRMAN LAIRD: Commissioner Meyer.</p>		<p>1 contravene our duties that are set forth on our mantra</p> <p>2 which Mr. Kimble read from before. And so I would vote</p> <p>3 to oppose that portion of the rule, and I'd also raise</p> <p>4 the issue that this Commission would still have</p> <p>5 discretion not to pursue enforcement against an entity</p> <p>6 that fell within this parameter of 501(c) if we chose.</p> <p>7 So my thoughts are that we, one, do not --</p> <p>8 do not adopt R2-109(B)(4)(b) and that we also advise</p> <p>9 Commission Staff that in the event there is a complaint</p> <p>10 filed against a 501(c), that they immediately put the</p> <p>11 Commission on notice of that complaint and that we then</p> <p>12 hear from Staff and use our discretionary powers as to</p> <p>13 whether or not to move forward with that enforcement.</p> <p>14 CHAIRMAN LAIRD: Okay. Other comments?</p> <p>15 Commissioner Titla.</p> <p>16 COMMISSIONER TITLA: Yeah. Chairman, thank</p> <p>17 you.</p> <p>18 Regarding this rule, I've been reading the</p> <p>19 comments that we -- the Commission receives, and I'd</p> <p>20 like to take note of a couple. One is from Dr. Doris</p> <p>21 Marie Provine, professor, Arizona State University.</p> <p>22 She said that the -- her concern -- this is a quote</p> <p>23 from her letter: My concern is that the proposed</p> <p>24 changes in these articles lean too far toward</p> <p>25 accommodation with recent state legislation at the</p>	

12:03:23-12:04:59	Page 106	12:06:00-12:07:25	Page 108
<p>1 expense of the system voters put in place in 1998. And</p> <p>2 then later on the paragraph she says, In this case, the</p> <p>3 Commission must avoid interference with voter</p> <p>4 protection mandates.</p> <p>5 And then another comment by the Arizona</p> <p>6 Advocacy Network from a young lady named Samantha</p> <p>7 Pstross -- Pstross. She says that -- reminds the</p> <p>8 Commission of the duties that were instituted by the</p> <p>9 Voter Protection Act, and she quotes the law. And I</p> <p>10 quote the letter: The people of Arizona declare our</p> <p>11 intent to create a Clean Elections system that will</p> <p>12 improve the integrity of Arizona state government by</p> <p>13 diminishing the influence of special interest money,</p> <p>14 will encourage citizen participation in the political</p> <p>15 process and will promote freedom of speech under the</p> <p>16 U.S. and Arizona Constitutions. Campaigns will become</p> <p>17 more issue oriented and less negative because there</p> <p>18 will be need -- no need to challenge the sources of</p> <p>19 campaign money. That's from A.R.S. 16-940(A).</p> <p>20 I think that taking those comments and the</p> <p>21 law and applying it to these rules, I agree with my</p> <p>22 esteemed commissioners in their opposition to this rule</p> <p>23 and I will vote against it.</p> <p>24 Thank you.</p> <p>25 CHAIRMAN LAIRD: Tom, let me ask a question</p>	<p>1 not a political committee. Is that less of a violation</p> <p>2 of the VPA and the Constitution if you take that</p> <p>3 approach that we have flexibility to help define who --</p> <p>4 you know, who is and is not a political committee as</p> <p>5 opposed to, yeah, they're a political committee; they</p> <p>6 ought to be fined, but we're not going to fine them?</p> <p>7 Subtle idea --</p> <p>8 MR. COLLINS: No, I hear -- I hear what</p> <p>9 you're saying. I hadn't thought about it that way and</p> <p>10 I -- and I see -- I know what Jim is saying. I -- I</p> <p>11 really wish I had a good answer. I mean, look, what</p> <p>12 the Commission has tried to do is accommodate changes</p> <p>13 to the political committee definition heretofore. The</p> <p>14 Secretary of State's position has been you don't have</p> <p>15 any authority to be trying to accommodate those</p> <p>16 changes.</p> <p>17 This change is different in that it's not a</p> <p>18 qualitative assessment. It's a legal determination</p> <p>19 that says you're this and you're not; do it. The</p> <p>20 reason we use the shall not apply penalties language is</p> <p>21 because 16-942 is phrased in terms of applying</p> <p>22 penalties under Chapter 6 to whoever doesn't file</p> <p>23 reports. So it doesn't -- that's why it's written that</p> <p>24 way. So I don't know of a better way to write it</p> <p>25 that's consistent with how we actually go about</p>		
12:05:07-12:05:57	Page 107	12:07:28-12:08:36	Page 109
<p>1 and make a couple of comments.</p> <p>2 MR. COLLINS: Sure.</p> <p>3 CHAIRMAN LAIRD: The approach that our</p> <p>4 rules take says that we will not apply penalties to the</p> <p>5 501(c)'s.</p> <p>6 Is that a little bit different than the</p> <p>7 approach taken by the statute? The statutes say if</p> <p>8 you're a 501(c) you're not a political committee. Ours</p> <p>9 seems to say -- it doesn't exempt them from the</p> <p>10 definition of political committee. It just says we're</p> <p>11 not going to penalize them.</p> <p>12 Is that -- am I understanding that</p> <p>13 correctly?</p> <p>14 MR. COLLINS: Well, your subtlety is more</p> <p>15 than my intent.</p> <p>16 CHAIRMAN LAIRD: Okay.</p> <p>17 MR. COLLINS: We were trying to say they're</p> <p>18 exempt.</p> <p>19 CHAIRMAN LAIRD: Right.</p> <p>20 MR. COLLINS: So when we said that, we</p> <p>21 weren't intending to be artful in our -- in our --</p> <p>22 CHAIRMAN LAIRD: I mean, this Torres law</p> <p>23 firm, moreover, makes a point that you don't have</p> <p>24 discretion not to assess penalties, but I'm wondering</p> <p>25 if there's more discretion to define who is and who is</p>	<p>1 enforcing the Clean Elections Act. We don't purport</p> <p>2 to -- we're not purporting to define "political</p> <p>3 committee." We're purporting to define the</p> <p>4 circumstances under which we'll apply penalties under</p> <p>5 16-942 because that's the language of our act.</p> <p>6 If Jim thinks that we have a VPA problem</p> <p>7 because we're obligated to file penalty -- to fine</p> <p>8 penalties, I haven't read his letter in detail because</p> <p>9 it came in kind of late, but this Commission has, in my</p> <p>10 experience, waived penalties. It has lowered</p> <p>11 penalties. It has done all kinds of stuff with</p> <p>12 penalties. It's conciliated penalties. So if he's</p> <p>13 saying that you can't arbitrarily say one group shall</p> <p>14 not be penalized, that's one thing; but I would say</p> <p>15 that the Commission always has the authority to</p> <p>16 determine what the penalty is of a person who is</p> <p>17 subject to penalty and we've done that routinely.</p> <p>18 CHAIRMAN LAIRD: On a case-by-case basis.</p> <p>19 MR. COLLINS: On a case-by-case basis.</p> <p>20 CHAIRMAN LAIRD: Not exempt --</p> <p>21 MR. COLLINS: Not exempt as a larger --</p> <p>22 CHAIRMAN LAIRD: -- to organizations.</p> <p>23 MR. COLLINS: Right. So -- so that's a</p> <p>24 nuance that I think -- I mean, to Commissioner Meyer's</p> <p>25 point, whether this is here or not, the Commission</p>		

12:08:38-12:09:56	Page 110	12:11:07-12:12:29	Page 112
<p>1 still retains that authority to punish or not punish</p> <p>2 based on its assessment on a case-by-case basis. So if</p> <p>3 you don't -- so if I'm understanding the sort of -- the</p> <p>4 comments that I've heard from the four of you, if you</p> <p>5 don't pass (B)(4)(b)(1), the Commission still retains</p> <p>6 its authority to, on a case-by-case basis, say -- and,</p> <p>7 in fact, (b)(2) makes clear may nonetheless determine</p> <p>8 an entity is not a political committee in taking into</p> <p>9 account all the facts and circumstances it may have if</p> <p>10 it's not persuaded that it is a political committee as</p> <p>11 defined by Title 16.</p> <p>12 So you've still got a catch-all in (2) --</p> <p>13 in what would be (b)(2) that allows you to do -- that</p> <p>14 expressly allows you to not penalize those 501(c)(4)'s,</p> <p>15 even if you haven't locked yourself into that position</p> <p>16 by not passing (1).</p> <p>17 CHAIRMAN LAIRD: Well, I appreciate all the</p> <p>18 comments made by my three fellow commissioners and</p> <p>19 agree in large part with them. The concern I have is</p> <p>20 one I've always expressed during my four years on the</p> <p>21 Commission and that is consistency in having two</p> <p>22 independent systems with different standards, different</p> <p>23 prosecutions, potentially different results, I don't</p> <p>24 think is a tenable structure.</p> <p>25 And I recognize we have discretion and in</p>		<p>1 MR. COLLINS: Right.</p> <p>2 CHAIRMAN LAIRD: Recognizing there may be</p> <p>3 some legal problems --</p> <p>4 MR. COLLINS: Right. If you go back to our</p> <p>5 first memo in May, we've never -- we've never changed</p> <p>6 the Staff position. What we -- what we have to be as</p> <p>7 Staff members is responsive to all of you and your</p> <p>8 questions and that kind of thing but, you know, a Staff</p> <p>9 recommendation is what it is.</p> <p>10 The Staff recommendation is to put the</p> <p>11 (B)(4)(b)(1) into -- into code, but if there's not --</p> <p>12 the only point I'm trying to emphasize, which</p> <p>13 Commissioner Meyer made up, in an effort to -- because</p> <p>14 as a Staff member I liked it when you called it -- to</p> <p>15 try to find some consensus here is to say you're -- by</p> <p>16 saying no to the codification, you're not saying no to</p> <p>17 the enforcement policy because (b)(2) or what would be</p> <p>18 (b)(1) if we don't add (b)(1) says it specifically</p> <p>19 reserves to the Commission the right to not enforce</p> <p>20 against any -- anybody they think is not ultimately a</p> <p>21 political committee.</p> <p>22 It's something and -- and you could -- and</p> <p>23 I think if you have language or if the -- or we could</p> <p>24 have stronger language admonishing Staff about --</p> <p>25 about, you know, how to proceed. I mean, that's</p>	
12:09:58-12:11:07	Page 111	12:12:31-12:13:23	Page 113
<p>1 the past we've exercised that in a prudent way where</p> <p>2 there was overlapping jurisdiction, but to have a</p> <p>3 system with that kind of consistency and leave 401(c)'s</p> <p>4 hanging. You are a political committee in one set of</p> <p>5 rules; you're not in another. You do have to file</p> <p>6 reports; you don't have to file a report is -- that's</p> <p>7 the struggle I have with not trying to be consistent</p> <p>8 with what the legislature did. And I don't necessarily</p> <p>9 like what the legislature did.</p> <p>10 MR. COLLINS: Right.</p> <p>11 CHAIRMAN LAIRD: And I think, you know, in</p> <p>12 terms of trying to keep us from -- from enforcing rules</p> <p>13 we've previously made, I agree. I think there's a --</p> <p>14 there's a potential constitutional issue there. And so</p> <p>15 I don't like what they did, but I have my concern that</p> <p>16 I've expressed for four years. I don't like having two</p> <p>17 separate sets of standards and potentially two separate</p> <p>18 prosecutions with completely different results based on</p> <p>19 the differences.</p> <p>20 MR. COLLINS: And to that point,</p> <p>21 Mr. Chairman, I mean, just the Staff recommendation has</p> <p>22 been to accommodate this, notwithstanding the legal</p> <p>23 concern.</p> <p>24 CHAIRMAN LAIRD: To be as consistent as you</p> <p>25 could.</p>		<p>1 another option is to have the -- you know, I mean,</p> <p>2 Damian -- sorry -- Commissioner Meyer, I think, had --</p> <p>3 COMMISSIONER MEYER: It's okay.</p> <p>4 MR. COLLINS: -- had something like -- had</p> <p>5 notification. You can add bells and whistles on that.</p> <p>6 That may raise other issues, but you know, I don't</p> <p>7 know -- I mean, I don't want to prolong the pain of the</p> <p>8 discussion. I just simply would say the Staff</p> <p>9 recommendation remains what it was.</p> <p>10 CHAIRMAN LAIRD: Right.</p> <p>11 MR. COLLINS: But three commissioners have</p> <p>12 now said that they don't agree with the Staff</p> <p>13 recommendation.</p> <p>14 CHAIRMAN LAIRD: Well, and -- yeah. And</p> <p>15 their concerns are very legitimate, in my opinion.</p> <p>16 MR. COLLINS: Right. Right.</p> <p>17 CHAIRMAN LAIRD: They all make excellent</p> <p>18 points, and I have those same -- I have those same</p> <p>19 concerns, but you know, the Staff motivation, I think,</p> <p>20 was consistency.</p> <p>21 MR. COLLINS: Yeah.</p> <p>22 CHAIRMAN LAIRD: And to politically get</p> <p>23 along.</p> <p>24 MR. COLLINS: Yeah. No, that's frank.</p> <p>25 CHAIRMAN LAIRD: And those are -- those are</p>	

12:13:24-12:14:08	Page 114	12:15:07-12:16:13	Page 116
<p>1 worthwhile. So I'm really conflicted on this issue, to</p> <p>2 be honest with you.</p> <p>3 MR. COLLINS: Sure.</p> <p>4 CHAIRMAN LAIRD: I guess I -- I don't know.</p> <p>5 Maybe the "shall not apply penalties" is not a big</p> <p>6 deal, Mary. It just seems to me if they were not a</p> <p>7 political committee at all, maybe there's a little more</p> <p>8 flexibility and it's less objectionable from a</p> <p>9 constitutional analysis perspective, but I'm not sure.</p> <p>10 I mean --</p> <p>11 MS. O'GRADY: Yeah, I agree. The not</p> <p>12 applying penalties piece is consistent with the</p> <p>13 statutory structure --</p> <p>14 CHAIRMAN LAIRD: Okay.</p> <p>15 MS. O'GRADY: -- that we're dealing with</p> <p>16 for the act.</p> <p>17 CHAIRMAN LAIRD: Okay. All right. So that</p> <p>18 doesn't create any greater problem than -- okay.</p> <p>19 MS. O'GRADY: No.</p> <p>20 CHAIRMAN LAIRD: All right. Thank you.</p> <p>21 Well, I think -- you know, I'm really torn</p> <p>22 on this.</p> <p>23 MR. COLLINS: Sure.</p> <p>24 CHAIRMAN LAIRD: But I think it's clear</p> <p>25 there are three votes the other way, it seems to me, on</p>	<p>1 CHAIRMAN LAIRD: Okay. Do I hear a second</p> <p>2 on that?</p> <p>3 COMMISSIONER MEYER: Second.</p> <p>4 COMMISSIONER KIMBLE: And by way of -- by</p> <p>5 way of comment, Mr. Chairman, I would say I very much</p> <p>6 appreciate your comments about consistency. And I</p> <p>7 think with all the different conflicts we have, we have</p> <p>8 really worked hard to try to be consistent, but I think</p> <p>9 this is one of those things that is a line in the sand</p> <p>10 that I just cannot see going beyond. I would like to</p> <p>11 be consistent, but I don't think I can be on this.</p> <p>12 CHAIRMAN LAIRD: Okay. We have a motion</p> <p>13 and a second, I think.</p> <p>14 So all in favor say aye.</p> <p>15 (Chorus of ayes.)</p> <p>16 CHAIRMAN LAIRD: And I think I'm going to</p> <p>17 abstain.</p> <p>18 MR. COLLINS: We need to -- does abstain --</p> <p>19 what does that do for unanimity?</p> <p>20 MS. O'GRADY: I'm not sure. I'm not sure,</p> <p>21 but since it's next year, I don't know how much of an</p> <p>22 issue that is.</p> <p>23 MR. COLLINS: Well, it will be effective</p> <p>24 January 1 regardless.</p> <p>25 MS. O'GRADY: Right.</p>		
12:14:11-12:15:07	Page 115	12:16:14-12:17:40	Page 117
<p>1 that particular aspect of the statute.</p> <p>2 Commissioner Paton, do you want to weigh</p> <p>3 in?</p> <p>4 COMMISSIONER PATON: I agree with what</p> <p>5 these other gentlemen said about that, the (3)(b) --</p> <p>6 was it (3)(b) or (4)(b)?</p> <p>7 MR. COLLINS: (4)(b).</p> <p>8 COMMISSIONER PATON: (4)(b). I would agree</p> <p>9 with what they were saying on that. That's -- that</p> <p>10 would be what I would want to change, but the rest of</p> <p>11 it I think is fine.</p> <p>12 CHAIRMAN LAIRD: All right. I think</p> <p>13 there's --</p> <p>14 COMMISSIONER KIMBLE: Well, Mr. Chairman, I</p> <p>15 would move that we approve the draft final rule</p> <p>16 proposed by Staff, including increasing the committee</p> <p>17 threshold to \$1,000 but excluding R2-20-109(B)(4)(b)</p> <p>18 relating to 501(c)(3) corporations.</p> <p>19 CHAIRMAN LAIRD: And just Section 1,</p> <p>20 though, right?</p> <p>21 COMMISSIONER KIMBLE: Yeah.</p> <p>22 MR. COLLINS: Yes.</p> <p>23 CHAIRMAN LAIRD: Yes.</p> <p>24 COMMISSIONER KIMBLE: Thank you,</p> <p>25 Mr. Chairman.</p>	<p>1 MR. COLLINS: Okay. Okay.</p> <p>2 CHAIRMAN LAIRD: Okay. That leaves us with</p> <p>3 one last rule to consider, and that is Agenda Item</p> <p>4 Number VIII H which relates to Rule R2-20-112.</p> <p>5 And, Tom, do you want to give us some</p> <p>6 background on that?</p> <p>7 MR. COLLINS: Yeah. Let me -- let me talk</p> <p>8 about this one. I think I can make this somewhat</p> <p>9 brief, but I don't know. Well, I can't make it brief</p> <p>10 but another person could.</p> <p>11 So here is what we have. R2-20-112 comes</p> <p>12 from an act we actually -- a rule we originally had</p> <p>13 that allowed certain party interactions with clean</p> <p>14 candidates, and it was designed to -- to try to</p> <p>15 mitigate some of what would have been the harsh and</p> <p>16 unfair consequences for the ground rules for clean</p> <p>17 candidates versus traditional candidates because</p> <p>18 parties do have certain associational rights with their</p> <p>19 candidates, specifically once they are the nominees of</p> <p>20 the party. That's just sort of Constitutional Law 101.</p> <p>21 1516 loosened the way in which parties can</p> <p>22 interact with candidates and loosened the money that</p> <p>23 parties can take from sources including corporate, and</p> <p>24 we've observed some of those legal concerns.</p> <p>25 Nevertheless, because it is important to us that the</p>		

12:17:42-12:19:13	Page 118	12:20:39-12:22:03	Page 120
<p>1 ground rules for traditional candidates and clean</p> <p>2 candidates continue to be the same ex ante, before you</p> <p>3 make the choice to be a clean candidate, we recommend</p> <p>4 that if you're a nominee as defined in 16-911(B)(4),</p> <p>5 you shall -- or 16-901.38, you shall be able to take</p> <p>6 advantage of whatever party coordination that any other</p> <p>7 candidate would be able to take advantage of.</p> <p>8 Otherwise, you are changing the ground rules in a way</p> <p>9 that the statute never contemplated between traditional</p> <p>10 and clean candidates.</p> <p>11 I will say as a legal note and you'll see</p> <p>12 in the legal policy matrix, there are reasons why</p> <p>13 there's some legal doubt here. This change relies upon</p> <p>14 a narrowing of the definition of contribution and a</p> <p>15 narrowing of the definition of expenditure and an</p> <p>16 expansion of the ways in which corporations can give</p> <p>17 money to parties that are all new to Arizona.</p> <p>18 So they are subject to their own legal</p> <p>19 challenges; however, you know, if we were -- it seems</p> <p>20 to me that in this particular case -- you know, if we</p> <p>21 were in a position -- and I think there's no taste for</p> <p>22 this on the Commission to go hull hog into a lawsuit</p> <p>23 where we listed off all the different constitutional</p> <p>24 problems and fought them in court -- this would be on</p> <p>25 the list, I suspect -- but absent that, my goal is to</p>		<p>1 principals that we articulated in the Staff was that as</p> <p>2 much as possible rules should treat traditional and</p> <p>3 clean candidates the same.</p> <p>4 And so we think that a rule that doesn't</p> <p>5 acknowledge 112 the way we've drafted it puts Clean</p> <p>6 Elections candidates at a disadvantage, but if it</p> <p>7 exists as is they are no more or less advantaged than</p> <p>8 traditional candidates. They simply have the same</p> <p>9 ground rules at the time they make a decision to run</p> <p>10 clean that every other candidate has.</p> <p>11 You may not like those ground rules.</p> <p>12 That's a different issue, but I mean, that's the</p> <p>13 problem. I mean, our legal observations have to do</p> <p>14 with whether or not those ground rules are good ground</p> <p>15 rules, but that -- but -- but that having been said, if</p> <p>16 those are the ground rules we want the ground rules to</p> <p>17 be consistent.</p> <p>18 Sam seemed like she wanted to comment.</p> <p>19 CHAIRMAN LAIRD: Public comment?</p> <p>20 MS. PSTROSS: Chairman, Commissioners, I</p> <p>21 have a question about -- about this. I feel very</p> <p>22 confident that there will be a lawsuit against SB 1516</p> <p>23 very soon. Frankly, it's quite shameful that it hasn't</p> <p>24 happened already because I think there's some very</p> <p>25 clear problems with the new law, as we are all very</p>	
12:19:18-12:20:36	Page 119	12:22:06-12:23:03	Page 121
<p>1 ensure that the ground rules before you make the</p> <p>2 decision to run clean are the same for traditional and</p> <p>3 clean candidates, and we think this rule achieves that</p> <p>4 despite the legal issues.</p> <p>5 Again, to Mr. Chairman's point, it's --</p> <p>6 it's also a consistency issue. And all of the Staff</p> <p>7 recommendations ultimately are -- despite the legal</p> <p>8 misgiving, always have all come down on the side of</p> <p>9 consistency over -- over potential legal issues,</p> <p>10 notwithstanding that those legal issues exist. And</p> <p>11 this is one of those. So it's in the same ballpark for</p> <p>12 us.</p> <p>13 CHAIRMAN LAIRD: Okay. Discussions?</p> <p>14 Comments?</p> <p>15 COMMISSIONER KIMBLE: Mr. Chairman?</p> <p>16 CHAIRMAN LAIRD: Commissioner Kimble.</p> <p>17 COMMISSIONER KIMBLE: Mr. Collins, so does</p> <p>18 this change make it more difficult to run as a clean</p> <p>19 candidate?</p> <p>20 MR. COLLINS: I would argue that this</p> <p>21 change makes it no more difficult to run as a clean</p> <p>22 candidate than it is now. A change that singled out</p> <p>23 clean candidates -- if you go back to my May memo,</p> <p>24 which none of you should ever do, but if you did go</p> <p>25 back to my May memo, you will find that one of the</p>		<p>1 aware of here today.</p> <p>2 And so my question is if a lawsuit is filed</p> <p>3 and this -- this is changed and you changed your rules,</p> <p>4 what happens? And I'm sure there's, like, many</p> <p>5 different paths that can happen, but if you could --</p> <p>6 I'm curious. Does that make sense?</p> <p>7 CHAIRMAN LAIRD: Yes.</p> <p>8 MR. COLLINS: That's kind of --</p> <p>9 Mr. Chairman, with your indulgence, if I can answer the</p> <p>10 question.</p> <p>11 CHAIRMAN LAIRD: Please do.</p> <p>12 MR. COLLINS: We don't know all the</p> <p>13 answers. We don't know who -- if there is a lawsuit</p> <p>14 filed, we don't know who it will be filed against, if</p> <p>15 it will be filed against us, the State, the Secretary</p> <p>16 of State, the Attorney General, all of us, the State</p> <p>17 itself.</p> <p>18 What we have tried to do -- and this is why</p> <p>19 we do want to talk about the preamble even after we're</p> <p>20 done with all this -- is in the preamble it made clear</p> <p>21 that no matter what we've adopted and haven't adopted,</p> <p>22 we are concerned about these legal issues and are</p> <p>23 trying to retain our authority as a Commission -- your</p> <p>24 authority as a Commission to not pre-decide what to do</p> <p>25 in the event of a -- of a -- of a -- of other</p>	

12:23:09-12:24:12	Page 122	12:25:20-12:26:18	Page 124
<p>1 developments. That's why we wrote the preamble the way</p> <p>2 we wrote it.</p> <p>3 We can't predict that somebody won't try to</p> <p>4 block us or not block us because we are being</p> <p>5 selective. I mean, to be honest, I mean, the big --</p> <p>6 the big -- the big thing we're inconsistent on is -- I</p> <p>7 mean, when you think about is, as Eric says, you can't</p> <p>8 enforce any of these laws at all. So in one sense,</p> <p>9 we're being totally inconsistent because from his</p> <p>10 perspective this entire package is wrong, but on the</p> <p>11 other hand, we are trying as best we can to make</p> <p>12 reasonable judgments.</p> <p>13 That said, the preamble, from my</p> <p>14 perspective, is designed to at least put something in</p> <p>15 the public published record that notes that there are</p> <p>16 constitutional problems here. And so we need to talk</p> <p>17 about the preamble, I think, separately after we've</p> <p>18 resolve these rules, but that's my best answer is we</p> <p>19 don't have a real good answer, but we are trying to --</p> <p>20 as Staff put the Commission in a position where they</p> <p>21 don't have to predetermine anything.</p> <p>22 They can make note of things -- and I'm</p> <p>23 just -- I guess I'm just telling you what I was</p> <p>24 intending to do -- make note of things but not be</p> <p>25 committed to any particular thing. And I don't think</p>	<p>1 CHAIRMAN LAIRD: All right. Do I hear a</p> <p>2 motion on Agenda Item Number VIII H which is 20 --</p> <p>3 R2-20-112?</p> <p>4 COMMISSIONER MEYER: Mr. Chairman, I move</p> <p>5 that the Commission adopt the draft of R2-20-112.</p> <p>6 CHAIRMAN LAIRD: Do I hear a second?</p> <p>7 COMMISSIONER KIMBLE: Second.</p> <p>8 CHAIRMAN LAIRD: Okay. We've got a motion</p> <p>9 and a second that we adopt the Staff recommendation</p> <p>10 with respect to the language change on Item 8 AH -- 8H</p> <p>11 which is R2-20-112.</p> <p>12 All in favor say aye.</p> <p>13 (Chorus of ayes.)</p> <p>14 CHAIRMAN LAIRD: Opposed, nay.</p> <p>15 COMMISSIONER TITLA: Nay.</p> <p>16 CHAIRMAN LAIRD: And then I'd like to take</p> <p>17 up -- and Commissioner Meyer has been very faithful. I</p> <p>18 asked him to remind me and he put a big sign right up</p> <p>19 here that says "preamble" so that I wouldn't forget</p> <p>20 that.</p> <p>21 MR. COLLINS: We just -- we just want to</p> <p>22 make sure that Mr. -- Commissioner Titla's nay vote was</p> <p>23 noted for the record. I don't know if you heard it.</p> <p>24 CHAIRMAN LAIRD: Okay.</p> <p>25 MR. COLLINS: So it's four-one.</p>		
12:24:19-12:25:19	Page 123	12:26:21-12:27:24	Page 125
<p>1 that -- I don't think that anything the Commission does</p> <p>2 today should predetermine or determine anybody's</p> <p>3 particular legal strategy.</p> <p>4 And I certainly don't think that the</p> <p>5 Commission is in a position to ask a lawsuit to be</p> <p>6 brought or not ask a lawsuit to be brought and, you</p> <p>7 know, I mean, it's just all -- it's too ephemeral, but</p> <p>8 we have done things not with lawsuits in mind, but with</p> <p>9 the Commission's authority in mind to make clear in the</p> <p>10 public record that the Commission, you know -- you</p> <p>11 know, has views, has made a considered evaluation of</p> <p>12 the legal issues here. And that's, I think, the best</p> <p>13 we can do to do our -- or at least the best I can</p> <p>14 recommend to the Commission in doing its duty as an</p> <p>15 administrative body.</p> <p>16 CHAIRMAN LAIRD: Well, we would base our</p> <p>17 rules on what the law is today.</p> <p>18 MR. COLLINS: Right.</p> <p>19 CHAIRMAN LAIRD: And if a law gets struck</p> <p>20 down in any part, we have to revisit and amended our</p> <p>21 rules.</p> <p>22 MR. COLLINS: That's right. That's -- I</p> <p>23 guess that's a shorter and better answer.</p> <p>24 CHAIRMAN LAIRD: Okay.</p> <p>25 MR. COLLINS: As usual.</p>	<p>1 CHAIRMAN LAIRD: Four-one. Yeah. Thank</p> <p>2 you, Tom.</p> <p>3 Okay. We've talked about the preamble. It</p> <p>4 expresses a lot of the legal reservations that have</p> <p>5 been expressed by the Commission today at various</p> <p>6 times, and I'd propose that somebody make a motion that</p> <p>7 we, once again, reaffirm and adopt that preamble.</p> <p>8 COMMISSIONER MEYER: So moved.</p> <p>9 CHAIRMAN LAIRD: Do I hear a second?</p> <p>10 COMMISSIONER KIMBLE: Second, but I have a</p> <p>11 question.</p> <p>12 Is the preamble in here somewhere?</p> <p>13 MR. COLLINS: It is. It's in every notice</p> <p>14 of exempt final rule making.</p> <p>15 COMMISSIONER KIMBLE: Oh, okay. Okay.</p> <p>16 MS. THOMAS: It's Number 107 as well.</p> <p>17 MR. COLLINS: And page 107.</p> <p>18 COMMISSIONER KIMBLE: Oh, thank you.</p> <p>19 MR. COLLINS: Yeah, yeah, yeah. Yeah,</p> <p>20 yeah. We used your version, if that's what you mean.</p> <p>21 CHAIRMAN LAIRD: Okay. Any discussion with</p> <p>22 respect to adopting the preamble?</p> <p>23 COMMISSIONER PATON: What page is this on?</p> <p>24 MS. THOMAS: 107.</p> <p>25 MR. COLLINS: 107 is free standing, but it</p>		

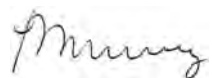
12:27:26-12:28:21	Page 126	12:29:42-12:30:39	Page 128
<p>1 is in every one of the rule filings that we'll make.</p> <p>2 CHAIRMAN LAIRD: Would you like a minute to</p> <p>3 read it, Commissioner?</p> <p>4 COMMISSIONER PATON: No. I've got it here.</p> <p>5 Thanks.</p> <p>6 CHAIRMAN LAIRD: Okay. Okay. Are we</p> <p>7 prepared to vote?</p> <p>8 All in favor say aye.</p> <p>9 (Chorus of ayes.)</p> <p>10 CHAIRMAN LAIRD: Opposed, nay.</p> <p>11 (No response.)</p> <p>12 CHAIRMAN LAIRD: It carries unanimously.</p> <p>13 Okay. We are now down to the portion for</p> <p>14 public comment. We've kind of allowed public comment</p> <p>15 as we've gone along, which I think is a better way to</p> <p>16 do it when you're discussing the specific and certain</p> <p>17 rules, but we certainly would be welcomed to having any</p> <p>18 other public comment at this time.</p> <p>19 MS. KNOX: Mr. Chairman and members of the</p> <p>20 Commission and Staff, I was going to speak on the last</p> <p>21 point, but you all agreed with me. So there was no</p> <p>22 reason for me to, but -- so I'm up here on a slightly</p> <p>23 different issue. As you noticed in the Staff report,</p> <p>24 Mr. Collins explained that several members of the</p> <p>25 Commission are working and will be participating in a</p>		<p>1 COMMISSIONER MEYER: What is the date of</p> <p>2 that? What's the date?</p> <p>3 MS. KNOX: It's January 7.</p> <p>4 CHAIRMAN LAIRD: Thank you so much.</p> <p>5 COMMISSIONER MEYER: Thank you.</p> <p>6 CHAIRMAN LAIRD: Okay. Any other comments</p> <p>7 at this time? Questions?</p> <p>8 COMMISSIONER MEYER: Mr. Chairman?</p> <p>9 CHAIRMAN LAIRD: Yes.</p> <p>10 COMMISSIONER MEYER: I just want to wish</p> <p>11 all my fellow commissioners and Staff, thank you for</p> <p>12 all your work through the year and have a wonderful and</p> <p>13 safe holiday season.</p> <p>14 MS. THOMAS: One last thing -- sorry -- so</p> <p>15 we can leave. If you decide to go to that summit, let</p> <p>16 me know. I'll cover that registration fee on there.</p> <p>17 It's pretty minimal, but give me a heads up and I can</p> <p>18 get you a ticket right away.</p> <p>19 Thank you.</p> <p>20 CHAIRMAN LAIRD: Excellent. Thank you so</p> <p>21 much.</p> <p>22 Okay. No other questions or comments?</p> <p>23 We -- do I hear a motion we adjourn?</p> <p>24 COMMISSIONER MEYER: One last comment.</p> <p>25 Thank you, Commissioner Laird, for your service as</p>	
12:28:26-12:29:42	Page 127	12:30:41-12:31:05	Page 129
<p>1 voters rights summit sponsored by the League of Women</p> <p>2 Voters in coordination with the Arizona State</p> <p>3 University New College West.</p> <p>4 And first of all, I wanted to tell you all</p> <p>5 what a wonderful job the Staff has done in working with</p> <p>6 us. They have been invaluable in providing ideas, in</p> <p>7 participating in the -- agreeing to participate in the</p> <p>8 summit, and have really -- well, I don't know if we</p> <p>9 could have done it -- gotten this far without them.</p> <p>10 And then my final point, because I know</p> <p>11 it's late, is I wanted to personally invite all of you</p> <p>12 to attend the summit. So I'm going to hand out</p> <p>13 invitations to the summit. I think it obviously deals</p> <p>14 with the issues that the Clean Election is very focused</p> <p>15 on in terms of access to voting, voter education, which</p> <p>16 is one reason we will have Gina Roberts speaking.</p> <p>17 We're going to have two panels. So -- and she's been</p> <p>18 instrumental, like I say, in helping us get additional</p> <p>19 speakers. And I just wanted to make sure you were</p> <p>20 aware of it, and I hope that you can attend. And</p> <p>21 you're welcomed to bring significant others and</p> <p>22 relatives, friends and colleagues.</p> <p>23 Thank you very much.</p> <p>24 CHAIRMAN LAIRD: Thank you so much for that</p> <p>25 helpful comment.</p>		<p>1 chairman this past year. You've done a wonderful job</p> <p>2 leading the Commission, and you will be missed.</p> <p>3 CHAIRMAN LAIRD: Thank you. I appreciate</p> <p>4 that.</p> <p>5 MR. COLLINS: He'll be here in January</p> <p>6 whether he likes it or not.</p> <p>7 COMMISSIONER TITLA: He's going to chair</p> <p>8 one more time.</p> <p>9 CHAIRMAN LAIRD: No, I like the new chair.</p> <p>10 Okay. All right. With that, do I hear a</p> <p>11 motion to adjourn?</p> <p>12 COMMISSIONER TITLA: Motion.</p> <p>13 CHAIRMAN LAIRD: Second?</p> <p>14 COMMISSIONER MEYER: Second.</p> <p>15 CHAIRMAN LAIRD: Okay. All in favor say</p> <p>16 aye.</p> <p>17 (Chorus of ayes.)</p> <p>18 CHAIRMAN LAIRD: We are adjourned.</p> <p>19 (Whereupon, the proceedings concluded at</p> <p>20 12:31 p.m.)</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	

1 STATE OF ARIZONA       )  
2 COUNTY OF MARICOPA    )

3           BE IT KNOWN the foregoing proceedings were  
4 taken by me; that I was then and there a Certified  
5 Reporter of the State of Arizona, and by virtue thereof  
6 authorized to administer an oath; that the proceedings  
7 were taken down by me in shorthand and thereafter  
8 transcribed into typewriting under my direction; that  
9 the foregoing pages are a full, true, and accurate  
10 transcript of all proceedings and testimony had and  
11 adduced upon the taking of said proceedings, all done to  
12 the best of my skill and ability.

13           I FURTHER CERTIFY that I am in no way  
14 related to nor employed by any of the parties thereto  
15 nor am I in any way interested in the outcome hereof.

16           DATED at Phoenix, Arizona, this 17th day of  
17 December, 2016.

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20 LILIA MONARREZ, RPR, CR #50699  
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# **CITIZENS CLEAN ELECTIONS COMMISSION**

## **EXECUTIVE DIRECTOR REPORT**

**January 19 2017**

### **Announcements:**

- The public can view Commission meetings live via the internet at [www.livestream.com/cleanelections](http://www.livestream.com/cleanelections). A link is available on our website.
- Chairman Titla, Gina and Alec attended Indian Nations and Tribes Legislative Day at the Arizona Legislature last week.
- Congratulations to Paula Thomas for 25 years of State Service.

### **Voter Education:**

- Election day for the cities of Phoenix, Holbrook, and Goodyear — March 14, 2017
  - Last day to register to vote — February 13, 2017
  - Start of early voting — February 15, 2017
- **Candidate Information – 2016 Election Cycle:**
- Post General Election Reports are due January 15<sup>th</sup> (all committees).
- 10 participating candidates were successful in the General Election (approximately 11% of the new legislature). This includes 2 State Senators and 8 State Representatives.

### **Enforcement – 2016 Election Cycle:**

- Complaints Pending: 7
  - MUR16-001: Closed- No RTB.
  - MUR16-002: Save Our AZ Solar – Conciliated
  - MUR16-003: Stand for Children Arizona – Complaint Closed Pursuant to .A.C. R2-20-206(A)(3).
  - MUR 16-004: Corin Hammond - campaign expenditures – This agenda
  - MUR 16-005: Democratic Candidates/ Querard Complaint - campaign expenditures –This agenda
  - MUR 16-006: Michael Muscato- qualified to receive funds
  - MUR 16-007: Senate Victory PAC - Failure to file IE reports—This Agenda
  - MUR 16-008: House Victory PAC - Failure to file IE reports –This Agenda
  - MUR 16-009: Arizona’s Legacy- Failure to file IE reports – This Agenda

### **Enforcement – 2014 Election Cycle:**

- Complaints Pending: 3
  - MUR 14-006, -015 (consolidated/conciliated): Horne - pending completion of items in conciliation agreement.
  - MUR 14-007: Legacy Foundation Action Fund (LFAF)
  - MUR 14-027: Veterans for a Strong America (VSA)

### **Exemptions**

- 7- Exempt Organizations

### **Miscellaneous:**

The Arizona Capitol Times reported last month that the Secretary of State would not seek enforcement of several late or missing candidate trigger reports, even though they were effective for this election. These reports are required of traditional candidates who receive \$1,000 or more in the days leading up to the election. They were created in the legislation that increased contribution limits ten-fold. The reports were set for repeal with the effective date of SB 1516, a move former Secretary Ken Bennett told the Arizona Capitol Time was “a step in the wrong direction.” “I thought it was an important part of transparency if the limits were going to be raised,” he told the paper.

Secretary Reagan told the Arizona Capitol Times that “[w]e looked it up, and found there had been zero complaints about this, so why do we even have it in law? It’s just another catch, another gotcha, to allow one candidate to sue another candidate. The only people who were benefiting from this were attorneys.”

Exhibit 1 contains the Capitol Times Story. The Commission has authority to enforce candidate reports in Chapter 6. But at this point I have no plans to bring complaints on this basis.

The Legislative Report by Mike Becker is attached as Exhibit 2

## Candidates got away with ignoring big-dollar disclosure requirement

By: Hank Stephenson    December 9, 2016 , 4:00 am



Statewide and legislative candidates widely ignored a requirement to disclose big-dollar contributions during the final days of their campaign, and election officials are in no mood to go after them.

When lawmakers voted in 2013 to increase by up to five-fold the amount of money candidates can accept from a single campaign donor, they attempted to assuage critics by also requiring candidates to disclose any large, last-minute campaign contribution in real-time – or face steep fines.

But candidates, many of whom voted for the bill as lawmakers and benefited from the increased campaign contribution limits, have widely ignored that disclosure requirement, and nobody has pursued any enforcement action against them.

An analysis of all campaign finance reports filed by legislative and statewide candidates in 2016 shows at least \$115,000 in contributions of \$1,000 or more that were disclosed late, or not at all, violating the law and opening up candidates to possible collective civil fines of nearly \$350,000.

This year, at the request of the Secretary of State's Office, lawmakers voted to repeal the disclosure requirement altogether as part of an overhaul of Arizona's election laws. That repeal took effect only after this year's election, and for all of the 2016 election cycle, that disclosure requirement was still in place.

Secretary of State Michele Reagan said lawmakers and her office decided to remove the requirement this year because, in part, it was pretty small potatoes.



Secretary of State Michele Reagan  
 (AP Photo/Ryan Van Velzer)

"What we kept hearing from (lawmakers) about the \$1,000 notifications is they don't do anything for anyone in the real world. Most campaign fundraising has been completed by that time," she said, adding that it's a requirement for a candidate to get online and post information "that nobody needs."

She said while there were no complaints filed against candidates for filing those reports late, lawmakers and her office worried the requirement would turn into a political opportunity to file frivolous complaints against their opponents.

"We looked it up, and found there had been zero complaints about this, so why do we even have it in law? It's just another catch, another gotcha, to allow one candidate to sue another candidate. The only people who were benefiting from this were attorneys," she said.

But former Secretary of State Ken Bennett, who supported the 2013 bill, was surprised to learn that lawmakers repealed the disclosure requirement this year.

Bennett called removing the requirement “a step in the wrong direction.”

“I thought it was an important part of transparency if the limits were going to be raised,” he said.

Bennett said the greater contribution limits were supposed to go hand-in-hand with a greater responsibility for candidates to report their income, in order to keep the public apprised of who is making major contributions to political campaigns in the final days before an election so voters can make an informed decision on Election Day.

“Why was it OK and an integral part of what we were doing three years ago, which I supported, but now it doesn’t have to be continued?” Bennett asked.

#### A shot of steroids

Following the U.S. Supreme Court decision in the Citizens’ United case in 2010, lawmakers worried that they, as candidates, were in danger of being relegated to the sidelines of their own campaigns by the wave of outside money, often from anonymous sources through “dark money” groups.

HB2593, the 2013 campaign finance bill sponsored by Republican Rep. J.D. Mesnard, was designed to work like a shot of steroids for candidates’ campaign committees – pumping them up to better compete with increasingly powerful outside groups.



Rep. JD Mesnard, R-Chandler.

The bill, which Republican lawmakers approved and former Gov. Jan Brewer signed into law, increased the maximum contribution an individual can make to a statewide candidate to \$2,500 from \$1,000 or to \$2,500 from \$488 for legislative candidates, and removed the cap on how much aggregate money a candidate can receive from political action committees.

As a tradeoff for the increase, the bill contained a provision that gave candidates just three days to file a campaign finance report disclosing any contributions of \$1,000 or more that they receive less than 20 days before the primary or general election.

The consequences for those who don’t file those reports are steep. They face a possible civil penalty of up to three times the amount of the original contribution.

Mesnard and other Republicans argued that funneling more money through candidates themselves would actually increase the public’s ability to follow the money in politics because candidates, unlike dark money groups, are required to name their donors. And anyway, they said, Arizona’s campaign contribution limits were so low they were in danger of being declared unconstitutional, should someone bring a lawsuit.

Democrats argued that increasing campaign contribution limits would only exacerbate the problem of too much influence from money in politics, and would further undermine the state’s publicly-funded campaign finance system by not also increasing the amount of money made available to publicly funded candidates.

About the only part of the bill that wasn’t contentious was the new reporting requirement. Both sides agreed requiring candidates to alert their opponents and the public of any large, last minute contributions was a good idea.

Reagan voted for the bill back when she was a senator and chair of the Senate Elections Committee.

“I always think that anytime we can put more sunshine on some of the (campaign) activity that is happening, the public is better off,” she said at the time.

But as secretary of state, Reagan pushed a bill through the Legislature this year that eliminated the disclosure portion of the law, leaving only the increased contribution limits intact.

Reagan’s priority for the 2016 legislative session was passing a complete overhaul of Arizona’s election laws. And while that bill, SB1516, carried over many portions of the old campaign finance law, the \$1,000 contribution notification requirement didn’t make the cut.

She said that bill was designed to ensure people can get involved in the political process without facing frivolous lawsuits from those on the opposing side of a campaign, and removing the \$1,000 notification requirement furthered that goal.

“The whole goal of SB1516, the overriding goal, was to try to keep candidates, consultants, volunteers and activists out of courtrooms (and) not having to hire lawyers over silly things that we all knew weren’t going to go anywhere,” she said.

### Too heavy a burden

Republican Sen. Adam Driggs, who sponsored SB1516 on behalf of Reagan's office, said they decided to scrap the requirement because it was simply too heavy a burden for candidates.

"We have a citizen Legislature. We have volunteer people helping you on the financial end (of a campaign), and it was a cost benefit analysis. Does it really help someone in the public to know someone gave you \$1,000 before an election, as opposed to the burden of having to (file the report)? To me, it's more of a trap for candidates than it is a benefit for the public," he said.

He said the requirement was also difficult to follow – contributors sometimes send checks that are dated a month earlier, and when candidates do receive them, they're unsure of how to reflect that in the notification. And candidates don't always have time to enter those checks immediately, he said.

"You just do it when you can. And then you don't know, like, do I post it as the date of the fundraiser? But even at a fundraiser, most of the checks I get are written on different dates. So it's hard to know, and it's hard to remember: Did I get this at a fundraiser, or did someone drop this off to me?" Driggs said.

Driggs noted that it's not like the public won't eventually know about the contributions. After all, they're still required to be disclosed at the next regular campaign finance period. The only difference is they won't know about the contribution immediately, and won't find out until after the election.



(Graphic by Rachel Leingang, Arizona Capitol Times)

"In some races, in the last 20 days there's still money being raised, but if you look at the average, that's not really when the major fundraising is happening. You can't send out a mail piece three days before the election," he said.

Driggs said that if lawmakers want to bring back the disclosure requirement, they're free to do so. But when he removed it in SB1516, nobody complained.

Democratic Sen. Steve Farley of Tucson, who voted against both the 2013 campaign contribution increase and the 2016 election law re-write, said nobody in the Legislature complained about the removal of that requirement because they were focused on the host of other changes that Driggs' bill made, and that specific provision escaped broader scrutiny.

He compared the insertion of that requirement and its eventual repeal to legislative sleight of hand performed by Reagan and Republican lawmakers.

"That's an old trick," he said.

But Reagan pushed back against the idea that there was anything nefarious in repealing the law, and said she's the same transparency advocate she was in the Senate – she just has to pick her battles more carefully now.

"I haven't changed a bit," she said, adding that while she hasn't yet been able to accomplish everything she wanted to increase transparency in Arizona's electoral system, she has had some wins and has big plans for 2017.

### \$116,000 worth of late or missing reports

The Arizona Capitol Times combed through hundreds of campaign finance reports to calculate which lawmakers received \$1,000 contributions within the 20-day window preceding the primary and general elections, and found dozens of examples of candidates filing later than the three-day deadline, or not at all.

Of the 38 reports that were filed late, candidates missed their deadlines by an average of 10 days. In total, the Capitol Times spotted more than \$116,000 worth of late or missing reports, and the public still hasn't seen the final spending reports for the 2016 election.

A dozen of those late filings were from lawmakers who were around in 2013 and voted for the notification requirements and stiff penalties. All of them also voted to repeal the notification requirements this year.

But Mesnard, the incoming House speaker and sponsor of the 2013 bill requiring the additional reports, said those

campaign finance reports can be misleading.

According to the reports, Mesnard was 10 days late in filing a notification for a \$1,000 check he received just before the primary election. But Mesnard said that's not accurate.

"I was never late," he said.

Mesnard explained that even if a check was made out a month before it ever reached him, the three-day clock to file doesn't start ticking until he actually "obtains possession of the contribution."

"I base everything I enter into the system on the date of the check to be consistent. So I was not late, I filed it as soon as I received it. So, I even had a conversation with the secretary of state because it showed up as late, but I filed it according to the law – within 24 hours of when I knew that I got a check," he said.

"I saw that it popped up as late and I was upset. Because it looks bad, but I was following the law," he said.

Mesnard said the requirement as written in his bill was problematic, and almost impossible to fairly enforce.

There's no way for the Secretary of State's Office to know when a candidate actually received the contribution, he noted, and basing it off the date a check is written isn't fair to candidates who may not receive the check until much later.

Essentially, it was a noble idea that didn't work out in reality, he said.

"But if folks want to talk about a way to make it work, I'm open to having that conversation," he said.

## Late and missing \$1,000 reports

Name	Date due	Date received	Days late	Amount
Sylvia Allen*	11/3/2016	11/4/2016	1	1,000
Charlene Fernandez	8/22/2016	8/24/2016	2	2,000
David Stringer	8/21/2016	8/23/2016	2	4,947
Bob Worsley*	8/21/2016	8/23/2016	2	5,000
Sylvia Allen*	8/21/2016	8/24/2016	3	1,000
Ron Gould	8/22/2016	8/25/2016	3	10,000
Sean Bowie	8/21/2016	8/25/2016	4	2,000
David Cook	10/28/2016	11/1/2016	4	2,000
Matt Kopec	8/22/2016	8/26/2016	4	2,000
Vince Leach	8/22/2016	8/26/2016	4	1,000
Steve Montenegro*	8/21/2016	8/25/2016	4	1,000
Frank Schmuck	10/30/2016	11/3/2016	4	1,431
Frank Schmuck	8/14/2016	8/18/2016	4	10,589
Aaron Baumann	8/19/2016	8/24/2016	5	3,000
Reginald Bolding	10/31/2016	11/5/2016	5	4,000
Gail Griffin*	10/27/2016	11/1/2016	5	1,000
Kelly Townsend*	8/21/2016	8/26/2016	5	5,000
Warren Petersen*	10/24/2016	10/30/2016	6	1,000
Reginald Bolding	8/19/2016	8/26/2016	7	2,000
Kirsten Engel	8/15/2016	8/22/2016	7	1,000
Don Shooter*	8/18/2016	8/25/2016	7	1,000
Maria Syms	8/19/2016	8/26/2016	7	4,000
Courtney Frogge	8/23/2016	8/31/2016	8	2,000
Maritza Miranda Saenz	8/15/2016	8/23/2016	8	1,500

Candidate Name	12/15/2016	11/4/2016		1,000
Boyd Dunn	10/26/2016	11/4/2016	9	14,000
Jimmy Lindblom	8/14/2016	8/23/2016	9	11,500
Nikki Bagley	8/28/2016	9/7/2016	10	2,000
Stefanie Mach	10/25/2016	11/4/2016	10	1,000
J.D. Mesnard*	8/15/2016	8/25/2016	10	1,000
Catherine Miranda	10/24/2016	11/3/2016	10	1,000
Randall Phelps	10/24/2016	11/3/2016	10	3,425
Darin Mitchell*	8/15/2016	8/26/2016	11	1,000
Cesar Chavez	8/22/2016	9/5/2016	14	1,000
Doug Coleman*	9/1/2016	9/27/2016	26	1,000
T.J. Shope*	8/25/2016	9/22/2016	28	1,000
Michelle Ugenti-Rita	8/29/2016	9/28/2016	30	1,000
Jeff Weninger	8/28/2016	9/29/2016	32	1,000
Jamescita Peshlakai	8/26/2016	10/26/2016	61	5,000
Celeste Plumlee	8/26/2016	-	-	1,000
Steve Montenegro	8/26/2016	-	-	1,000

\* = voted for \$1,000 contribution notification requirement in 2013's HB2593

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Below are the election bills that may impact the Commission.

**HCR 2004 –Clean Elections Repeal; Education Funding**

Sponsor – Rep. Leach (bill has been assigned to House Appropriations)

- The bill would place on the November 2018 ballot the question of whether or not to repeal the Clean Elections Act and divert the Clean Elections Fund to the Department of Education to be distributed to school districts and charter schools
- Effect on CCEC – Would eliminate the Clean Elections Act.

**HCR 2002 –Repeal 1998 Prop. 105**

Sponsor – Rep. Ugenti-Rita

- This bill would place on the November 2018 ballot the question of whether or not to repeal Proposition 105. Proposition 105 was passed by the voters in 1998 and requires any changes to items passed by the people to further the purpose and be passed by  $\frac{3}{4}$  vote of the legislature.
- Effect on CCEC – If passed, would allow the Legislature to change and/or eliminate any issue passed by the people.

**HB 2026 – Secretary of State; Omnibus**

Sponsor – Rep. Coleman (bill has been assigned to House Government)

- This bill would make a multitude of changes to the functions County Elections Officers and County Recorders have and give the authority to the Secretary of State.
- Effect on CCEC – Minimal effect on the Commission. The one area that would affect the Commission is 41-1011 preparation and publication of the code and register. This section would give the Secretary of State's office the ability to remove a rule that the Governor's Regulatory Review Council says has expired.

### HCR 2007 – Proposition 105; Exempt Referenda

Sponsor – Rep. Ugenti -Rita (bill has not been assigned)

- This bill would place on the November 2018 ballot the question of whether or not to repeal a portion of Proposition 105 dealing with referendum passed by the voters. Currently, the legislature may not make changes to referendum unless it furthers the purpose and receives a  $\frac{3}{4}$  vote of the legislature.
- Effect on CCEC – If passed, it would open the door for the legislature to possibly make additional changes to Proposition 105.

### HB 2255 – Ballot Measures; Contributions; Nonresidents; Prohibitions

Sponsor – Rep. Thorpe (bill has not been assigned)

- This bill would make it illegal for a non-resident of Arizona to make a ballot measure expenditure. It also prohibits a committee organized to influence a ballot measure from accepting non-resident contributions or contributions from committees not registered in Arizona.
- Effect on CCEC – Minimal effect on the Commission. May create a constitutional question for the State.

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Rick Gray  
Participating Candidate for  
Corporation Commissioner  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Elect Rick Gray (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures
  - a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports, with one exception. One deposit tested for \$1,000.00 was comprised of personal monies and was deposited into the Campaign bank account at the end of the Campaign. Per discussion with the Campaign Treasurer, this was done intentionally to ensure the account did not have a negative balance due to transactions she was unaware of. Per the Citizens Clean Elections Act & Rule Manual rule R(2)-20-104(D)(4), a participating candidate shall only deposit early contributions, qualifying contributions and Clean Elections funds into the candidate's current campaign account.

In addition, one deposit tested was comprised of qualifying contributions transferred from the Candidate's personal bank account. Per discussion with the Campaign Treasurer, the contributions had been mistakenly deposited into the Candidate's personal account, and once the error was discovered, it was promptly corrected by transferring the funds to the Campaign bank account.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$442.34. However, we expected the ending balance to be \$1,000.00, which is the amount of the personal deposit made by the Candidate, as referenced in (2)(c)(ii). Therefore, we noted an unreconciled difference of \$557.66, which indicates that the Campaign overspent by this amount. Per the Citizens Clean Elections Act & Rule Manual rule 16-941(A)(3), a participating candidate: shall not make expenditures in the primary election period in excess of the adjusted primary election spending limit.

Though it appears the campaign overspent, the Candidate is allowed to contribute up to \$1,420 to the campaign, which would have eliminated the amount indicated as overspent. In addition, the Campaign returned \$7,787.44 to the Commission upon the completion of the Campaign.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

We reviewed supporting documentation for seven cash receipts totaling \$3,760.78, reported in the Campaign finance report and noted the following exceptions. One cash receipt totaling \$22.79 was reported as a receipt received from the Candidate, however after reviewing supporting documentation, it was noted that this transaction was an expenditure incurred by the Campaign, and should have been recorded in the Campaign finance report as a reimbursement to the Candidate. We traced the reimbursement payment to the Candidate on the Campaign bank statement without exception.

Two cash receipts totaling \$583.34, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however documentation maintained by the Campaign for this expenditure was inadequate, because no detailed invoice was maintained by the Campaign. Per the Citizens Clean Elections Act & Rule Manual rule R(2)-20-703, all participating candidates shall retain records with respect to each expenditure and receipt, including bank records, vouchers, worksheets, receipts, bills and accounts, journals, ledgers, fundraising solicitation material, accounting systems documentation, and any related materials documenting campaign receipts and disbursements, for a period of three years, and shall present these records to the Commission on request.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception. The Campaign finance report included a \$24,823.05 expenditure for mailings, however the invoice initially retained by the Campaign did not itemize or detail the services that were provided.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes with one exception. The Campaign finance report included a \$24,823.05 expenditure for mailings, and the invoice initially retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

Two of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Campaign Treasurer and the Campaign Treasurer maintained that the Campaign did not overspend Campaign funds, however the Treasurer was unable to identify the source of the variance identified.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Elect Rick Gray. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 16, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Bill Mundell  
Participating Candidate for  
Corporation Commissioner  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Bill Mundell for Corporation Commission (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$80,367.29, however the Amended Post-Primary campaign finance report reflected an ending balance of \$80,382.58. The Amended Post-Primary campaign finance report did not reflect the unspent amount of \$154.56 indicated in the Primary Recap Report, and therefore a variance of \$139.27 was determined to be additional unspent monies due to the Commission. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The Campaign had initially remitted \$1,788.00 in unspent monies to the Commission, in an untimely manner, which was in excess of the calculated total of unspent funds of \$293.83. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$139.27 variance described above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support, with two exceptions noted. The Campaign did not obtain the occupation and employer of two contributors tested. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(1), the treasurer of a candidate's campaign committee is the custodian of the candidate's books and records of accounts and transactions, shall keep a record of all of the following: (b), the identification of any individual or political committee that makes any contribution together with the date and amount of each contribution and the date of deposit into the candidate's campaign bank account. The Citizens Clean Elections Act & Rule Manual definition 16-901 (13)(a) defines "identification" as, for an individual, his name, mailing address, his occupation and the name of his employer.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$390.94, received from another campaign committee for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however the expenditures were incurred on 4/7/16, whereas the reimbursements were not made until 8/11/16. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-109(B)(4), a joint expenditure is made when two or more candidates agree to share the cost of goods or services. Candidates may make a joint expenditure on behalf of one or more other campaigns, but must be authorized in advance by the other candidates involved in the expenditure, and must be reimbursed within seven days. The two reimbursements tested were not made within seven days.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The Campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception noted. The Campaign finance report included a \$3,000.00 expenditure for consultants, however the invoice retained by the Campaign did not itemize or detail the services that were provided.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes with two exceptions. The Campaign finance report included a \$3,000.00 expenditure for consultants, and the invoice retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Bill Mundell for Corporation Commission. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 13, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Todd Clodfelter  
Participating Candidate for  
State Representative – District No. 10  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Clodfelter for Arizona 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's Campaign finance reports, with the following exceptions. One deposit tested comprised of personal monies mistakenly deposited into the Campaign bank account from the Candidate's business merchant account. Furthermore, merchant fees of \$124.74 were automatically deducted from the Campaign's bank account based on this deposit and therefore, the Candidate's business reimbursed the Campaign for the \$124.74 and the Campaign subsequently remitted this amount to the Commission as part of the unspent funds at the end of the election period.

Further, one withdrawal tested was a personal purchase of \$45.59, mistakenly charged with the Campaign debit card. This amount was immediately reimbursed by the Candidate once the error was discovered.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted, however during this testwork it was noted that the Campaign had a Primary Recap Report balance of \$229.01. Per discussion with the Candidate, it was determined that this amount had yet to be remitted to the Commission. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-109(E)(1)(b)(ii), if the campaign finance report shows any amount unspent monies, the participating candidate, within five days after filing the campaign finance report, shall remit all unspent contributions to the Fund, pursuant to A.R.S. 16-945(B), which refers to limits on early contributions.

It was further noted that the Campaign also remitted \$124.74 in unspent funds from the error noted in 2) c) (ii) above, and remitted \$83.01 in unspent funds from reimbursements for personal purchases made by the Candidate.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the Campaign account bank statements with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Clodfelter for Arizona 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 12, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Isela Blanc  
Participating Candidate for  
State Representative – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether IselaBlanc4AZ (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted, however during this testwork it was noted that the Campaign had an Amended its Primary Recap Report balance to \$220.90. Per review of the campaign finance report, the Campaign did promptly remit the original unspent balance of \$160.65, leaving a balance of \$60.25 due to the Commission. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-109(E)(1)(b)(ii), if the campaign finance report shows any amount unspent monies, the participating candidate, within five days after filing the campaign finance report, shall remit all unspent contributions to the Fund, pursuant to A.R.S. 16-945(B), which refers to limits on early contributions. The Campaign subsequently remitted the unspent monies to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for three early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

Two cash receipts totaling \$83.34, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We reviewed supporting documentation noting the receipts appear to comply with regulatory rules and laws. We also agreed the receipts to the Campaign account bank statement.

One cash receipt totaling \$39.06 was for a reimbursement to the Campaign for a personal purchase made by the Candidate. The amount was reported in the campaign finance report as an expenditure and cash receipt.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$1,500.00 expenditure for consulting services, with a detailed description of services, however initially no itemized invoice detailing the service provided was retained by the Campaign, and the invoice that was retained only indicated "consulting fee".

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$1,500.00 expenditure for consulting services, however initially no itemized invoice detailing the service provided was retained by the Campaign, and the invoice that was retain indicated "consulting fee". Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of IselaBlanc4AZ. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 16, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Deanna Rasmussen-Lacotta  
Participating Candidate for  
State Representative – District No. 21  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Deanna for District 21 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

### **Finding**

We noted no unusual disbursements during our review, except for a loan that was made to the Committee by the Candidate on April 24, 2016, that was not repaid until August 30, 2016. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Committee received their Clean Elections funding on July 20, 2016.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

### **Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

## 2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

### **Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support, except for one exception noted. The Campaign did not give or maintain a copy of a written receipt for one \$100.00 cash contribution, at the time the contribution was made. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(4), all contributions other than in-kind contributions and qualifying contributions must be made by a check drawn on the account of the actual contributor or by a money order or a cashier's check containing the name of the actual contributor or must be evidenced by a written receipt with a copy of the receipt given to the contributor and a copy maintained in the records of the candidate.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Deanna for District 21. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Chris Ackerley  
Participating Candidate for  
State Representative – District No. 2  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Ackerley 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's campaign finance report for four of the expenditures. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor that agreed the amount to the Candidate's campaign finance report for this expenditure, thereby clearing this exception.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report for four of the expenditures. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor that agreed the name and nature of the services provided to the information reported in the Candidate's campaign finance report for this expenditure, clearing this exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that four appeared to have been made for direct campaign purposes. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor indicating the services provided, and showing that the services appeared to have been made for direct campaign purposes, thereby clearing this exception.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Ackerley 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 6, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Ana Henderson  
Participating Candidate for  
State Representative – District No. 9  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Elect Henderson (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 16, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. During this testwork, the campaign discovered that a non-campaign related expense totaling \$122.59 had erroneously been recorded into the Campaign Finance Report. Per the Clean Elections Act & Rule Manual rule R2-20-702(A), a participating candidate shall use funds in the candidate's current campaign account to pay for goods and services for direct campaign purposes only. The Campaign immediately amended the Campaign Finance Report and remitted the \$122.59 in unspent Primary Election monies to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for four early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide formal responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Elect Henderson. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

January 4, 2017

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**John Fillmore  
Participating Candidate for  
State Representative – District No. 16  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Fillmore 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected three deposits (total population) and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports, with one exception. One deposit tested was comprised of personal monies mistakenly deposited into the Campaign bank account. The deposit was subsequently reimbursed to the Candidate. Per the Citizens Clean Elections Act & Rules Manual rule 16-948, candidates shall not make any deposits into the campaign account other than those permitted under section 16-945, relating to limits on early contributions and section 16-946, relating to qualifying contributions. Per inquiry of the Candidate, once the error was discovered on the next month's bank statement, it was promptly corrected by reimbursing the Candidate.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$57.53. However, the ending cash balance per the interim campaign finance report was \$0, which represented an unreconciled difference of \$57.53. Per inquiry of the Candidate, he acknowledged the difference and indicated that that amount will be remitted to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's Campaign finance report, with one exception. The Campaign finance report indicated a \$2,300.00 expenditure on July 1, 2016 for information technology services, however after review of the corresponding supporting documentation we determined this amount consisted of two expenditures; one for \$2,200.00 on June 23, 2016 and one for \$100.00 on July 14, 2016. Both expenditures were with the same vendor; however, the \$100.00 expenditure was a cash payment made by the Candidate.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception. The Campaign finance report indicated a \$2,300.00 expenditure on July 1, 2016 for information technology services, however after review of the corresponding supporting documentation we determined that this amount consisted of two expenditures; one for \$2,200.00 on June 23, 2016 and one for \$100.00 on July 14, 2016. Both expenditures were with the same vendor; however, the \$100.00 expenditure was a cash payment made by the Candidate.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however one item reported as an expenditure was the repayment of a loan that was made to the Campaign by the Candidate on October 23, 2015, and was not repaid until August 29, 2016. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Campaign received its Clean Elections funding on June 10, 2016.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did establish a petty cash fund during the periods reviewed. The Candidate maintained a subsidiary ledger for the petty cash fund and the expenditures were recorded in the Campaign finance reports in the same manner as non-cash expenditures. The aggregate petty cash funds did not exceed the \$1,420 limit.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

We reviewed three petty cash expenditures (total population) and determined that all appeared to have been made for direct campaign purposes, however one was in excess of the \$160 limit, in addition we noted the following exceptions. One petty cash expenditure for campaign signs from a prior election of \$100.00, did not appear to be reported in the Campaign finance report and no receipt was maintained by the Campaign. One petty cash expenditure for printing services totaling \$215.69, exceeded the \$160 limit on petty cash expenditures. Furthermore, one petty cash expenditure for \$100.00, was made when the petty cash fund had a \$0 balance, and therefore the Candidate funded the expenditure. This expenditure should have been reflected as a reimbursement to the Candidate in the Campaign finance report.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Fillmore 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Juan Mendez  
Participating Candidate for  
State Senator – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Mendez for Senate (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures
  - a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports. However, it was noted that one deposit tested was deposited into the campaign's savings account in error. This savings account was required to be opened by the bank in order to have a checking account at the institution. Per the Citizens Clean Elections Act & Rule Manual rule 16-948(A), a participating candidate shall conduct all financial activity through a single campaign account of the candidate's campaign committee. Per review of the bank statement and inquiry of the candidate, it was noted that the funds were transferred to the checking account on the same day.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Mendez for Senate. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 1, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Kathleen Rahn  
Participating Candidate for  
State Representative – District No. 25  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Rahn for AZ House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for three early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Rahn for AZ House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Michael Muscato  
Participating Candidate for  
State Senator – District No. 22  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Muscato for AZ Senate 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for one early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributor for the contribution was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however, the campaign rented office space out of a crossfit gym owned by the Candidate. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-702(C)(3)(d), A participating candidate shall not use funds in the candidate's campaign account for: Mortgage, loan, rent or utility payments: For real or personal property that is owned or leased by the candidate or a member of the candidate's family and used for campaign purposes, to the extent the payments exceed the fair market value of the property usage. Per discussion with the Campaign Treasurer, the space rented consisted of three private offices and a conference room (392 sqft), as well as shared space including restrooms, a kitchen, hallway and entrance (609 sqft) for \$2,000.00 per month. The Campaign did not sign a lease at the start of the rental term and other tenants do not have similar rental agreements. Office rentals in the same zip code per an internet search appear to rent for \$13-\$25/sqft/yr.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Muscato for AZ Senate 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Fister & Chapman P.C.". The signature is written in a cursive, flowing style.

December 12, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Pamela Powers Hannley  
Participating Candidate for  
State Representative – District No. 9  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Pamela Powers Hannley for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period. During this testwork, we noted that a duplicate expenditure of \$268.21 had erroneously been recorded into the Campaign Finance Report. The campaign subsequently amended the report and remitted the \$268.21 in unspent monies to the Commission.

In addition, after performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$23,045.96, however the amended Post-Primary campaign finance report reflected an ending balance of \$23,030.05, a difference of \$15.91. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The campaign had initially remitted \$1,040.02 and then the \$268.21 in unspent monies to the Commission, totaling \$1,308.23. However, after filing amended Campaign Finance Reports, the amended Primary Recap Report ending cash balance totaled \$1,238.78, for an excess of \$71.45. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$15.91 noted above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Pamela Powers Hannley for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 14, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Jesus Rubalcava  
Participating Candidate for  
State Representative – District No. 4  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Rubalcava for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted six disbursements to family members of the candidate, however the Campaign finance report did not indicate that the expenditures were made to family members. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-701(C)(4), all payments made to family members or to enterprises owned in whole or part by the candidate or a family member shall be clearly itemized and indicated as such in all campaign finance reports.

In addition, there were three loans outstanding on the Post-Primary finance report that were made to the Campaign by the Candidate in December 2015, totaling \$69.93, that do not appear to have been repaid to the Candidate. In addition, supporting documentation for these loans was not maintained by the Campaign. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Campaign received its Clean Elections funding on June 15, 2016.

It was further noted that the Campaign finance report had significantly fewer transactions than what was shown on the Campaign bank statements. Per discussion with the Candidate, the financial institution linked his personal bank account with the Campaign bank account, and therefore when he used his personal debit card, the Campaign bank account was debited. We noted approximately forty-one personal transactions consisting of out of state restaurant purchases, travel and other non-Campaign related items on the Campaign bank statement, totaling \$3,461.74; three ATM withdrawals, totaling \$243.50; five overdraft fees, totaling \$175.00; and three transfers from the Campaign bank account to the Candidate's personal bank account, totaling \$223.42. The Candidate indicated that he reimbursed the Campaign for these personal transactions, however deposits for these specific amounts was not provided. We noted eleven possible reimbursements to the Campaign on the bank statements, totaling \$2,270.19.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

### **Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

## 2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

### **Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

### **Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that none appeared to be properly recorded in the Candidate's campaign finance reports.

The five withdrawals tested were personal purchases, made by the Candidate, totaling \$1,454.72. Per discussion with the Candidate, the financial institution linked his personal bank account with the Campaign bank account, and therefore when he used his personal debit card, the Campaign bank account was debited. He indicated that he reimbursed the Campaign for the personal purchases, however deposits for these specific amounts was not provided. He further indicated that the errors continued after he notified the financial institution.

The five deposits tested, per discussion with the Candidate, were reimbursements to the Campaign for personal purchases made in error by the financial institution, totaling \$1,717.99.

It was further noted that the Campaign finance report included the Primary Election Commission funding totaling \$16,044.00 on 6/15/16. The Campaign bank account did not include a corresponding deposit for this amount, however it did include a transfer from the Candidate's personal bank account for \$13,280.22, which represents a variance of \$2,763.78 of Commission monies that does not appear to have been deposited into the Campaign bank account. Per the Citizens Clean Elections Act & Rules Manual rule 16-948(A), a participating candidate shall conduct all financial activity through a single campaign account of the candidate's campaign committee.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$20,181.06, however the Amended Post-Primary campaign finance report reflected an ending balance of \$23,202.06, reflecting a variance of \$3,021.00, and indicating that the Campaign overspent by this amount. Per the Citizens Clean Elections Act & Rules Manual rule 16-941 (A)(3), a participating candidate: shall not make expenditures in the primary election period in excess of the adjusted primary election spending limit.

In addition, during this testwork it was noted that ten of the expenditure items in the Post-Primary campaign finance report, totaling \$2,214.50, had not cleared the bank as of September 30, 2016. Per discussion with the Candidate, he paid these vendors with cash, however no petty cash fund had been set up for the Campaign, and these expenditures were not reported as reimbursements to the Candidate on the Campaign finance report.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for one early contribution (total population) reported in the Candidate's campaign finance report, and determined the name of the contributor for the contribution was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with no exceptions noted, however three of the expenditures tested were made were to family members of the Candidate and the Campaign finance report did not indicate that they were family members. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-701(C)(4), all payments made to family members or to enterprises owned in whole or part by the candidate or a family member shall be clearly itemized and indicated as such in all campaign finance reports.

Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements with one exception. The Campaign finance report included a \$264.50 expenditure for newspaper advertising, however this amount was not present on the Campaign bank statement. Per discussion with the Candidate, he paid this vendor in cash, however no petty cash fund had been set up for the Campaign and this expenditure was not reported as a reimbursement to the Candidate on the Campaign finance report.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with no exceptions noted.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed, however per review of the Campaign bank statement, several ATM withdrawals were made and per discussion with the Candidate, multiple vendors were paid with cash.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Rubalcava for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Aster & Chapman P.C." The signature is written in a cursive, flowing style.

December 13, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Athena Salman  
Participating Candidate for  
State Representative – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Salman for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$21.60, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We reviewed supporting documentation noting the receipts appear to comply with regulatory rules and laws. We also agreed the receipts to the campaign account bank statement.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Salman for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 7, 2016

**Doug Ducey**  
Governor

**Thomas M. Collins**  
Executive Director



**Steve M. Titla**  
Chair

**Mitchell C. Laird**  
**Damien R. Meyer**  
**Mark S. Kimble**  
**Galen D. Paton**  
Commissioners

**State of Arizona**  
**Citizens Clean Elections Commission**

1616 W. Adams - Suite 110 - Phoenix, Arizona 85007 - Tel (602) 364-3477 - Fax (602) 364-3487 - [www.azcanelections.gov](http://www.azcanelections.gov)

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***MEMORANDUM***

**From:** Sara A. Larsen, Fin. Affairs & Compliance Officer and Amy Jicha, Legal Intern

**Date:** January 17, 2017

**Subject:** Primary Audit Findings Summary

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On September 15, 2016, the following candidates were selected for random audits for the primary elections period. The auditors reviewed candidates' bank statements, receipts and records, and campaign finance reports for the reporting period. The results yield the following:

**A. Rick Gray—Primary Audit**

1. One deposit into the campaign fund was comprised of \$1,000.00 of personal monies counteract the potential for a negative balance. Per R2-20-104(D)(4), only early and qualifying contributions and Clean Elections funding may be deposited.
  - i. After testing proof of cash procedures, \$577.66 was noted as unreconciled because the campaign presumably overspent the limit (§16-941(A)(3)). The candidate may contribute up to \$1,420.00 which would eliminate the violation. The campaign returned \$7,787.44 upon campaign completion.
2. One test demonstrated that qualifying contributions were transferred from the candidate's personal bank account into the campaign account in error. The candidate explained that he mistakenly deposited the contributions but transferred them once discovered.
3. One cash receipt totaling \$22.79 was incorrectly reported as a receipt received by the candidate, yet it was discovered as an expenditure incurred by the campaign. Therefore, the campaign should have recorded the expenditure as a reimbursement in an amended campaign finance report.
4. Two transfers from other committees, that equated to \$583.34 from two cash receipts, lacked sufficient documentation (i.e. detailed invoices) pursuant to R2-20-703.
5. An invoice for an expenditure totaling \$24,823.05 toward mailers was not itemized or detailed in the services provided. Upon request, the campaign provided additional documentation.

**B. Bill Mundell—Primary Audit**

1. After testing proof of cash procedures, the campaign had a variance of \$139.27, but the campaign remitted more funds than required upon completion of the campaign; therefore, the variance was compensated with the remittance.
2. The campaign did not document the occupation and employer information for two tested contributors pursuant to R2-20-111(B)(1) and 16-901(13)(a).
3. Two cash receipts equaling \$390.94 were joint expenditures incurred on 4/7/16. However, the reimbursements were not recorded until 8/11/16 and therefore in violation of the seven day reimbursement period pursuant to R2-20-109(B)(4).
4. It was noted that five tested expenditures for the Democratic Party lacked sufficient documentation. Upon request, supplemental material was provided.
5. An expenditure documented on the campaign finance report for \$3,000.00 failed to detail and itemize the consulting services provided pursuant to R2-20-703(A)(1).

**C. Todd Clodfelter—Primary Audit**

1. One withdrawal of merchant fees for \$124.74 was mistaken for the candidate's business account, but the money was reimbursed and remitted to the Commission.
2. One test revealed a personal purchase for \$45.59, but the candidate immediately reimbursed the amount upon discovery of the error.
3. The review of the Primary recap report revealed that the campaign had a balance of \$229.01 and had yet to remit the all unspent monies. Candidates must remit remaining funds within five days of filing the report, pursuant to A.R.S.16-945(B) and R2-20-109(E)(1)(b)(ii).
4. The campaign also remitted \$124.74 in unspent funds from an error and \$83.01 in unspent funds from reimbursement for personal purchases.
5. The candidate mistakenly utilized \$45.59 for a personal purchase at Quik Trip; nevertheless, the candidate had already reimbursed the amount and amended the campaign finance report upon discovery.

**D. Isela Blanc—Primary Audit**

1. The testwork revealed an unspent balance of \$60.25 that had not been returned to the Commission pursuant to R2-20-109(e)(1)(b)(ii). The Campaign subsequently remitted the monies.
2. An expenditure for \$1,500.00 on a campaign finance report provided a detailed description of consulting services, however the matching invoice lacked a sufficient description of the service. The campaign provided additional and sufficient documentation upon request.

**E. Deanna Rasmussen-Lacotta—Primary Audit**

1. The campaign had a loan dated on 4/24/16 but did not repay the amount until 8/30/16. Loans must be paid within seven days of receipt of Clean Election funding pursuant to R2-20-104(E); the campaign received funding on 7/20/16.
2. The campaign did not maintain or distribute a written receipt for a \$100.00 contribution pursuant to R2-20-111(B)(4).
3. Three tested expenditures revealed that documentation detailing and itemizing the consulting services from the Democratic Party was insufficient. The campaign provided adequate documentation upon request.

**F. Chris Ackerley—Primary Audit**

1. One expenditure lacked a supporting invoice but the campaign obtained an affidavit from the vendor that agreed the amount.

**G. Ana Henderson—Primary Audit**

1. The campaign discovered that a non-campaign related expenditure for \$122.59 was mistakenly recorded on the campaign finance report and submitted an amended report.

**H. John Fillmore—Primary Audit**

1. One tested deposit consisted of personal monies and was mistakenly deposited into the campaign fund. The candidate discovered the error on the following month's bank statement and made the proper reimbursement.
2. The Post-Primary ending cash balance was calculated at \$57.53, however the interim report showed \$0. The unreconciled variance was acknowledged by the candidate and will be remitted to the Commission.
3. The test of an expenditure for \$2,300.00 on a campaign finance report revealed that the expenditure comprised two separate disbursements, one of which was paid as \$100.00 in cash.
4. One expenditure on a campaign finance report represented the repayment of a loan on 10/23/15. Clean Elections funding was received on 6/10/16 but the loan was repaid 8/29/16; the repayment was not completed in a timely manner pursuant to R2-20-104(E).
5. One petty cash expenditure for \$100.00 paid for campaign signs from a previous election, but the expenditure was not documented on the campaign finance report nor was a receipt maintained.
6. One petty cash expenditure for \$215.69 exceeded the \$160.00 limit pursuant to §16-948(C).
7. One petty cash expenditure for \$100.00 was made when the petty cash fund had a balance of \$0. The expenditure should have been a reimbursement because the candidate funded the expenditure.

**I. Juan Mendez—Primary Audit**

1. One tested deposit revealed that funds were deposited into the campaign's savings account in order to open a checking account. It was noted that the funds were transferred to the checking account on the same day in order to maintain a single campaign account pursuant to §16-948(A).

**J. Kathleen Rahn—Primary Audit**

1. One expenditure lacked sufficient documentation but was later cleared with supplemental information obtained from the vendor.

**K. Michael Muscato—Primary Audit**

1. The campaign rented office space out of a crossfit gym owned by the candidate. Per R2-20-702(C)(3)(d), participating candidates shall not use funds in the campaign account for rent or utility payments, that is owned by the candidate for campaign purposes, to the extent that the payments exceed the fair market value of property usage.

**L. Pamela Powers Hannley—Primary Audit**

1. After testing proof of cash procedures, the campaign had a variance of \$15.91, but the campaign remitted more funds than required upon completion of the campaign; therefore, the variance was compensated with the remittance.

**M. Jesus Rubalcava—Primary Audit**

1. The campaign failed to note that at least six disbursements were made to family members pursuant to R2-20-701(C)(4).
2. It was noted that:
  - i. Forty-one personal transactions (i.e. travel, out-of-state restaurant purchases, etc.) were present on the campaign bank statement, equaling \$3,461.74.
  - ii. Three ATM withdrawals were found and equated to \$243.50.
  - iii. Five overdraft fees were found and equaled \$175.00.
  - iv. Three transfers from the campaign account to the candidate's personal bank account were discovered and totaled 223.42.
  - v. \*\*\*The candidate specified that he reimbursed the campaign for these personal transactions, yet deposits for the amounts were not provided. The candidate explained that the bank linked his personal account to the campaign's account. Nevertheless, eleven possible reimbursements were made and totaled \$2,270.19.
3. Five withdrawals were tested and all were for personal purchases totaling \$1,454.72.
  - i. Candidate indicated that this was a bank error. Additionally, the candidate explained that he reimbursed the account. Deposits matching the specific amounts were not provided.
4. Five tested deposits were reimbursements to the campaign for personal expenditures.
5. Auditors noted that the CCEC funding for \$16,044.00 was reported on the candidate's campaign finance report but **not** deposited into his campaign's bank account. The funding was deposited into the candidate's personal bank account and then \$13,280.22 was transferred to his campaign account; thus, a variance of \$2,763.78 was not seen as deposited into the campaign account.
6. After testing proof of cash procedures, the campaign had a variance of \$3,021.00 and potentially overspent by the amount aforementioned.
7. One expenditure for newspaper advertising, totaling \$264.50, was not present on the campaign bank statement.
  - i. The candidate explained that the vendor was paid in cash. However, no petty cash fund had been set up and the expenditure was not noted as a reimbursement.
8. The campaign's bank statements revealed several ATM withdrawals, but no petty cash account was established.

**N. Athena Salman – Primary Audit**

There were no significant findings regarding violations of the Clean Elections Act or Rules.

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Rick Gray  
Participating Candidate for  
Corporation Commissioner  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Elect Rick Gray (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures
  - a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports, with one exception. One deposit tested for \$1,000.00 was comprised of personal monies and was deposited into the Campaign bank account at the end of the Campaign. Per discussion with the Campaign Treasurer, this was done intentionally to ensure the account did not have a negative balance due to transactions she was unaware of. Per the Citizens Clean Elections Act & Rule Manual rule R(2)-20-104(D)(4), a participating candidate shall only deposit early contributions, qualifying contributions and Clean Elections funds into the candidate's current campaign account.

In addition, one deposit tested was comprised of qualifying contributions transferred from the Candidate's personal bank account. Per discussion with the Campaign Treasurer, the contributions had been mistakenly deposited into the Candidate's personal account, and once the error was discovered, it was promptly corrected by transferring the funds to the Campaign bank account.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$442.34. However, we expected the ending balance to be \$1,000.00, which is the amount of the personal deposit made by the Candidate, as referenced in (2)(c)(ii). Therefore, we noted an unreconciled difference of \$557.66, which indicates that the Campaign overspent by this amount. Per the Citizens Clean Elections Act & Rule Manual rule 16-941(A)(3), a participating candidate: shall not make expenditures in the primary election period in excess of the adjusted primary election spending limit.

Though it appears the campaign overspent, the Candidate is allowed to contribute up to \$1,420 to the campaign, which would have eliminated the amount indicated as overspent. In addition, the Campaign returned \$7,787.44 to the Commission upon the completion of the Campaign.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

We reviewed supporting documentation for seven cash receipts totaling \$3,760.78, reported in the Campaign finance report and noted the following exceptions. One cash receipt totaling \$22.79 was reported as a receipt received from the Candidate, however after reviewing supporting documentation, it was noted that this transaction was an expenditure incurred by the Campaign, and should have been recorded in the Campaign finance report as a reimbursement to the Candidate. We traced the reimbursement payment to the Candidate on the Campaign bank statement without exception.

Two cash receipts totaling \$583.34, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however documentation maintained by the Campaign for this expenditure was inadequate, because no detailed invoice was maintained by the Campaign. Per the Citizens Clean Elections Act & Rule Manual rule R(2)-20-703, all participating candidates shall retain records with respect to each expenditure and receipt, including bank records, vouchers, worksheets, receipts, bills and accounts, journals, ledgers, fundraising solicitation material, accounting systems documentation, and any related materials documenting campaign receipts and disbursements, for a period of three years, and shall present these records to the Commission on request.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception. The Campaign finance report included a \$24,823.05 expenditure for mailings, however the invoice initially retained by the Campaign did not itemize or detail the services that were provided.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes with one exception. The Campaign finance report included a \$24,823.05 expenditure for mailings, and the invoice initially retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

Two of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Campaign Treasurer and the Campaign Treasurer maintained that the Campaign did not overspend Campaign funds, however the Treasurer was unable to identify the source of the variance identified.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Elect Rick Gray. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 16, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Bill Mundell  
Participating Candidate for  
Corporation Commissioner  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Bill Mundell for Corporation Commission (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$80,367.29, however the Amended Post-Primary campaign finance report reflected an ending balance of \$80,382.58. The Amended Post-Primary campaign finance report did not reflect the unspent amount of \$154.56 indicated in the Primary Recap Report, and therefore a variance of \$139.27 was determined to be additional unspent monies due to the Commission. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The Campaign had initially remitted \$1,788.00 in unspent monies to the Commission, in an untimely manner, which was in excess of the calculated total of unspent funds of \$293.83. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$139.27 variance described above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support, with two exceptions noted. The Campaign did not obtain the occupation and employer of two contributors tested. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(1), the treasurer of a candidate's campaign committee is the custodian of the candidate's books and records of accounts and transactions, shall keep a record of all of the following: (b), the identification of any individual or political committee that makes any contribution together with the date and amount of each contribution and the date of deposit into the candidate's campaign bank account. The Citizens Clean Elections Act & Rule Manual definition 16-901 (13)(a) defines "identification" as, for an individual, his name, mailing address, his occupation and the name of his employer.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$390.94, received from another campaign committee for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however the expenditures were incurred on 4/7/16, whereas the reimbursements were not made until 8/11/16. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-109(B)(4), a joint expenditure is made when two or more candidates agree to share the cost of goods or services. Candidates may make a joint expenditure on behalf of one or more other campaigns, but must be authorized in advance by the other candidates involved in the expenditure, and must be reimbursed within seven days. The two reimbursements tested were not made within seven days.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The Campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception noted. The Campaign finance report included a \$3,000.00 expenditure for consultants, however the invoice retained by the Campaign did not itemize or detail the services that were provided.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes with two exceptions. The Campaign finance report included a \$3,000.00 expenditure for consultants, and the invoice retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Bill Mundell for Corporation Commission. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 13, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Todd Clodfelter  
Participating Candidate for  
State Representative – District No. 10  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Clodfelter for Arizona 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's Campaign finance reports, with the following exceptions. One deposit tested comprised of personal monies mistakenly deposited into the Campaign bank account from the Candidate's business merchant account. Furthermore, merchant fees of \$124.74 were automatically deducted from the Campaign's bank account based on this deposit and therefore, the Candidate's business reimbursed the Campaign for the \$124.74 and the Campaign subsequently remitted this amount to the Commission as part of the unspent funds at the end of the election period.

Further, one withdrawal tested was a personal purchase of \$45.59, mistakenly charged with the Campaign debit card. This amount was immediately reimbursed by the Candidate once the error was discovered.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted, however during this testwork it was noted that the Campaign had a Primary Recap Report balance of \$229.01. Per discussion with the Candidate, it was determined that this amount had yet to be remitted to the Commission. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-109(E)(1)(b)(ii), if the campaign finance report shows any amount unspent monies, the participating candidate, within five days after filing the campaign finance report, shall remit all unspent contributions to the Fund, pursuant to A.R.S. 16-945(B), which refers to limits on early contributions.

It was further noted that the Campaign also remitted \$124.74 in unspent funds from the error noted in 2) c) (ii) above, and remitted \$83.01 in unspent funds from reimbursements for personal purchases made by the Candidate.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the Campaign account bank statements with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes with one exception noted. The Campaign finance report included a \$45.59 expenditure to Quick Trip, however we determined this expenditure was a personal purchase made by the Candidate. This amount had already been reimbursed to the Campaign bank account immediately upon discovery of the error, and furthermore the Candidate subsequently amended the Campaign finance report.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Clodfelter for Arizona 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 12, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Isela Blanc  
Participating Candidate for  
State Representative – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether IselaBlanc4AZ (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted, however during this testwork it was noted that the Campaign had an Amended its Primary Recap Report balance to \$220.90. Per review of the campaign finance report, the Campaign did promptly remit the original unspent balance of \$160.65, leaving a balance of \$60.25 due to the Commission. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-109(E)(1)(b)(ii), if the campaign finance report shows any amount unspent monies, the participating candidate, within five days after filing the campaign finance report, shall remit all unspent contributions to the Fund, pursuant to A.R.S. 16-945(B), which refers to limits on early contributions. The Campaign subsequently remitted the unspent monies to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for three early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

Two cash receipts totaling \$83.34, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We reviewed supporting documentation noting the receipts appear to comply with regulatory rules and laws. We also agreed the receipts to the Campaign account bank statement.

One cash receipt totaling \$39.06 was for a reimbursement to the Campaign for a personal purchase made by the Candidate. The amount was reported in the campaign finance report as an expenditure and cash receipt.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$1,500.00 expenditure for consulting services, with a detailed description of services, however initially no itemized invoice detailing the service provided was retained by the Campaign, and the invoice that was retained only indicated "consulting fee".

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception noted. The Campaign finance report included a \$1,500.00 expenditure for consulting services, however initially no itemized invoice detailing the service provided was retained by the Campaign, and the invoice that was retain indicated "consulting fee". Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

After reviewing the draft report, the Campaign provided additional supporting documentation detailing the consulting fee services described above.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of IselaBlanc4AZ. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 16, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Deanna Rasmussen-Lacotta  
Participating Candidate for  
State Representative – District No. 21  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Deanna for District 21 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

### **Finding**

We noted no unusual disbursements during our review, except for a loan that was made to the Committee by the Candidate on April 24, 2016, that was not repaid until August 30, 2016. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Committee received their Clean Elections funding on July 20, 2016.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

### **Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

## 2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

### **Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support, except for one exception noted. The Campaign did not give or maintain a copy of a written receipt for one \$100.00 cash contribution, at the time the contribution was made. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(4), all contributions other than in-kind contributions and qualifying contributions must be made by a check drawn on the account of the actual contributor or by a money order or a cashier's check containing the name of the actual contributor or must be evidenced by a written receipt with a copy of the receipt given to the contributor and a copy maintained in the records of the candidate.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Deanna for District 21. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Chris Ackerley  
Participating Candidate for  
State Representative – District No. 2  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Ackerley 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's campaign finance report for four of the expenditures. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor that agreed the amount to the Candidate's campaign finance report for this expenditure, thereby clearing this exception.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report for four of the expenditures. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor that agreed the name and nature of the services provided to the information reported in the Candidate's campaign finance report for this expenditure, clearing this exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that four appeared to have been made for direct campaign purposes. One expenditure lacked a supporting invoice, however the Candidate subsequently provided an affidavit from the vendor indicating the services provided, and showing that the services appeared to have been made for direct campaign purposes, thereby clearing this exception.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Ackerley 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 6, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Ana Henderson  
Participating Candidate for  
State Representative – District No. 9  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Elect Henderson (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 16, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. During this testwork, the campaign discovered that a non-campaign related expense totaling \$122.59 had erroneously been recorded into the Campaign Finance Report. Per the Clean Elections Act & Rule Manual rule R2-20-702(A), a participating candidate shall use funds in the candidate's current campaign account to pay for goods and services for direct campaign purposes only. The Campaign immediately amended the Campaign Finance Report and remitted the \$122.59 in unspent Primary Election monies to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for four early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide formal responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Elect Henderson. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

January 4, 2017

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**John Fillmore  
Participating Candidate for  
State Representative – District No. 16  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Fillmore 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected three deposits (total population) and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports, with one exception. One deposit tested was comprised of personal monies mistakenly deposited into the Campaign bank account. The deposit was subsequently reimbursed to the Candidate. Per the Citizens Clean Elections Act & Rules Manual rule 16-948, candidates shall not make any deposits into the campaign account other than those permitted under section 16-945, relating to limits on early contributions and section 16-946, relating to qualifying contributions. Per inquiry of the Candidate, once the error was discovered on the next month's bank statement, it was promptly corrected by reimbursing the Candidate.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period. After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$57.53. However, the ending cash balance per the interim campaign finance report was \$0, which represented an unreconciled difference of \$57.53. Per inquiry of the Candidate, he acknowledged the difference and indicated that that amount will be remitted to the Commission.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's Campaign finance report, with one exception. The Campaign finance report indicated a \$2,300.00 expenditure on July 1, 2016 for information technology services, however after review of the corresponding supporting documentation we determined this amount consisted of two expenditures; one for \$2,200.00 on June 23, 2016 and one for \$100.00 on July 14, 2016. Both expenditures were with the same vendor; however, the \$100.00 expenditure was a cash payment made by the Candidate.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with one exception. The Campaign finance report indicated a \$2,300.00 expenditure on July 1, 2016 for information technology services, however after review of the corresponding supporting documentation we determined that this amount consisted of two expenditures; one for \$2,200.00 on June 23, 2016 and one for \$100.00 on July 14, 2016. Both expenditures were with the same vendor; however, the \$100.00 expenditure was a cash payment made by the Candidate.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however one item reported as an expenditure was the repayment of a loan that was made to the Campaign by the Candidate on October 23, 2015, and was not repaid until August 29, 2016. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Campaign received its Clean Elections funding on June 10, 2016.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did establish a petty cash fund during the periods reviewed. The Candidate maintained a subsidiary ledger for the petty cash fund and the expenditures were recorded in the Campaign finance reports in the same manner as non-cash expenditures. The aggregate petty cash funds did not exceed the \$1,420 limit.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

We reviewed three petty cash expenditures (total population) and determined that all appeared to have been made for direct campaign purposes, however one was in excess of the \$160 limit, in addition we noted the following exceptions. One petty cash expenditure for campaign signs from a prior election of \$100.00, did not appear to be reported in the Campaign finance report and no receipt was maintained by the Campaign. One petty cash expenditure for printing services totaling \$215.69, exceeded the \$160 limit on petty cash expenditures. Furthermore, one petty cash expenditure for \$100.00, was made when the petty cash fund had a \$0 balance, and therefore the Candidate funded the expenditure. This expenditure should have been reflected as a reimbursement to the Candidate in the Campaign finance report.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Fillmore 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Juan Mendez  
Participating Candidate for  
State Senator – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Mendez for Senate (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures
  - a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports. However, it was noted that one deposit tested was deposited into the campaign's savings account in error. This savings account was required to be opened by the bank in order to have a checking account at the institution. Per the Citizens Clean Elections Act & Rule Manual rule 16-948(A), a participating candidate shall conduct all financial activity through a single campaign account of the candidate's campaign committee. Per review of the bank statement and inquiry of the candidate, it was noted that the funds were transferred to the checking account on the same day.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Mendez for Senate. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 1, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Kathleen Rahn  
Participating Candidate for  
State Representative – District No. 25  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Rahn for AZ House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for three early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however, initial documentation maintained by the campaign and provided for one expenditure was inadequate. The campaign subsequently provided additional documentation obtained from the vendor that cleared the exception.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Rahn for AZ House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Michael Muscato  
Participating Candidate for  
State Senator – District No. 22  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Muscato for AZ Senate 2016 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

We reviewed the supporting documentation for one early contributions (total population) reported in the Candidate's campaign finance report, and determined the name of the contributor for the contribution was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes, however, the campaign rented office space out of a crossfit gym owned by the Candidate. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-702(C)(3)(d), A participating candidate shall not use funds in the candidate's campaign account for: Mortgage, loan, rent or utility payments: For real or personal property that is owned or leased by the candidate or a member of the candidate's family and used for campaign purposes, to the extent the payments exceed the fair market value of the property usage. Per discussion with the Campaign Treasurer, the space rented consisted of three private offices and a conference room (392 sqft), as well as shared space including restrooms, a kitchen, hallway and entrance (609 sqft) for \$2,000.00 per month. The Campaign did not sign a lease at the start of the rental term and other tenants do not have similar rental agreements. Office rentals in the same zip code per an internet search appear to rent for \$13-\$25/sqft/yr.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Muscato for AZ Senate 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 12, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Pamela Powers Hannley  
Participating Candidate for  
State Representative – District No. 9  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Pamela Powers Hannley for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period. During this testwork, we noted that a duplicate expenditure of \$268.21 had erroneously been recorded into the Campaign Finance Report. The campaign subsequently amended the report and remitted the \$268.21 in unspent monies to the Commission.

In addition, after performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$23,045.96, however the amended Post-Primary campaign finance report reflected an ending balance of \$23,030.05, a difference of \$15.91. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The campaign had initially remitted \$1,040.02 and then the \$268.21 in unspent monies to the Commission, totaling \$1,308.23. However, after filing amended Campaign Finance Reports, the amended Primary Recap Report ending cash balance totaled \$1,238.78, for an excess of \$71.45. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$15.91 noted above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Pamela Powers Hannley for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 14, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Jesus Rubalcava  
Participating Candidate for  
State Representative – District No. 4  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Rubalcava for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted six disbursements to family members of the candidate, however the Campaign finance report did not indicate that the expenditures were made to family members. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-701(C)(4), all payments made to family members or to enterprises owned in whole or part by the candidate or a family member shall be clearly itemized and indicated as such in all campaign finance reports.

In addition, there were three loans outstanding on the Post-Primary finance report that were made to the Campaign by the Candidate in December 2015, totaling \$69.93, that do not appear to have been repaid to the Candidate. In addition, supporting documentation for these loans was not maintained by the Campaign. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Campaign received its Clean Elections funding on June 15, 2016.

It was further noted that the Campaign finance report had significantly fewer transactions than what was shown on the Campaign bank statements. Per discussion with the Candidate, the financial institution linked his personal bank account with the Campaign bank account, and therefore when he used his personal debit card, the Campaign bank account was debited. We noted approximately forty-one personal transactions consisting of out of state restaurant purchases, travel and other non-Campaign related items on the Campaign bank statement, totaling \$3,461.74; three ATM withdrawals, totaling \$243.50; five overdraft fees, totaling \$175.00; and three transfers from the Campaign bank account to the Candidate's personal bank account, totaling \$223.42. The Candidate indicated that he reimbursed the Campaign for these personal transactions, however deposits for these specific amounts was not provided. We noted eleven possible reimbursements to the Campaign on the bank statements, totaling \$2,270.19.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

### **Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

## 2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

### **Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

### **Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that none appeared to be properly recorded in the Candidate's campaign finance reports.

The five withdrawals tested were personal purchases, made by the Candidate, totaling \$1,454.72. Per discussion with the Candidate, the financial institution linked his personal bank account with the Campaign bank account, and therefore when he used his personal debit card, the Campaign bank account was debited. He indicated that he reimbursed the Campaign for the personal purchases, however deposits for these specific amounts was not provided. He further indicated that the errors continued after he notified the financial institution.

The five deposits tested, per discussion with the Candidate, were reimbursements to the Campaign for personal purchases made in error by the financial institution, totaling \$1,717.99.

It was further noted that the Campaign finance report included the Primary Election Commission funding totaling \$16,044.00 on 6/15/16. The Campaign bank account did not include a corresponding deposit for this amount, however it did include a transfer from the Candidate's personal bank account for \$13,280.22, which represents a variance of \$2,763.78 of Commission monies that does not appear to have been deposited into the Campaign bank account. Per the Citizens Clean Elections Act & Rules Manual rule 16-948(A), a participating candidate shall conduct all financial activity through a single campaign account of the candidate's campaign committee.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$20,181.06, however the Amended Post-Primary campaign finance report reflected an ending balance of \$23,202.06, reflecting a variance of \$3,021.00, and indicating that the Campaign overspent by this amount. Per the Citizens Clean Elections Act & Rules Manual rule 16-941 (A)(3), a participating candidate: shall not make expenditures in the primary election period in excess of the adjusted primary election spending limit.

In addition, during this testwork it was noted that ten of the expenditure items in the Post-Primary campaign finance report, totaling \$2,214.50, had not cleared the bank as of September 30, 2016. Per discussion with the Candidate, he paid these vendors with cash, however no petty cash fund had been set up for the Campaign, and these expenditures were not reported as reimbursements to the Candidate on the Campaign finance report.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for one early contribution (total population) reported in the Candidate's campaign finance report, and determined the name of the contributor for the contribution was included on the support. For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

### **Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed five expenditures and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with no exceptions noted, however three of the expenditures tested were made were to family members of the Candidate and the Campaign finance report did not indicate that they were family members. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-701(C)(4), all payments made to family members or to enterprises owned in whole or part by the candidate or a family member shall be clearly itemized and indicated as such in all campaign finance reports.

Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and agreed amounts to the campaign account bank statements with one exception. The Campaign finance report included a \$264.50 expenditure for newspaper advertising, however this amount was not present on the Campaign bank statement. Per discussion with the Candidate, he paid this vendor in cash, however no petty cash fund had been set up for the Campaign and this expenditure was not reported as a reimbursement to the Candidate on the Campaign finance report.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's Campaign finance report with no exceptions noted.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed, however per review of the Campaign bank statement, several ATM withdrawals were made and per discussion with the Candidate, multiple vendors were paid with cash.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Rubalcava for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Aster & Chapman P.C." The signature is written in a cursive, flowing style.

December 13, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Athena Salman  
Participating Candidate for  
State Representative – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Salman for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$21.60, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We reviewed supporting documentation noting the receipts appear to comply with regulatory rules and laws. We also agreed the receipts to the campaign account bank statement.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Salman for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 7, 2016

### **Executive Director's Note MUR-16-004, 005**

Clean Elections enforcement matters are almost always contentious in one way or another. For example, in 2014, two respondents, Tom Horne, and the Legacy Foundation Action Fund, filed lawsuits to prevent the Commission from even reviewing or investigating the substance of a complaint. Both efforts were unsuccessful.

2016 raised a different and, during my tenure, new approach—the politicization of enforcement even before the matter came before the Commission. Specifically, the Arizona Free Enterprise Club put out a press release about these Complaints declaring that Clean Elections funds are “being used to fund political parties” and alleging “[i]t is not clear whether any strings were attached to the contributions to the party, but it is probably safe to assume that the contributions were a ‘thank you’ for assistance provided in qualifying for the funding.” See <https://www.azfree.org/clean-elections-system-being-used-to-fund-state-democratic-party/> Free Enterprise then called, as it has before, for the Clean Elections Act to be repealed. *Id.* The Free Enterprise Club is a long time opponent of the existence of Clean Elections. Its Political Action Committee was the lead plaintiff in the lawsuit that ended matching funds, and its current President Scot Mussi has been the driving force behind repeal efforts as well as other campaign finance deregulation measures during my entire tenure as Executive Director. See, e.g., Evan Wyloge, Arizona Center For Investigative Reporting, “Dark money group leads last-minute effort to speed up campaign finance changes”, available at [http://www.eacourier.com/copper\\_era/news/dark-money-group-leads-last-minute-effort-to-speed-up/article\\_4594b654-2220-11e6-bb0c-4f28fd918230.html](http://www.eacourier.com/copper_era/news/dark-money-group-leads-last-minute-effort-to-speed-up/article_4594b654-2220-11e6-bb0c-4f28fd918230.html). The Commission received no request from Free Enterprise for the responses filed by candidates.

Underlining the politicization of these proceedings, Complainant Constantin Querard’s November 14 Supplement repeats the fact-free allegations of the Free Enterprise Club’s November 3 release.

**Free Enterprise:** “Don’t be surprised to see this abusive practice explode in the future. If both political parties know that they can grow their bottom line

using the Clean Elections system, they will work to run publicly funded candidates in every race—especially in noncompetitive state House and Senate races where they can siphon off the Clean Election funds to be used elsewhere.” November 3, 2016.

**Querard:** “At the end of the day it is quite possible the Clean Elections Commission will determine that campaigns may simply pay to the parties any amount for “consulting” and that there is no oversight required. So the 2018 cycle may see scores of Clean Elections candidates transfer the majority of their Clean Elections money to the parties.” November 11, 2016.

In order to explore these allegations, the Commission Staff undertook pre-reason-to-believe measures more extensive than I have ever seen in my 6-plus years as the Commission’s attorney and executive director. These included demanding justification of specific campaign expenditures, including by sworn statement and adding additional audits of transactions subject to the Complaint to those candidates selected for random primary audits.<sup>1</sup> Despite this aggressive approach, the staff did not uncover evidence to support the Complaint under the Act and Rules of the Commission. Therefore I recommend that there is no reason to believe a violation occurred based on the Complaints in these matters.

Notably, Free Enterprise failed to acknowledge the Commission specifically demanded evidence of direct campaign expenditures from some 8 Democratic Candidates and subjected transactions with the party to audits where possible.

To see how quickly such theorizing and politicization can become problematic consider the following: Participating Candidate Al Melvin, a Republican who lost in the GOP Corporation Commission primary spent some \$64,688.82, or half of his Clean Money, on one consultant, Grassroots Partners LLC, Mr. Querard’s company. This included a \$46,750.00 cash payment for a radio online advertising buy, and a payment on 8/3/2016 of \$1,722.20 in cash for “consulting and autodialer.” It’s not clear from the report if the consulting fee was for a single day’s services or not. Likewise, it is not clear if the cost of

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<sup>1</sup> General election audits are still outstanding.

advertising included a percentage commission to Grassroots, as is typical in the advertising industry, or not. Yet such information provides evidence that an expenditure was in fact made with Clean Funds and value for that expenditure was obtained.

The question of how deeply to micromanage the campaign expenditures of Clean Elections Candidates will always be one that the Commission must consider. Likewise, the Commission's rules are always subject to revision, as the amendments this body recently approved indicate.

However, staff's duty is to examine the facts in view of the law, including the Commission's rules. And, before an investigation can ensue, a certain threshold "reason to believe a violation may have occurred" must be met in the view of three commissioners. Politicizing the process is contrary to the purpose and intent of the Clean Elections Act. And staff is duty bound to ignore such posturing and focus on conclusions supported by evidence in view of the Commission's rules.

**STATE OF ARIZONA**  
**CITIZENS CLEAN ELECTIONS COMMISSION**  
**MUR: No. 16-004 CORIN HAMMOND**  
**STATEMENT OF REASONS BY EXECUTIVE DIRECTOR**

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On behalf of the Citizens Clean Elections Commission (“Commission”), the Executive Director hereby provides the Statement of Reasons showing there is no reason to believe that violations of the Citizens Clean elections Act and/or the Commission rules (collectively, the “Act”) may have occurred.

**I. Procedural Background**

On September 13, 2016, Constantin Querard (“Complainant”) filed a complaint (“Complaint”) against Corin Hammond (“Respondent”), a participating candidate for the House of Representative in Legislative District (**Exhibit A**). On October 4, 2016, Respondent submitted a Response (**Exhibit B**). Complainant submitted supplemental information on October 7, 2016 (**Exhibit C**). On October 11, 2016, Respondent, through her attorneys, filed a supplemental Response (**Exhibit D**). Additionally, on November 15, 2016, Complainant submitted supplemental information to the Commission regarding a similar complaint in MUR16-005 against eight Democratic participating candidates (**Exhibit E**).

**II. Alleged Violations and Analysis**

**A. Alleged Violations & Response**

**1. Complainant made the following allegations:**

- a. Respondent’s pre-primary report had numerous payments to one person for office supplies and the like but did not break down the subvendor as required by rule.
- b. That a Facebook post by Respondent indicated that a person who was hired for a Democratic Party Fellows program would be able to work for Respondent and other candidates, including federal candidates. Respondent reported spending

\$6,000 on a Democratic Party Campaign “buy in” on August 24, 2016.

Complainant believes an equal amount should have been paid by the federal candidates, according to the Complaint, based on the Facebook post.

- c. Complainant Querard concedes however that “[t]here is nothing wrong with the Arizona Democratic party acting as the vendor in this case and running the coordinated program , so long as each candidate” pays proportionately.

Complainant asserts that under the advertisement on Facebook, which promised \$1,000 a month, 15-18 fellows would be needed to justify what he perceives to be the total expense. This assertion, of course, is premised on the assumption that such fellows did in fact work on three specific campaigns mentioned in the Facebook advertisement. In a supplemental filing, Complainant asserts that Respondent’s response was inadequate and that further spending required documentation.<sup>1</sup>

## **2. The Response states the following:**

- a. With respect to itemization, five days prior to the Complainant filing the Complaint, Commission staff had already notified Respondent of the necessary amendments to the reported expenditures (**Exhibit F**). As Respondent states in her Response, the corrections were made and the amended campaign finance report was filed on September 15, 2016.

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<sup>1</sup> Over Respondent’s objection, the Executive Director accepted the supplemental filing. Respondent is correct that the Commission’s rules do not provide for such supplements, or, rolling complaints. On the other hand the Commission takes public comments on all agenda items. In the Executive Director’s view accepting the supplement was the appropriate course. Although no response was ordered or required, Respondent did provide a supplemental Response (Exhibit D). Complainant filed yet another supplemental argument on MUR 16-004 in his response to MUR 16-005. No response to that surreply was ordered. *See* MUR 16-005 for a further discussion of the problem of rolling complaints and the potential for unfairness to Respondents.

- b. Respondent states that the “coordinated campaign” expenditure was not a joint expenditure with the two federal candidates identified in the Facebook post relied upon by Complainant. Respondent states the Facebook posts advertising a paid fellowship for LD11 that are contained in the Complaint are not evidence that the candidates are sharing expenditures. They are a part of a coordinated campaign plan “that never came to fruition because no fellows were ever hired.” The \$6,000 Respondent paid to the Arizona Democratic Party for the coordinated campaign was for several “turnout-inducing services” such as phone calls, door knocks, and volunteer recruitment during the primary election period. Respondent attests the expenditure was made during the primary election and properly reported on her campaign finance reports.

## **B. Analysis**

### **1. Failure to itemize**

Participating candidates must identify the full name and street address of the person and the nature of the goods and services and compensation for which payment was made. A.R.S. § 16-948(C). In addition, A.A.C. R2-20-110(C)(3) requires candidates to identify subcontractors or vendors when reporting expenditures on the campaign finance reports.

Complainant alleges Respondent failed to identify subvendor information on expenditures made to Evelyn Lathan. However, five days prior to the Complainant filing the Complaint, Commission staff had already notified Respondent of the necessary amendments to the reported expenditures (**Exhibit F**). As Respondent states in her Response, the corrections were made and the amended campaign finance report was filed on September 15, 2016.

For the reasons set forth above, there is no reason to believe a violation of A.R.S. § 16-948(C) and A.A.C. R2-20-110(C)(3) occurred.

## **2. Failure to pay for proportionate share of joint expenditures**

Commission Rule R2-20-110(A)(4) defines a joint expenditure as an expenditure that is made “when two or more candidates agree to share the cost of goods or services.” Accordingly, the Rule requires candidates to report expenditures made in conjunction with other candidates and for each candidate to pay his or her proportionate share of the expenditure. However the rule still requires an agreement between two or more candidates.

Complainant alleges the “coordinated campaign” or “buy-in” campaign that the Arizona Democratic Party offered to Respondent should be a “joint expenditure” because of the Respondent’s social media postings regarding a paid fellow program. Complainant believes Respondent made a joint expenditure with federal candidates Ann Kirkpatrick and Tom O’Halloran to hire a paid fellow. He believes if it was a “coordinated campaign” all should have paid the same amounts and he was unable to confirm the federal candidates also paid \$6,000 for a paid fellow/coordinated campaign.<sup>2</sup>

Respondent denies any agreement among candidates occurred and thus denies that a joint expenditure occurred. Absent this element, there is not a joint expenditure. Respondent made the expenditure during the primary election period, reported the expenditure on her campaign finance reports, and provided information in her Response regarding the nature of the services provided through the coordinated campaign. Therefore, there is no reason to believe a violation of R2-20-110(A)(4) occurred.

## **III. Investigation After Reason to Believe Finding**

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<sup>2</sup> For the reasons stated in MUR 16-005, there is no reason to believe the expenses were not direct campaign expenses authorized by A.A.C. R2-20-702 and were not for primary election purposes.

If the Commission determines by an affirmative vote of at least three (3) of its members that it has reason to believe a respondent has violated a statute or rule over which the Commission has jurisdiction, the Commission shall notify such respondent of the Commission's finding setting forth: (i) the sections of the statute or rule alleged to have been violated; (ii) the alleged factual basis supporting the finding; and (iii) an order requiring compliance within fourteen (14) days. During that period, the Respondent may provide any explanation to the Commission, comply with the order, or enter into a public administrative settlement with the Commission. A.R.S. § 16-957(A) & A.A.C. R2-20-208(A).

After the Commission finds reason to believe that a violation of a statute or rule over which the Commission has jurisdiction has occurred, the Commission shall conduct an investigation. A.A.C. R2-20-209(A). The Commission may authorize the Executive Director to subpoena all of the Respondent's records documenting disbursements, debts, or obligations to the present, and may authorize an audit.

After fourteen (14) days and upon completion of the investigation, the Executive Director will recommend whether the Commission should find probable cause to believe that a violation of a statute or rule over which the Commission has jurisdiction has occurred. A.A.C. R2-20-214(A). Upon a finding of probable cause that the alleged violator remains out of compliance, by an affirmative vote of at least three (3) of its members, the Commission may issue of an order and assess civil penalties pursuant to A.R.S. § 16-957(B). A.A.C. R2-20-217. The Commission may order the repayment of funds expended in violation of A.A.C. R2-20-702. A.A.C. R2-20-704(B).

Dated this 17<sup>th</sup> day of January, 2017.

By: s/Thomas M. Collins

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Thomas M. Collins, Executive Director

# EXHIBIT A

Arizona Clean Elections Commission

September 12<sup>th</sup>, 2016

To Whom It May Concern,

I am requesting that you please investigate Hammond For AZ House (201600161) for campaign finance violations.

1. Her Pre-Primary Election Report has numerous payments to Evelyn A Lathram for everything from office supplies to printed materials to postage to event tickets. None of these expenditures report the actual vender as required by Clean Elections' rules.
2. Ms. Hammond's campaign reports sharing expenses with the federal campaigns of Ann Kirkpatrick for U.S. Senate and Tom O'Halleran for U.S. House and, in fact, was advertising to hire "Paid Fellows" to participate in this team effort going back to August 1<sup>st</sup>. She was still attempting to hire labor at least as late as August 12<sup>th</sup>.



**Corin Hammond For AZ LD11 State House** shared their post.  
August 12 at 10:51am · 🌐

TGIF! Are you or a friend looking for an opportunity to meet the movers and shakers of the Arizona Democratic Party during this historic 2016 election season? Do you want to help to ensure FREEDOM and OPPORTUNITY for hardworking Arizona families operating on limited or fixed budgets? Do you want to make some extra cash? Please apply to our paid fellowship program and help Corin Hammond For AZ LD11 State House, Tom O'Halleran for House, and Ann Kirkpatrick for Senate flip AZ Legislative District 11 to BLUE!



**Corin Hammond For AZ LD11 State House** · August 1 · 🌐 [Like Page](#)

**WE NEED YOU!**  
Hiring paid fellows ASAP based out of Oro Valley, AZ  
30 hours/week with schedule flexibility  
\$1000/month plus medical insurance benefits  
NO AGE LIMIT!

**ASAP: Now Hiring Paid Fellows!**

**Position:** Paid Fellow **Organization:** The Arizona Democratic Party (ADP)  
**Location:** Based out of Oro Valley, AZ  
**Overall Description:**  
Paid Fellows will be an integral part of the 2016 Coordinated Campaign. Paid Fellows will be responsible for implementing the 2016 Arizona Coordinated Campaign Field Program in their region to maximize Democratic turnout and improve Democratic performance.  
**Salary:**  
\$1000 per month. Position will include medical insurance benefits.  
**Application instructions:**  
To apply, email your resume, and three personal or professional references to Ryan Mulcahy at [rmulcahy@azdem.org](mailto:rmulcahy@azdem.org). Please indicate Paid Fellow in the subject.

3. There is nothing wrong with the Arizona Democratic Party acting as the venter in this case and running the coordinated program, so long as each candidate pays their third and so long as the entire expense is consumed by August 30<sup>th</sup>. It does not appear as though either condition was met. I have been unable to find \$6,000 expenses on or around August 24<sup>th</sup> on the finance reports of Kirkpatrick or O'Halleran. And at just over \$1,000 per month per Fellow, there would have needed to be 15-18 Fellows working the entire month of August, which did not happen. Moreover, because they were still hiring at least as late as August 12<sup>th</sup>, the number of Fellows needed to be hired for the ½ month that remained would be double that amount.

CCEC would be well served to request and inspect payroll records for the Paid Fellow Program to ensure a) that the three candidates splitting equally the benefits also paid equally for them, b) that the entire \$18,000 was spent/consumed by August 30<sup>th</sup> as it is illegal to use primary dollars to pay for general election activities, and c) that the work done was actually done exclusively in LD11.

Thank you for your time and please keep me posted on the progress of any investigation. Should the campaign not be in compliance, I trust you will take the appropriate steps.

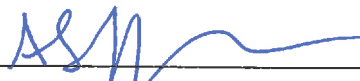
Thank you,



Constantin Querard  
330 E Thomas Rd  
Phoenix, AZ 85012

State of Arizona       )  
                                      )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 13<sup>th</sup> day of September, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC



SEP 13 PM 2:19 CCEC

# EXHIBIT B

# COPPERSMITH BROCKELMAN

LAWYERS

**Roopali H. Desai**  
rdesai@cblawyers.com  
PH. (602) 381-5478  
FAX (602) 772-3778

2800 North Central Avenue, Suite 1200  
Phoenix, AZ 85004  
CBLAWYERS.COM

October 3, 2016

## VIA U.S. MAIL & E-MAIL

Sara A. Larsen  
Financial Affairs & Compliance Officer  
Arizona Citizens Clean Elections Commission  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
sara.larsen@azcleelections.gov

**Re: CCEC MUR No. 16-004 – Response of Corin Hammond to Campaign  
Finance Complaint**

Dear Ms. Larsen:

As you know, this firm represents Corin Hammond for purposes of responding to the campaign finance complaint filed with the Citizen Clean Elections Commission (the "Commission") on September 12, 2016 by Constantin Querard (the "Complaint"). As detailed below, the Complaint is based on (1) technical reporting errors that have since been remedied at the Commission's prior request, and (2) pure speculation regarding the nature of Ms. Hammond's participation in an authorized and legal coordinated campaign. In short, neither basis justifies the Complaint's sweeping request that the Commission embark on an unfounded fishing expedition. The Complaint should be dismissed.

### **General Factual Background**

Ms. Hammond is a candidate for the Arizona House of Representatives in Legislative District 11, and is a "participating candidate" receiving funds from the Commission. During the primary election period – and to maximize her reach to the voters in LD11 – she "bought in" to the Arizona Democratic Party's Coordinated Campaign (the "Coordinated Campaign"), an expenditure reported on Ms. Hammond's Amended 2016 Primary Recap Report, filed on September 15, 2016. The expenditure for Ms. Hammond's Coordinated Campaign "buy-in" is properly reported as "Professional Services – Consultants," with a memo line that reads "Coordinated Campaign Paid Fellow LD11."

The Coordinated Campaign is permissible under Arizona's campaign finance laws, and utilizes a statewide plan to help persuade and turn out voters who are supporters of Democrats. It works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices. A candidate who "buys in" to the Coordinated Campaign is thus entitled to benefit from a host of services that are offered, and the amount of their "buy-in" is not separated or budgeted as between those various services that may (or may not) be utilized by a particular candidate, depending on their unique circumstances. Most

importantly here, there are two separate “buy-ins” for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.

One goal of the Coordinated Campaign during the primary election period was to hire one or more paid fellows to canvass in various legislative districts, including LD11. But despite advertising for the position, the Coordinated Campaign ultimately did not hire a paid fellow to fill it. Instead, it relied on its existing infrastructure to offer services to participating candidates throughout the primary election period.

Beyond Ms. Hammond’s reported “buy-in” to the Coordinated Campaign, her campaign – like all others – has expended funds in the normal course of its activities, and many of those expenditures have taken the form of reimbursements to campaign volunteers. In a September 8, 2016 e-mail from Amy Jicha to Ms. Hammond, the Commission noted, among other things, that several reimbursement expenditures were missing “itemized (subvendor) information as required by A.A.C. R2-20-109(B),” and required that an amended campaign finance report be filed to correct the noted items by September 15, 2016. [See Exhibit 1 (9/8/2016 E-mail from A. Jicha to C. Hammond)] Ms. Hammond and her campaign corrected these clerical errors, and timely filed the amended campaign finance report as required by the Commission.

### **The Complaint**

Four days after Ms. Jicha’s e-mail, the Complaint was filed. The Complaint contains three numbered paragraphs, but raises two substantive issues:

1. That reimbursements paid to Evelyn A. Latham fail to “report the actual vender [sic] as required by Clean Elections’ rules”; and
2. That Ms. Hammond’s “buy-in” to the Coordinated Campaign should be investigated further because the complainant has questions about how the “paid fellows” were paid and who benefitted from their work, and further speculates that primary election period funds are “illegal[l]y” being used for the general election period.

We address each of these specific allegations in turn below.

### **Ms. Hammond’s Response to the Complaint**

First, the Complaint’s allegations regarding reimbursements to Evelyn Latham were already the subject of a Commission review/audit process, and the report entries that did not identify the vendor as required by the Commission’s rules have since been corrected with the filing of Ms. Hammond’s Amended 2016 Primary Recap Report on September 15, 2016. These were, at most, clerical errors attributable to the treasurer’s relative inexperience with the Secretary of State’s campaign finance reporting system, and at no time was the fact or amount of the expenditures at issue omitted. Because the Commission specifically permitted Ms. Hammond to file an amended campaign finance report to correct those clerical errors, it should summarily dismiss this component of the Complaint. The penalty provisions of the Commission’s regulations were simply not intended to apply to innocent mistakes of this nature.

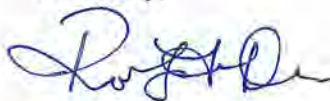
Second, the Complaint's vague and speculative allegations regarding Ms. Hammond's participation in the Coordinated Campaign represent a fundamental misunderstanding of the facts, and in any event, are not a basis on which any sort of further investigation can be justified. The Facebook posts contained in the Complaint are evidence of nothing more than the fact that Ms. Hammond re-posted a job listing for the "paid fellowships" that had been a part of the Coordinated Campaign's plan for LD11, a plan that never came to fruition because no fellows were ever hired. And though the campaigns of Representative Kirkpatrick and Mr. O'Halleran were mentioned in one of those Facebook posts, that is **not** evidence – as the Complaint baselessly claims – that Ms. Hammond was "sharing expenses" with those federal campaigns. On the contrary, increased voter turnout in LD11 among Democrats would benefit Ms. Hammond and those federal candidates alike, and there is no campaign finance violation arising out of the mere mention of their names in this context.

While the Complaint states that the Commission "would be well served to request and inspect payroll records for the Paid Fellow Program," as detailed above, there are no records to inspect because no paid fellows for LD11 were ever hired. Instead, Ms. Hammond's "buy-in" to the Coordinated Campaign gave her access to a host of other turnout-inducing services, including phone calls, door knocks, and volunteer recruitment **during the primary election period**, and her campaign has already expended an additional \$6,000 for its "buy-in" to the Coordinated Campaign for the general election period. [See Exhibit 2 (Copy of 9/20/2016 Check)] At bottom, Ms. Hammond lawfully utilized funds from the Citizens Clean Elections Fund, fully complied with A.R.S. § 16-953, and the Complaint's suggestion otherwise is unfounded.<sup>1</sup>

### Conclusion

Because Ms. Hammond has resolved the reimbursement reporting issues with the Commission's blessing and the Complaint's campaign finance allegations regarding Ms. Hammond's participation in the Coordinated Campaign have no basis in fact or law, the Complaint should be dismissed. Please feel free to contact me with questions regarding this response.

Sincerely,



Roopali H. Desai

RHD:slm

cc: Constantin Querard  
330 E. Thomas Road  
Phoenix, AZ 85012

---

<sup>1</sup> If anything, Ms. Hammond's reporting of her primary election period "buy-in" to the Coordinated Campaign was too specific in the memo line ("Coordinated Campaign **Paid Fellow LD11**"). This constitutes nothing more than a technical or clerical error that does not lend any credence to the Complaint's allegations.


Sara Larsen  
October 3, 2016  
Page 4

**VERIFICATION**

State of Arizona       )  
                                  )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 3rd day of October, 2016.



  
\_\_\_\_\_  
Notary Public

# **Exhibit 1**

----- Forwarded message -----

From: "Amy Jicha" <[Amy.Jicha@azcleaselections.gov](mailto:Amy.Jicha@azcleaselections.gov)>

Date: Sep 8, 2016 8:37 AM

Subject: \*\*\*Campaign Finance Reports-Amendments Needed\*\*\*

To: "corinhammond@gmail.com" <[corinhammond@gmail.com](mailto:corinhammond@gmail.com)>

Cc: "Sara Larsen" <[Sara.Larsen@azcleaselections.gov](mailto:Sara.Larsen@azcleaselections.gov)>

...

Ms. Hammond,

I have completed the review of your Pre-Primary Election and Qualifying Period Recap Campaign Finance Reports. The reviews yielded the following:

Pre-Primary Election Report:

- The following reimbursement expenditures are missing itemized (subvendor) information as required by A.A.C. R2-20-109(B):
  - Every line item featuring Evelyn A. Lathram (14 total)
  - Corin Hammond on 6/23/2016
- The following item needs clarification:
  - GODADDY.COM on 7/01/2016
    - The memo line features David Hammond. If this individual was reimbursed, we need documentation that he is a family member as required by A.A.C. R2-20-702(C)(4) and itemized subvendor information as mentioned previously. Additionally, should David have been reimbursed, his name should be documented rather than "GODADDY.COM."

Qualifying Period Recap Report:

- The following reimbursement expenditure is missing itemized (subvendor) information as required by A.A.C. R2-20-109(B):
  - Michael Carroll

Please provide the missing information and file an amended campaign finance report by September 15, 2016. Please let me know once you have filed the amended report and contact me or Sara Larsen ([sara.larsen@azcleanelections.gov](mailto:sara.larsen@azcleanelections.gov)) if you have any questions. Thank you.

Best,

--

**Amy Jicha**

**Voter Education and Legal Intern**

Citizens Clean Elections Commission

1616 W. Adams St., Suite 110

Phoenix, Arizona 85007

p. [602.364.3539](tel:602.364.3539)

f. [602-364-3487](tel:602-364-3487)



To ensure compliance with the Open Meeting Law, recipients of this message should not forward it to other board members of the public body. Members of the public body may reply to this message, but they should not send a copy of the reply to other members.

# **Exhibit 2**

**HAMMOND FOR AZ HOUSE**  
POB 68554  
TUCSON, AZ 85737-0001

1049

9/20/16

DATE

PAY TO THE ORDER OF ARIZONA DEMOCRATIC PARTY \$ 6000 <sup>00</sup>/<sub>100</sub>

SIX THOUSAND AND NO/100

DOLLARS



Security  
Features  
Details on  
Back



**BANK OF THE WEST**

Tucson-Main Office  
7225 N ORACLE RD  
TUCSON, AZ 85704-6322  
1-800-488-2265

*[Signature]*

FOR PROFESSIONAL SERVICES-CONSULTANTS

01049

MP

# EXHIBIT C

Arizona Clean Elections Commission

October 7<sup>th</sup>, 2016

\*16 OCT 7 AM 10:47 CCEC

To Whom It May Concern,

I am in receipt of the Hammond campaign's response and it raises a number of additional concerns regarding campaign finance violations.

1. There is still no detail on what services the Arizona Democratic Party provided as the vender in this case, except the Hammond campaign now claims that the expense was definitely NOT what they themselves advertised. That fails to answer the question. Moreover, they say they have added yet another \$6,000 in similar payments to the Arizona Democratic Party which must now also be properly documented.
2. The response triggered my curiosity and I took a cursory look at several other Democrats running with Clean Elections funding, and it turns out this is actually part of a pattern of behavior common among Democrats running "Clean". While many Democrats had the usual payments of \$600-800 (presumably for data), a large number paid thousands or tens of thousands of dollars to the Arizona Democratic Party without providing detail for what services they were receiving in return. Accordingly, I would ask that the Clean Elections Commission expand its inquiry to include the campaigns of:
  - a. Salman for House
  - b. Weichert for AZ Senate
  - c. Jennifer Pawlik for AZ
  - d. Deanna for District 21
  - e. Carmen Casillas for State House
  - f. Elizabeth Brown for Senate
  - g. Tom Chabin Campaign for Corporation Commission
  - h. Bill Mundell for Corporation Commission

Their payments range from \$3,300 up to \$29,750, and most of these payments are highly unusual. Many occurred very late in the primary period where the requirement is that the entire amount is consumed for primary expenses only. Elizabeth Brown for Senate has an admittedly uphill race in LD12, yet her decision to outsource the majority of her campaign to the Arizona Democratic Party is very unusual (\$12,406.71 of \$14,010.42 as of her latest finance report was paid to the ADP).

As before, CCEC and the voters of Arizona are entitled to know who the actual vendors are, what the actual expenses are, when they were made, were primary expenses actually for the primary campaign, and were these funds used exclusively for the benefit of the candidate(s) paying the expenses?

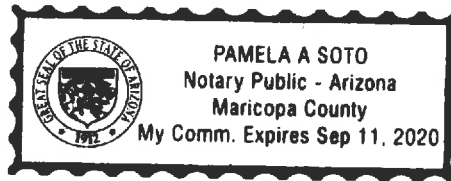
Thank you for your time and persistence.

Thank you,



Constantin Querard  
330 E Thomas Rd  
Phoenix, AZ 85012

State of Arizona     )  
                                  )  
County of Maricopa    )



Subscribed and sworn (or affirmed) before me this 7<sup>th</sup> day of October, 2016.

  
NOTARY PUBLIC

# EXHIBIT D

COPPERSMITH  
BROCKELMAN  
LAWYERS

Roopali H. Desai  
rdesai@cblawyers.com  
PH: (602) 381-5478  
FAX (602) 772-3778

2800 North Central Avenue, Suite 1200  
Phoenix, AZ 85004  
CBLAWYERS.COM

October 11, 2016

VIA U.S. MAIL & E-MAIL

Thomas M. Collins, Executive Director  
Arizona Citizens Clean Elections Commission  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov

**Re: CCEC MUR No. 16-004 – Surreply of Corin Hammond to Campaign Finance Complaint**

Dear Tom:

We received your October 7, 2016 letter forwarding the reply sent to the Arizona Citizens Clean Elections Commission (the "Commission") by Constantin Querard in MUR No. 16-004, and write today in response (or, surreply, as it were).

First, and as it relates to MUR No. 16-004, Ms. Hammond provided the Commission with all relevant information regarding her expenditure of primary funds to obtain the services of the Arizona Democratic Party's coordinated campaign. She has nothing to add, and in any event, should not be compelled to expend additional resources for the sole purpose of satisfying Mr. Querard's partisan curiosity. Indeed, there is nothing in the statutes or in the Commission's regulations that entitle Mr. Querard to submit follow-up questions, which could be endless, or that compel Ms. Hammond to answer them simply because they were asked. If, on the other hand, the Commission determines that more information is needed when considering the complaint and response, we would be glad to provide the Commission with information that it deems relevant and necessary.

Second, regarding the additional candidates identified by Mr. Querard, this letter will confirm our telephone conversation of October 7, 2016 in which you advised that my firm has no obligation to forward Mr. Querard's letter to those candidates. You further advised that to the extent the Commission construes Mr. Querard's reply in MUR No. 16-004 as constituting new complaints against those candidates, which we do not believe it does, they will be notified as would any other party who is the subject of a complaint filed with the Commission.

Sincerely,



Roopali H. Desai

RHD:slm

cc: Constantin Querard  
330 E. Thomas Road  
Phoenix, AZ 85012

Thomas M. Collins  
October 11, 2016  
Page 2

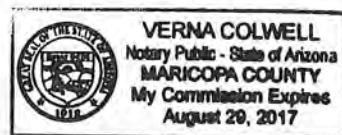
VERIFICATION

State of Arizona     )  
                                  )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 11th day of October, 2016.

*Verna Colwell*

Notary Public



# EXHIBIT E

Arizona Clean Elections Commission  
November 14<sup>th</sup>, 2016

To Whom It May Concern,

'16 NOV 15 AM 11:04 CCEC

I appreciate the opportunity to provide additional thoughts to the myriad responses received from the Hammond campaign, as well as those from the Mundell, Chabin, Brown, Casillas, Weichert, Deanna, Pawlik, and Salman campaigns.

I am more certain than ever that these campaigns have transferred Clean Elections funding to the Arizona Democratic Party without receiving anything remotely approaching equal value in return, but you obviously will employ much higher standards than one consultant's "feelings." So I'll expand on the responses provided so that you can better appreciate the games that were being played and the ways these campaigns were not properly spending their money. I hope you will agree that these concerns and patterns of behavior raise questions that are worth answering.

We'll start with the Hammond response of October 3<sup>rd</sup> because it describes the Arizona Democratic Party's Coordinated Campaign ("CC") in the greatest detail. Ms. Hammond "bought in" to "maximize her reach to the voters in LD11" for the sum of \$6,000, which was paid on August 24<sup>th</sup>, less than one week before the August 30<sup>th</sup> primary. Hammond's response states that the CC "utilizes a STATEWIDE PLAN" that "works in ALL districts" (emphasis mine).

Of course, a review of Democrat candidate spending shows that candidates who actually funded, or "bought in to" this effort came from only a handful of districts. So the statewide effort was either improperly funded by Clean candidates from just a handful of districts, or the Arizona Democratic Party itself was funding and running a statewide effort in all of the districts, that was merely subsidized by a small number of willing Clean Elections candidates. In fact, I've checked the finance reports of the majority of the Democrats running for the Legislature and it was a very small minority of Democrat candidates who paid anything for this statewide program, and I have not found any traditional candidates who bought in. Similarly, no incumbent Democrats bought in.

#### **HOW DOES THE COORDINATED CAMPAIGN FUNCTION?**

According to the Hammond response "It works in all districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices."

In other words, it is voter contact and messaging. It is not training or consulting. Which follows, given that the advertisements the Hammond campaign posted seeking paid labor stressed that other candidates, including the federal campaigns of Tom O'Halleran and Ann Kirkpatrick, would benefit from the program.

## THE HAMMOND CAMPAIGN

We are assured by her response that Ms. Hammond paid \$6,000 for six days worth of voter contact and messaging at the end of her uncontested primary, and that that effort completely consumed the \$6,000 that was spent without carrying over to the general election.

Now the responses of the other candidates are fairly boilerplate, which is to be expected given they all use the same attorney. However, every one of those responses describes the exact same Coordinated Campaign that Hammond's campaign does in the opposite way. In fact, it is the contention of every other campaign that the service they received in exchange for their buy-in was exclusively consulting/training. They go to a great deal of trouble to make clear that NO product, communication, or voter contact or messaging was a part of the program or of these expenses. Where Hammond's original plan included door knockers and labor hired expressly for her LD (which same activity she said was later replaced with existing Party resources), the same Coordinated Campaign everyone else bought into now purportedly consists entirely of training and consulting, NOT labor or messaging or voter contact.

The later legal responses anticipate the complications that arise from the party spending on messaging and labor in conjunction with the Hammond campaign, so they steer their clients away from it, but the Hammond response clearly contradicts the later descriptions of what the other candidates received from the exact same program.

As both a consultant and a provider of product I appreciate the difference between the two. There are races where we may provide product but not consulting or vice versa. We also provide both to most of our clients. As such, I understand the price range one might charge for consulting or training. We charge \$275 per month for legislative races, but I know that other firms might charge \$500 or more on a monthly basis.

Still, as Hammond's response points out, the purpose of the Coordinated Campaign is voter contact and messaging. Which makes her decision to spend \$6,000 on it with six days to go in an uncontested primary nonsensical. (It does make her decision to spend \$6,000 additional dollars on it in the general election more logical.) What has not yet been demonstrated is that her primary spending was entirely for primary election efforts because it is prohibited to use primary election funding on general election efforts. Particularly because Ms. Hammond paid \$6,000 for six days worth of product at the very end of an uncontested primary, and then paid another \$6,000 for an equivalent effort that lasted the entirety of a contested general election period.

One final point regarding deciding which description of the CC is accurate. If the program were a training program, it might make sense to participate in it in either the primary or general period. But you wouldn't train on August 24<sup>th</sup> and then return for the exact same training a few weeks later. This adds additional credibility to Hammond's description of the CC and undermines the arguments made by the other campaigns.

*Next, let's look at the prices paid by candidates for these services:*

## THE MUNDELL/CHABIN CAMPAIGNS

Mundell and Chabin ran as a team from the very beginnings of their campaign. From their initial kickoff, to their initial press release, to their signage and their messaging, they ran as a single team. They both clearly relied on Strategies 360 as consultants and for their voter contact as well. Except Chabin didn't pay Strategies 360 equally. Mundell was paying Strategies 360 from as far back as April while Chabin didn't pay until mid-August.

Yet in spite of having a professional consulting firm, Mundell and Chabin both waited until the end of an uncontested primary to each pay \$25,000 to a new vender for consulting/training? Several questions are raised by the Mundell and Chabin responses:

Who was running the race for Mundell and Chabin? Their efforts were clearly coordinated but for most of the primary, yet only Mundell was paying Strategies 360.

Is it Chabin's contention that he received no guidance/consulting/advice for the entire primary period except the final 26 days? It is worth noting that by the time Chabin made his payment to the Arizona Democrat Party both he and Mundell were already employing Leah Gillespie for consulting as well.

What advice/guidance/training did they receive from the Arizona Democratic Party in the final 26 days that was worth \$25,000 each? Perhaps it wasn't even 26 days worth, because just a few days later Chabin was writing checks to Strategies 360 for, you guessed it, consulting.

The last question is interesting because I've done a great deal of training over the years. And "volunteer training, field organization, campaign finance advice, media consulting" is the same for candidates regardless of the size of their race. Since each of the above listed categories of training was claimed by the other respondents, is only the "campaign consulting" portion of the services described by Chabin/Mundell's response (which is not always claimed by the others) where the difference in price is between candidates who paid a few thousand dollars and Chabin/Mundell's twenty-five thousand dollars each? If so, it is nonsense to claim \$50,000 in consulting expenses for 26 days of a race, particularly when already employing two other consultants. Strategies 360 was the team's consultant, so what did Chabin/Mundell get for their fifty thousand dollars from the Arizona Democratic Party?

## CHABIN & MUNDELL GENERAL ELECTION SPENDING

Chabin and Mundell each gave the Arizona Democratic Party \$25,000 with less than one month to go in an uncontested primary, claiming it was exclusively for training and consulting. Yet days later Chabin began finally paying the consultants who were actually running his race. Chabin and Mundell paid nothing to the Democratic Party during the general election, when it would have mattered. What did they actually get for their money? Did they really pay \$50,000 for advice on how to get through the last few days of an uncontested primary while also paying one or two other consultants? Of course not. So what were they paying for?

### **THE CASILLAS CAMPAIGN**

Casillas paid \$6,000 with six days to go in her uncontested primary election period, again claiming just “consulting/training.” During her contested general election, she paid the Arizona Democratic Party nothing and based on her campaign finance reports went through a highly contested general election contests without any consulting. Or did she prepay it?

### **THE WIECHERT CAMPAIGN**

Wiechert received the same “volunteer training, field organization, and campaign management and consulting services” described by the other campaigns yet paid only \$2,500 for what other paid \$6,000 (for legislative campaigns) or \$25,000 (for Corp Comm campaigns). If we are to believe that Wiechert only paid for advice and training, and the description of the training his campaign received is described in the exact same manner as the others, why did his cost so much less? It would make sense if he was buying less product, but he claims he was receiving the same training, also paying on August 24<sup>th</sup> with just six days to go in his uncontested primary, yet he paid substantially less. Why? And for what?

### **THE DEANNA FOR DISTRICT 21 CAMPAIGN**

Deanna for District 21 paid substantially less than other legislative campaigns for her VAN access, but she was also a customer of the Arizona Democratic Party’s consulting/training, for which she paid just \$2,000 on 8/19 and another \$2,300 on 8/29. So not only did her training cost less than almost everyone else’s, but she got \$2,300 worth of additional consulting/training just one day before her uncontested primary? Not likely.

### **THE PAWLIK CAMPAIGN**

Pawlik paid the same discounted rate as Wiechert on 8/19, just \$2,500 for the same collection of “volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting.” as the other candidates paid \$6,000 or more for. Why the discount?

### **THE SALMAN AND BROWN CAMPAIGNS**

Salman and Brown are interesting cases, because each waited until the general election to get “trained”. In Brown’s case she wasn’t funded until September 6<sup>th</sup>, so she had no primary money. But Salman was funded in April, got through the primary, filed campaign finance statements, and then in September decided to get training/consulting on campaign finance and how to run a campaign. Making Salman’s case more interesting is that her payments were for the same services described on every other response filed by campaigns (other than Hammond), yet she paid \$3,615.50 on 9/12 and another \$2,826.00 on 9/24. A total of \$6,441.50 makes sense for product, but it is a bizarrely odd amount to pay for services that everyone else has paid very round sums for (\$2500, \$6000, \$25000). Salman’s responded that she got the same as everyone else, but that appears to be inaccurate.

Salman also spent \$100 on a contribution to Ann Kirkpatrick’s U.S. Senate campaign, which appears to be a violation of the rules.

Brown's expenditure is absurd. Think of a campaign consultant like an investment advisor. Sure, you pay a fee or a percentage, but the advice you receive helps you to more effectively invest your money, netting you what is ultimately a higher return. But no one takes a \$24,000 investment and gives \$12,000 of it to an advisor in the hopes of securing a higher return on the \$12,000 that remains, any more than a legitimate advisor would take half of someone's money in exchange for advice on how to win their race. Their fees would have removed any chance of victory.

### **MANY QUESTIONS REMAIN**

*Why did so many candidates wait until after the voting had started, in uncontested primaries, to transfer thousands or tens of thousands of dollars each to the Arizona Democratic Party, in exchange for consulting/training that could not have provided them with any value for their primary election?*

*Why did all of these same candidates then fire their "consultants" before their contested general elections?*

*Why did all of the candidates using the same attorney describe a CC that was completely different from the same CC described by the Hammond campaign?*

*Why did so many pay different amounts to receive the same services?*

*Why did Salman pay such a uniquely different number?*

*Why did Brown pay half of her funding for advice and cripple her own campaign, and why was the advice/training that Brown received at least twice as valuable as that received by any other legislative campaign?*

*Why did giving the same advice to statewide candidates cost more than twice as much as giving it to Brown, and more than four times as much as giving it to the rest?*

The Clean Elections Commission ought to look at the training and/or consulting that took place in those precious few days at the end of the primary season to determine what work, if any, was done, and why the same work for candidates running for the same offices cost such wildly different amounts? It is also the only way to verify that primary funds were used for primary election purposes and that the spending was as described by the campaigns, even when those descriptions contradict each other (Hammond vs the rest).

I assume these candidates and/or the Democratic Party would not want to place into the public domain the contents of their training and/or consulting, but inspection could be done in such a way as to provide proof that the law was followed, without over-exposing their strategies, etc.

### **VOTER DATA FEES**

As a separate note, the legislative candidates paid a wide range of amounts to receive voter data for their legislative races, ranging from \$250 up to \$850. Why the different amounts for what each campaign describes in identical fashion for districts that are also of similar size?

## THE IMPORTANCE OF GETTING THIS RIGHT

At the end of the day it is quite possible that the Clean Elections Commission will determine that campaigns may simply pay to the parties any amount for "consulting" and that there is no oversight required. So the 2018 cycle may see scores of Clean Elections candidates transfer the majority of their Clean Elections money to the parties. Those monies will obviously then be used to fund party activities quite separate from the actual campaigns of the Clean Elections candidates. This seems to be at odds with the purpose of the Clean Elections Act, but the only way to prevent that is to crack down on behavior that is otherwise not allowed.

It may be that consultants or parties offering consulting are allowed to gouge candidates and that there is no way to stop phony candidates from willingly participating in such schemes in an effort to enrich vendors or parties. The Act did not likely anticipate such behavior. The Act did, however, anticipate that candidates might use primary money to fund general election benefits and prohibited it. The Act similarly did require accurate reporting of products/services received, so product may not be called consulting, etc.

My apologies for delivering such a lengthy document, but there are a great many items to deal with. I appreciate you taking the time to read it and am available to answer any questions you may have.

Thank you,



Constantin Querard  
330 E Thomas Rd  
Phoenix, AZ 85012

State of Arizona     )  
                                  )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 15<sup>th</sup> day of November, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC



16 NOV 15 PM 11:34 CCEC

# EXHIBIT F

## Sara Larsen

---

**From:** Amy Jicha  
**Sent:** Thursday, September 08, 2016 8:37 AM  
**To:** corinhammond@gmail.com  
**Cc:** Sara Larsen  
**Subject:** \*\*\*Campaign Finance Reports-Amendments Needed\*\*\*

**Importance:** High

Ms. Hammond,

I have completed the review of your Pre-Primary Election and Qualifying Period Recap Campaign Finance Reports. The reviews yielded the following:

**Pre-Primary Election Report:**

- The following reimbursement expenditures are missing itemized (subvendor) information as required by A.A.C. R2-20-109(B):
  - Every line item featuring Evelyn A. Lathram (14 total)
  - Corin Hammond on 6/23/2016
- The following item needs clarification:
  - GODADDY.COM on 7/01/2016
    - The memo line features David Hammond. If this individual was reimbursed, we need documentation that he is a family member as required by A.A.C. R2-20-702(C)(4) and itemized subvendor information as mentioned previously. Additionally, should David have been reimbursed, his name should be documented rather than "GODADDY.COM."

**Qualifying Period Recap Report:**

- The following reimbursement expenditure is missing itemized (subvendor) information as required by A.A.C. R2-20-109(B):
  - Michael Carroll

Please provide the missing information and file an amended campaign finance report by September 15, 2016. Please let me know once you have filed the amended report and contact me or Sara Larsen ([sara.larsen@azcleelections.gov](mailto:sara.larsen@azcleelections.gov)) if you have any questions. Thank you.

Best,

--

**Amy Jicha**

**Voter Education and Legal Intern**

Citizens Clean Elections Commission

1616 W. Adams St., Suite 110

Phoenix, Arizona 85007

p. 602.364.3539

f. 602-364-3487



To ensure compliance with the Open Meeting Law, recipients of this message should not forward it to other board members of the public body. Members of the public body may reply to this message, but they should not send a copy of the reply to other members.



**STATE OF ARIZONA**  
**CITIZENS CLEAN ELECTIONS COMMISSION**  
**MUR: No. 16-005 DEMOCRATIC CANDIDATES**  
**STATEMENT OF REASONS BY EXECUTIVE DIRECTOR**

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On behalf of the Citizens Clean Elections Commission (“Commission”), the Executive Director hereby provides the Statement of Reasons showing there is no reason to believe that violations of the Citizens Clean Elections Act and/or the Commission rules (collectively, the “Act”) may have occurred.

**I. Procedural Background**

On October 7, 2016, Constantin Querard (“Complainant”) filed a complaint (“Complaint”) against eight Democratic candidates, Athena Salman, Steven Weichert, Jennifer Pawlik, Deanna Rasmussen- Lacotta, Carmen Casillas, Elizabeth Brown, Tom Chabin and, Bill Mundell (“Respondents”), alleging the Respondents violated Arizona’s campaign finance laws by paying the Arizona Democratic Party without identifying the services they were provided in return (**Exhibit A**). All Respondents are participating candidates. On October 11, 2016, Commission staff requested responses from all Respondents and sought information regarding specific expenditures on the Respondents’ campaign finance reports. On October 27, 2016, Respondents submitted separate Responses to the Complaint (**Exhibit B**). Complainant submitted supplemental information on November 15, 2016 (**Exhibit C**). Additionally, on September 15, 2016, Respondents Mundell, Rasmussen-Lacotta, and Salman were selected for random audits of the primary election campaign finance activity. Commission staff requested the auditors include in the audit process the expenditures at issue in this enforcement matter. The final audit reports are included as **Exhibit D**.

**II. Alleged Violations and Analysis**

**A. Failure to make expenditures for direct campaign purposes**

A.R.S. § 16-948 and Commission Rule R2-20-702(A) require candidates to utilize Clean Elections funding for direct campaign expenditures only. Complainant alleges the expenditures to the Arizona Democratic Party for coordinated campaigns, buy-ins, and consulting services violate the Act and Rules. Complainant believes “these campaigns transferred Clean Elections funding to the Arizona Democratic Party without receiving anything remotely approaching equal value in return.” Complainant states, that as a “consultant and provider of product” he understands the price ranges for consulting and training. He states he charges \$275 per month for legislative races but that “other firms might charge \$500 or more on a monthly basis.” He believes the amounts paid by Respondents, which “range from \$3,300 to \$29,750,” are “highly unusual.” Complainant also states that with the timing of the expenditures he does not believe it was possible to consume services for the payment amounts made to the Party. Complainant notes each candidate paid the Party for consulting services but doubts the services received merit the amount paid. Ultimately, he believes the fees paid to the Party were “obviously...used to fund party activities quite separate from the actual campaigns of the Clean Elections candidates.”

Respondents provided separate Responses to the Complaint and inquiry for information regarding expenditures. A spreadsheet detailing the expenditures, responses, and audit findings is attached as **Exhibit E**. Respondents Mundell, Rasmussen-Lacotta, and Salman were not asked to respond to specific expenditures because the expenditures were included as part of their primary election audits by an independent auditing agency. All other Respondents, in their Responses identified in detail the expenditures at issue and stated they were direct campaign expenditures. Each Respondent stated they received “general consulting services” through the “coordinated campaign program.” Those general consulting services included “volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting.” The Declaration of Sheila Healy, Executive Director of the Arizona Democratic

Party, which is attached to each Response, states that candidates who choose to participate in the coordinated campaign are required to pay a “buy-in fee.” The candidate is then entitled to consulting services as well as services such as phone calls, door knocks, and volunteer recruitment.

Neither the Act nor Commission Rules prohibit political parties from acting as vendors to candidates. Indeed, as noted in Complainant’s Complaint in MUR-004, he concedes as much. Despite Complainant’s continued post-complaint theorizing, see Exhibit C, the Act and Rules here are quite simple. Arizona Administrative Code Section R2-20-702(A) provides that participating candidates “shall use funds in the candidate’s current campaign account to pay for goods and services for direct campaign purposes only.” The rule specifically allows the payment “from a campaign account to a political committee or civic organization . . . if the payment is reasonable in relation to the value received.” Ariz. Admin. Code. § R2-20-702(B). The legal question before the Commission is whether there is reason to believe the value of services received was so unreasonable as to not be a direct campaign expenditure. In view of the reports provided to, and the supplement audit questions asked by, the Commission staff, there is no reason to believe the value was unreasonable. The mere fact that Complainant would have ascribed different values to different services and offered different services than those that were provided, is not sufficient to raise a question of the value paid by the Respondents.

Similarly, Complainant’s claim that the vendors for the value paid to the Democratic Party were not revealed is not correct. The responses indicate that the vendor was the Democratic Party.

Finally, nothing in the Commission’s rules provides that Clean Elections funds be used “exclusively for the benefit of the candidate(s) paying the expenses.” Complaint at 1. Rather, the

Commission's rules provide that campaign expenses must be direct and expenses to organizations like the party must be reasonable.

So long as candidates can provide documentation and proof that the expenditures were for direct campaign purposes, the expenditures are not prohibited. Candidates are permitted to make primary election expenditures through the end of the Primary Election day.<sup>1</sup> Complainant's supplemental materials provide his own theory as to how a campaign could operate. As such they do not provide "reason to believe" a violation occurred, but rather the Complainant's suggestion that certain Commission rules may be abused is appropriate for consideration in rulemaking as the Commission has already indicated in the Legislative Agenda the Commission approved in December. It is not an appropriate basis for enforcement.

Therefore, there is no reason to believe a violation of A.R.S. § 16-948 and R2-20-702(A) occurred.

#### **B. Failure to pay for proportionate share of joint expenditures**

Commission Rule R2-20-110(A)(4) defines a joint expenditure as an expenditure that is made "when two or more candidates agree to share the cost of goods or services. Accordingly, the Rule requires candidates to report expenditures made in conjunction with other candidates and for each candidate to pay his or her proportionate share of the expenditure. However, the rule expressly requires an agreement by two or more candidates.

Complainant essentially alleges the "coordinated campaign" or "buy-in" campaign that the Arizona Democratic Party offered to Respondents should be a "joint expenditure."

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<sup>1</sup> Note: As in MUR 16-004, the Executive Director accepted Complainant's Supplemental materials despite no rule permitting them. The Executive Director did not order a response from Respondents. Staff will likely develop a process for handling supplemental complaints. Rolling complaints, or expanding arguments such as those made by Complainant in Exhibit C, while consistent with permitting public comment, at some point risks the fairness of the process to the Respondent. Respondents in this case were subject to requests for information and, in some cases, additional auditing, based on Complainant's initial filing. The proceeding is not adversarial between the Complainant and the Respondent, but for the Commission to resolve. Limitations on surreplies and other attempts at providing rolling complaints may be necessary to prevent abuse and preserve fairness.

Complainant believes that because Respondents Mundell and Chabin ran as a “team” they should have identical shared expenses for consulting at the same time. Complainant also points out that each Respondent paid different amounts to the Party. He believes if it was a “coordinated campaign” they should have paid the same amounts, for example. However, each Respondent stated in his or her sworn Declaration that the “coordinated campaign” expenditures were not joint expenditures. Sheila Healy also states in her Declaration that the amount of the “buy-in” is negotiated with each campaign based on the value of the Party’s consulting services.

Several of the expenditures to the Party were for access to the Party’s voter file. On April 8, 2016, the Arizona Democratic Party provided Commission staff with the Voter File Pricing Sheet (**Exhibit F**). As the sheet indicates, candidates can choose which services they would like to purchase and the amounts of those services. Since each Respondents’ campaign separately negotiated with the vendor the “buy-in” amount for the coordinated campaign and there is no evidence of an agreement between two or more candidates, there is no reason to believe a violation of R2-20-110(A)(4) occurred.

### **III. Investigation After Reason to Believe Finding**

If the Commission determines by an affirmative vote of at least three (3) of its members that it has reason to believe a respondent has violated a statute or rule over which the Commission has jurisdiction, the Commission shall notify such respondent of the Commission's finding setting forth: (i) the sections of the statute or rule alleged to have been violated; (ii) the alleged factual basis supporting the finding; and (iii) an order requiring compliance within fourteen (14) days. During that period, the Respondent may provide any explanation to the Commission, comply with the order, or enter into a public administrative settlement with the Commission. A.R.S. § 16-957(A) & A.A.C. R2-20-208(A).

After the Commission finds reason to believe that a violation of a statute or rule over which the Commission has jurisdiction has occurred, the Commission shall conduct an investigation. A.A.C. R2-20-209(A). The Commission may authorize the Executive Director to subpoena all of the Respondent's records documenting disbursements, debts, or obligations to the present, and may authorize an audit.

After fourteen (14) days and upon completion of the investigation, the Executive Director will recommend whether the Commission should find probable cause to believe that a violation of a statute or rule over which the Commission has jurisdiction has occurred. A.A.C. R2-20-214(A). Upon a finding of probable cause that the alleged violator remains out of compliance, by an affirmative vote of at least three (3) of its members, the Commission may issue of an order and assess civil penalties pursuant to A.R.S. § 16-957(B). A.A.C. R2-20-217. The Commission may order the repayment of funds expended in violation of A.A.C. R2-20-702. A.A.C. R2-20-704(B).

Dated this 17<sup>th</sup> day of January, 2017.

By: s/Thomas M. Collins  
Thomas M. Collins, Executive Director

# EXHIBIT A

Arizona Clean Elections Commission

October 7<sup>th</sup>, 2016

\*16 OCT 7 AM 10:47 CCEC

To Whom It May Concern,

I am in receipt of the Hammond campaign's response and it raises a number of additional concerns regarding campaign finance violations.

1. There is still no detail on what services the Arizona Democratic Party provided as the vender in this case, except the Hammond campaign now claims that the expense was definitely NOT what they themselves advertised. That fails to answer the question. Moreover, they say they have added yet another \$6,000 in similar payments to the Arizona Democratic Party which must now also be properly documented.
2. The response triggered my curiosity and I took a cursory look at several other Democrats running with Clean Elections funding, and it turns out this is actually part of a pattern of behavior common among Democrats running "Clean". While many Democrats had the usual payments of \$600-800 (presumably for data), a large number paid thousands or tens of thousands of dollars to the Arizona Democratic Party without providing detail for what services they were receiving in return. Accordingly, I would ask that the Clean Elections Commission expand its inquiry to include the campaigns of:
  - a. Salman for House
  - b. Weichert for AZ Senate
  - c. Jennifer Pawlik for AZ
  - d. Deanna for District 21
  - e. Carmen Casillas for State House
  - f. Elizabeth Brown for Senate
  - g. Tom Chabin Campaign for Corporation Commission
  - h. Bill Mundell for Corporation Commission

Their payments range from \$3,300 up to \$29,750, and most of these payments are highly unusual. Many occurred very late in the primary period where the requirement is that the entire amount is consumed for primary expenses only. Elizabeth Brown for Senate has an admittedly uphill race in LD12, yet her decision to outsource the majority of her campaign to the Arizona Democratic Party is very unusual (\$12,406.71 of \$14,010.42 as of her latest finance report was paid to the ADP).

As before, CCEC and the voters of Arizona are entitled to know who the actual vendors are, what the actual expenses are, when they were made, were primary expenses actually for the primary campaign, and were these funds used exclusively for the benefit of the candidate(s) paying the expenses?

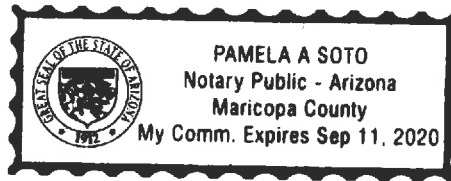
Thank you for your time and persistence.

Thank you,



Constantin Querard  
330 E Thomas Rd  
Phoenix, AZ 85012

State of Arizona     )  
                                  )  
County of Maricopa    )



Subscribed and sworn (or affirmed) before me this 7<sup>th</sup> day of October, 2016.

  
NOTARY PUBLIC

# EXHIBIT B

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Wiechert for AZ Senate Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for five expenditures including: "Professional services- voter list," "Professional services – consulting" "Rent and utilities" "Rent and utilities" and "Autodialer- September."

## **Consulting, Rent, and Equipment Usage are All Direct Campaign Expenses**

The Commission seeks further information on five listed expenditures. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

First, the 7/9/16 charge of \$650.00 for "voter list" was the Committee's expenditure for access to the Party's VAN database. *See Exhibit 1, VAN Receipt*. This payment was made in installments allowed, under Rule R2-20-109(C)(2)(a), without any extension. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Second, the 8/24 charge for "consulting, coordinated campaign buy-in" was paid to the Party for general consulting services performed by the Party and Party employees including volunteer training, field organization, and campaign management and consulting services. *See Exhibit 2, Weichert Declaration; Exhibit 3, Healy Declaration*. The consulting expenditure was

not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event. Furthermore, the payment represents a partial reimbursement of consulting services rendered by the Party during the primary election.

Third and fourth, the "Rent and Utilities" charges on 8/1 for \$575.69 and 8/28 for \$862.00 are installment payments for the Committee's use of an MCDP office. *Id.* Installment payments, such as payments for rent are permitted under Rule R2-20-109(C)(2)(c), and may be reported when actually paid or when due. *See Exhibit 4.*<sup>1</sup>

Fifth, the 9/1 charge for "Auto-dialer-September" was for use of the ADP's equipment and software to make computer assisted live telephone calls. *See Exhibit 5.*

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services, equipment, and rent office space as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including documentation supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

---

<sup>1</sup> Jennifer Pawlik for AZ Committee overpaid on its 7/28 monthly rent payment, \$1030.00. As provided on page two of Exhibit 4, the Weichert for AZ Senate Committee reimbursed Jennifer Pawlik for AZ Committee, \$227.15. Thus both Committees paid \$802.15 for that month.

Sincerely,

  
James E. Barton II

*Counsel for Committee*

State of Arizona        )


)

County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II.

(seal)

  
\_\_\_\_\_  
Notary Public



# EXHIBIT 1

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Steve Weichert  
Weichert for AZ Senate  
Steve Weichert

Date Received 01/29/2016  
Payment Method Check  
Check/Ref. No.

Payment Amount \$50.00

**Invoices Paid**

Date	Number	Amount Applied
01/29/2016	313	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Steve Weichert  
Weichert for AZ Senate  
Steve Weichert

**Date Received** 04/29/2016  
**Payment Method** Cash  
**Check/Ref. No.**

**Payment Amount** \$50.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	313	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Steve Weichert  
Weichert for AZ Senate  
Steve Weichert

**Date Received** 05/02/2016

**Payment Amount** \$50.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	313	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Steve Weichert

Weichert for AZ Senate

Steve Weichert

**Date Received** 07/11/2016

**Payment Amount** \$650.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	313	-\$650.00

# EXHIBIT 2

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1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona Senate in Legislative District 17.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign program.
5. My campaign paid \$2,500 for access to general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting
6. The consulting expenditure for the coordinated campaign was not a joint expenditure.
7. The Democratic Party was the vendor for these consulting services.
8. The "Rent and Utilities" charges on 8/1 for \$575.69 and 8/28 for \$862.00 are installment payments for the Committee's use of an MCDP office.
9. The 9/1 charge for "Auto-dialer-September" was for use of equipment and software to make computer assisted telephone calls.
10. These expenditures were for direct campaign purposes.

Executed on the 25th day of October, 2016

By: Steve Weichert  
Steve Weichert

# EXHIBIT 3

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.

  
\_\_\_\_\_  
Sheila Healy

# EXHIBIT 4



Front

Back



Weichert for AZ Senate  
3524 S. Hudson Pl.  
Chandler AZ 85286

0999

91-170/1221 AZ  
30237

DATE July 29, 2016

PAY  
TO THE  
ORDER OF

Maricopa County Democratic Party

\$ 575.69

five hundred seventy five dollars and 69/100

575 DOLLARS ☒ Security Features Available on Back

Bank of America 

FOR Office Rent/Utilities

Steve R. Weichert

⑈000999⑈ ⑆122101706⑆ 457029904646⑈

Check 999



Front

Back



**WEICHERT FOR AZ SENATE**

3524 S HUDSON PL  
CHANDLER, AZ 85286-2540

1004

91-170/1721 AZ  
37226

DATE

8/10/2016

PAY TO THE  
ORDER OF

Jennifer Pawlik for AZ

\$ 227.15

two hundred twenty seven dollars and 15/100

DOLLARS

Security  
Details on  
Back



**Bank of America**

ACH RT 122101706

FOR Reimbursement Rnd/Utilities Aug

*[Signature]*

MP

⑈001004⑈ ⑆122101706⑆ 457029904646⑈

Check 1004



Front

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**WEICHERT FOR AZ SENATE**

3524 S HUDSON PL

CHANDLER, AZ 85286-2540

1008

91-170/1221 AZ  
32226

DATE 8/28/2016

PAY TO THE  
ORDER OF

Maricopa County Democratic Party

\$ 862.00

eight hundred sixty two dollars and 00/100

DOLLARS



Security  
Features  
Date of  
Rec.



**Bank of America**

ACH R/T 122101706

Steve R. Weichert

FOR

⑈001008⑈ ⑆122101706⑆ 457029904646⑈

Check 1008

# EXHIBIT 5



Front

Back



**WEICHERT FOR AZ SENATE**

3524 S HUDSON PL  
CHANDLER, AZ 85286-2540

1010

91-1701221 AZ  
32726

DATE Sept 1, 2016

PAY TO THE  
ORDER OF

Maricopa County Democratic Party

\$375.00

three hundred seventy five dollars and no/100

DOLLARS



ACH RPT 122101706

FOR Auto Dialer (Sept)

Stark R. Turner

NP

⑈001010⑈ ⑆122101706⑆ 457029904646⑈

Check 1010

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Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Salman for House Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for unnamed expenditures to the Arizona Democratic Party, but because the Committee was already under random Audit, CCEC directed the auditors to request more information. Here, the Committee responds to the general inquiry of the October 11 letter.

## **Expenditures to ADP are All Direct Campaign Expenses**

The Commission seeks further information on expenditures to ADP generally. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

Any expenditures for "voter list/VAN" were made to the Party for access to voter information via VAN. If this payment was made in installments allowed, under Rule R2-20-109(C)(2)(a), then it did not result in any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Any expenditures for "consulting" "organizing" or "coordinated campaign buy in" paid to the Party, were for access to general consulting services performed by the Party and Party employees including, field organization and general campaign consulting. *See Exhibit 1, Salman Declaration; Exhibit 2, Healy Declaration.* Any consulting expenditure made was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

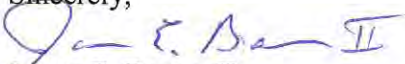
### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including a declaration supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,

  
James E. Barton II

*Counsel for Committee*

State of Arizona        )

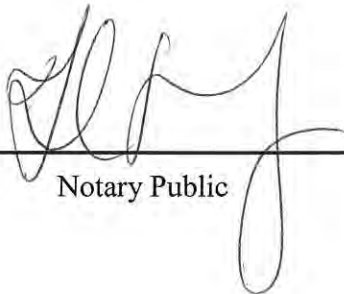
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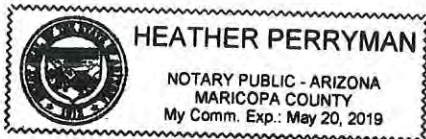
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II.

(seal)

  
\_\_\_\_\_  
Notary Public



# EXHIBIT 1

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1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona House of Representatives in Legislative District 26.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign program.
5. My campaign paid for access to general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting.
6. The consulting expenditure for the coordinated campaign was not a joint expenditure.
7. The Democratic Party was the vendor for these services.
8. These expenditures were for direct campaign purposes.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 25 day of October, 2016

By: Athena Salman  
Athena Salman

# EXHIBIT 2

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



Sheila Healy

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Bill Mundell for Corporation Commission Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC" or "Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for unnamed expenditures to the Arizona Democratic Party, but because the Committee was already under random Audit, CCEC directed the auditors to request more information. Here, the Committee responds to the general inquiry of the October 11 letter.

## **Expenditures to ADP are All Direct Campaign Expenses**

The Commission seeks further information on expenditures to ADP generally. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

Any expenditures for "voter list/VAN" were made to the Party for access to voter information via VAN. If this payment was made in installments allowed, under Rule R2-20-109(C)(2)(a), then it did not result in any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Any expenditures for "consulting" "organizing" or "coordinated campaign buy in" paid to the Party, were for access to general consulting services performed by the Party and Party

Any expenditures for "consulting" "organizing" or "coordinated campaign buy in" paid to the Party, were for access to general consulting services performed by the Party and Party employees including, field organization and general campaign consulting. *See Exhibit 1, Mundell Declaration; Exhibit 2, Healy Declaration.* Any consulting expenditure made was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

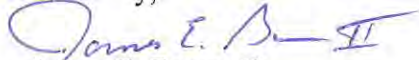
### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including a declaration supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,

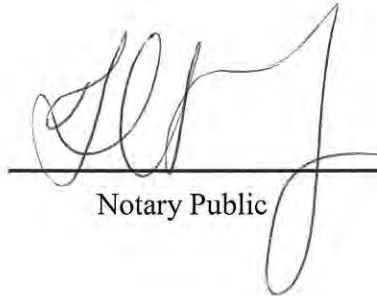
  
James E. Barton II  
*Counsel for Committee*

State of Arizona     )  
                                  )  
County of Maricopa   )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II

(seal)

  
\_\_\_\_\_  
Notary Public



# EXHIBIT 1

## DECLARATION OF BILL MUNDELL

Bill Mundell declares:

1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona Corporation Commission.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign program.
5. My campaign paid for access to general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting.
6. The consulting expenditure for the coordinated campaign was not a joint expenditure.
7. The Democratic Party was the vendor for these services.
8. These expenditures were for direct campaign purposes.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 25<sup>th</sup> day of October, 2016

By: William C. Mundell

Bill Mundell

# EXHIBIT 2

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



Sheila Healy

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleaselections.gov  
CC: Sara.Larsen@azcleaselections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Carmen Casillas for State House Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for four expenditures including: "Professional services- voter list, VAN" "Joint Campaign" "VAN- balance due" and "Campaign photo shoot."

## **Consulting, VAN Access and Photography are All Direct Campaign Expenses**

The Commission seeks further information on four listed expenditures. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

First, the 7/7/16 charge of \$50.00 and the 8/24 charge of \$650.00 for Voter List, VAN and VAN balance due was the Committee's expenditure for access to the Party's VAN database of voter information.<sup>1</sup> Payment for VAN access was made installments as permitted under Rule R2-20-109(C)(2)(a). *See Exhibit 1, VAN Receipts*. This payment was made in installments

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<sup>1</sup> The CCEC Request for Documentation and Notice of Complaint listed this charge as \$100.00; the campaign finance report lists the charge as \$50.00.

allowed, under Rule R2-20-109(C), without any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Second, the 8/24 charge of \$6,000.00 with the description "Joint Campaign" was paid to the Party for access to general consulting services performed by the Party and Party employees including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. *See Exhibit 2, Casillas Declaration; Exhibit 3, Healy Declaration.* The consulting expenditure was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

Last, the 8/30 charge for "campaign photo shoot" was paid to the Party for a campaign photography session. This was a direct campaign expense.

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services and photography services as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

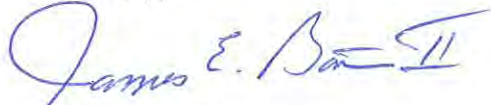
#### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

#### **Conclusion**

Given the enclosed explanation of the requested expenditures, including documentation supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,



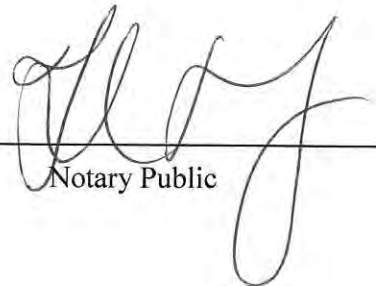
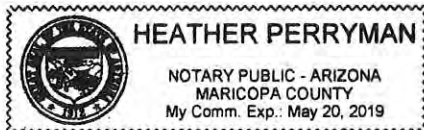
James E. Barton II  
*Counsel for Committee*

State of Arizona     )  
                                      )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II.

(seal)

  
\_\_\_\_\_  
Notary Public

# EXHIBIT 1

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Carmen Casillas  
Carmen Casillas for State House  
Carmen Casillas

**Date Received**      02/11/2016  
**Payment Method**    Check  
**Check/Ref. No.**

**Payment Amount**    \$50.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
08/19/2015	244	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Carmen Casillas  
Carmen Casillas for State House  
Carmen Casillas

**Date Received** 05/05/2016

**Payment Amount** \$50.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
08/19/2015	244	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Carmen Casillas  
Carmen Casillas for State House  
Carmen Casillas

**Date Received** 07/07/2016

**Payment Amount** \$50.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
08/19/2015	244	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Carmen Casillas  
Carmen Casillas for State House  
Carmen Casillas

**Date Received** 08/26/2016

**Payment Amount** \$650.00

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
08/19/2015	244	-\$650.00

# EXHIBIT 2

1  
2  
3 **DECLARATION OF CARMEN CASILLAS**

4 Under Arizona Rules of Civil Procedure 80(i), Carmen Casillas declares:

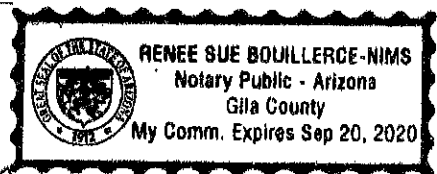
- 5 1. I am over the age of 18 and competent to provide the testimony in this declaration.
- 6 2. I am the Democratic Party's candidate for the Arizona House of Representatives in
- 7 Legislative District 8.
- 8 3. I am a Participating Candidate in the Clean Elections Program.
- 9 4. The Arizona Democratic Party provided general consulting services to my
- 10 campaign as a part of what the Party calls the "coordinated campaign."
- 11 5. My campaign paid \$6,000 for these general consulting services including volunteer
- 12 training, field organization, campaign finance advice, media consulting and
- 13 campaign consulting.
- 14 6. The consulting expenditure was not a joint expenditure.
- 15 7. The Democratic Party was the vendor for these consulting services.
- 16 8. This expenditure was for direct campaign purposes.

17 I declare under penalty of perjury that the foregoing is true and correct.

18 Executed on the 25<sup>th</sup> day of October, 2016

19 By: Carmen L. Casillas

20 Carmen Casillas



Signature: Renee Sue Boullier-Nims

Notary Exp: Sep. 20<sup>th</sup> 2020

County: Gila

# EXHIBIT 3

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



Sheila Healy

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleaselections.gov  
CC: Sara.Larsen@azcleaselections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Deanna for District 21 Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, 2016 the CCEC requested documentation for unnamed expenditures to the Arizona Democratic Party, but because the Committee was already under random Audit, CCEC directed the auditors to request more information. Here, the Committee responds to CCEC's general inquiry in the October 11, 2016 letter.

## **Expenditures to ADP are All Direct Campaign Expenses**

The Commission seeks further information on expenditures to ADP generally. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

Any expenditures for "voter list/VAN" were made to the Party for access to voter information via VAN. If this payment was made in installments allowed, under Rule R2-20-109(C)(2)(a), then it did not result in any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Any expenditures for "consulting" "organizing" or "coordinated campaign buy in" paid to the Party, were for access to general consulting services performed by the Party and Party employees including, field organization and general campaign consulting. *See Exhibit 1, Rasmussen-Lacotta Declaration; Exhibit 2, Healy Declaration.* Any consulting expenditure made was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.


### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including a declaration supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,

  
James E. Barton II

*Counsel for Committee*

State of Arizona        )

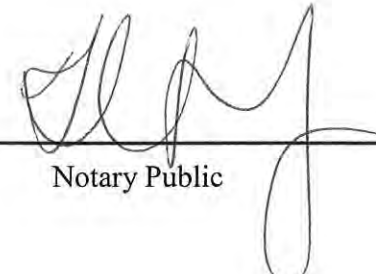
)

County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II.

(seal)

  
\_\_\_\_\_  
Notary Public



# EXHIBIT 1

1                                   **DECLARATION OF DEANNA RASMUSSEN-LACOTTA**

2

3   Deanna Rasmussen-Lacotta declares:

- 4           1. I am over the age of 18 and competent to provide the testimony in this declaration
- 5               based on personal knowledge.
- 6
- 7           2. I am the Democratic Party's candidate for the Arizona House of Representatives in
- 8               Legislative District 21.
- 9
- 10          3. I am a Participating Candidate in the Clean Elections Program.
- 11
- 12          4. The Arizona Democratic Party provided general consulting services to my
- 13               campaign via the coordinated campaign program.
- 14
- 15          5. My campaign paid for access to general consulting services including volunteer
- 16               training, field organization, campaign finance advice, media consulting and
- 17               campaign consulting.
- 18
- 19          6. The consulting expenditure for the coordinated campaign was not a joint
- 20               expenditure.
- 21          7. The Democratic Party was the vendor for these services.
- 22          8. These expenditures were for direct campaign purposes.

23   I declare under penalty of perjury that the foregoing is true and correct.

24   Executed on the 25th day of October, 2016

25   By: Deanna Rasmussen-Lacotta

26                                   Deanna Rasmussen-Lacotta

27

28

# EXHIBIT 2

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



\_\_\_\_\_  
Sheila Healy

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Elizabeth Brown for Senate Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for four expenditures including: "Voter List, VAN" and "Miscellaneous."

## **Consulting, Rent, and Equipment Usage are All Direct Campaign Expenses**

The Commission seeks further information on four listed expenditures. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

First, the 6/9/16 charge of \$50.00, 7/5/16 charge of \$50.00 and 9/7/16 charge of \$306.71, for "Voter List, VAN" were the Committee's expenditures for access to the Party's VAN database. This was paid in installments as permitted under Rule R2-20-109(C)(2)(a). *See Exhibit 1, VAN Receipt*. This payment was made in installments allowed, under Rule R2-20-109(C), without any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Second, the 9/8 charge for "miscellaneous" was paid to the Party for access to general consulting services performed by the Party and Party employees including volunteer training,

field organization, campaign finance advice, media consulting and campaign consulting. *See Exhibit 2, Brown Declaration; Exhibit 3, Healy Declaration.* The consulting expenditure was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services as a candidate would any other direct vendor does not run afoul of Rule R2-20702.

### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including a declaration supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,

  
James E. Barton II

Counsel for Committee

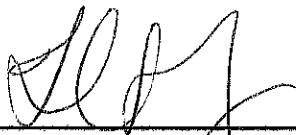
State of Arizona     )  
                                  )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II

(seal)



  
\_\_\_\_\_  
Notary Public

# EXHIBIT 1

## Payment Receipt

Arizona Democratic Party

2910 N Central Ave

Phoenix, AZ 85012

**Received From:**

Elizabeth Brown

Elizabeth Brown for Senate

Elizabeth Brown

**Date Received** 04/08/2016

**Payment Amount** \$80.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$80.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown  
Elizabeth Brown for Senate  
Elizabeth Brown

Date Received      04/29/2016  
Payment Method      Cash  
Check/Ref. No.

Payment Amount      \$50.00

**Invoices Paid**

Date	Number	Amount Applied
02/25/2016	335	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown  
Elizabeth Brown for Senate  
Elizabeth Brown

**Date Received** 06/03/2016  
**Payment Method** Cash  
**Check/Ref. No.**

**Payment Amount** \$50.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown  
Elizabeth Brown for Senate  
Elizabeth Brown

**Date Received**      07/11/2016  
**Payment Method**    Cash  
**Check/Ref. No.**

**Payment Amount**    \$50.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown

Elizabeth Brown for Senate

Elizabeth Brown

**Date Received** 08/10/2016

**Payment Amount** \$50.00

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown  
Elizabeth Brown for Senate  
Elizabeth Brown

**Date Received** 08/22/2016

**Payment Amount** \$213.29

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$213.29

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Elizabeth Brown  
Elizabeth Brown for Senate  
Elizabeth Brown

**Date Received** 09/06/2016

**Payment Amount** \$306.71

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/25/2016	335	-\$306.71

# EXHIBIT 2

## DECLARATION OF ELIZABETH BROWN

Elizabeth Brown declares:

1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona Senate in Legislative District 12.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign.
5. My campaign paid \$12,000 for access to these general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting.
6. The consulting expenditure for the coordinated campaign was not a joint expenditure.
7. The Democratic Party was the vendor for these consulting services.
8. The 6/9/16 charge of \$50.00, 7/5/16 charge of \$50.00 and 9/7/16 charge of \$306.71, for "Voter List, VAN" were the Committee's expenditures for access to the Party's VAN database.
9. These expenditures were for direct campaign purposes.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 25 day of October 2016

By Elizabeth Brown  
Elizabeth Brown

# EXHIBIT 3

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



Sheila Healy

---

Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Jennifer Pawlik for AZ Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for five expenditures including: "Professional services- voter list, VAN" "Professional services – consulting" "Rent-Buy-in" "Rent and utilities" and "Autodialer-September."

## **Consulting, Rent, and Equipment Usage are All Direct Campaign Expenses**

The Commission seeks further information on five listed expenditures. These expenditures were for direct campaign purposes permitted under Rule R2-20-702. All were payments to the Party as direct vendor for standard campaign goods and services.

First, the 6/16/16 charge of \$100.00 for "Voter List, VAN" was the Committee's expenditure for access to the Party's VAN database. This was one installment payment for VAN Access, as permitted under Rule R2-20-109(C)(2)(a). *See Exhibit 1, VAN Receipt*. This payment was made in installments allowed, under Rule R2-20-109(C), without any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

Second, the 8/19 charge of \$2,500.00 for "Consultants" was paid to the Party for general consulting services performed by the Party and Party employees including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. *See Exhibit 2, Pawlik Declaration; Exhibit 3, Healy Declaration.* The consulting expenditure was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

Third and fourth, the "Rent- buy in" and "Rent" charges on 7/28 for \$1,030.00 and 8/28 for \$862.00 are installment payments for the Committee's use of an MCDP Office. *Id.* Installment payments, such as payments for rent are permitted under Rule R2-20-109(C)(2)(c), and may be reported when actually paid or when due. *See Exhibit 4.*<sup>1</sup>

Fifth, the 9/6 charge of \$375.00 for "Auto-dialer-September" was for use of ADP's equipment and software to make computer assisted live telephone calls. *See Exhibit 5.*

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services, equipment, and rent office space as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**

Given the enclosed explanation of the requested expenditures, including documentation supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

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<sup>1</sup> The Committee overpaid on its 7/28 monthly rent payment, \$1030.00. As provided on page two of Exhibit 4, the Weichert for AZ Senate Committee reimbursed Jennifer Pawlik for AZ Committee, \$227.15. Thus both Committees paid \$802.15 for that month. Note, the memo line on the 7/28 rent check is incorrect. Actual purpose of check was rent payment as affirmed under penalty of perjury in the attached declaration.

Sincerely,

  
James E. Barton II

*Counsel for Committee*

State of Arizona       )


)

County of Maricopa   )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by JEB II

(seal)

  
\_\_\_\_\_  
Notary Public



# EXHIBIT 1

## Payment Receipt

**Arizona Democratic Party**

**2910 N Central Ave**

**Phoenix, AZ 85012**

**Received From:**

Jennifer Pawlik

Jennifer Pawlik for State House

**Date Received** 01/29/2016

**Payment Amount** \$50.00

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	314	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Jennifer Pawlik

Jennifer Pawlik for State House

**Date Received** 04/25/2016

**Payment Amount** \$50.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	314	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Jennifer Pawlik

Jennifer Pawlik for State House

Date Received 06/09/2016

Payment Amount \$100.00

Payment Method Cash

Check/Ref. No.

**Invoices Paid**

Date	Number	Amount Applied
01/29/2016	314	-\$100.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Jennifer Pawlik

Jennifer Pawlik for State House

**Date Received** 06/22/2016

**Payment Amount** \$600.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
01/29/2016	314	-\$600.00

# EXHIBIT 2

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Jennifer Pawlik declares:

1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona House of Representatives in Legislative District 17.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign program.
5. My campaign paid \$2,500 for access to general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting.
6. The consulting expenditure for the coordinated campaign was not a joint expenditure.
7. The "Rent- buy in" and "Rent" charges on 7/28 for \$1,030.00 and 8/28 for \$862.00 are installment payments for the Committee's use of an MCDP Office.
8. The 9/6 charge of \$375.00 for "Auto-dialer-September" was for use of equipment and software to make computer assisted live telephone calls.
9. The Democratic Party was the vendor for these services.
10. These expenditures were for direct campaign purposes.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 28<sup>th</sup> day of October, 2016

By: Jennifer Pawlik  
Jennifer Pawlik

# EXHIBIT 3

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



Sheila Healy

# EXHIBIT 4

JENNIFER PAWLAK FOR AZ  
PO BOX 2405  
CHANDLER, AZ 85244

1005

July 28, 2016

11-0221121

Pay to the Order of Maricopa County Democratic Party \$ 1030.00  
One Thousand Thirty and 00/100



For Buy-In 2016

Jennifer Pawlak

11-0221121 11-0221121 1005



Front

Back



**WEICHERT FOR AZ SENATE**

3524 S HUDSON PL.  
CHANDLER, AZ 85286-2540

1004

91-1701721 AZ  
37226

DATE

8/10/2016

PAY TO THE  
ORDER OF

Jennifer Pawlik for AZ

\$ 227.15

two hundred twenty seven dollars and 15/100

DOLLARS



Security  
Watermark  
Check

**Bank of America**

ACH RT 122101706

FOR Reimbursement Rent/Utilities Aug

*[Signature]*

⑈001004⑈ ⑆122101706⑆ 457029904646⑈

Check 1004

JENNIFER PAWLK FOR AZ  
PO BOX 2405  
CHANDLER, AZ 85244

1032

91-972/7271

28 August 2016

Pay to the  
Order of

Maricopa County Democratic Party \$ 862.00

Eight hundred sixty two and 00/100

Dollars



For

Jennifer Pawlk

⑆122187238⑆ ⑈7886811518⑈

⑆E01⑆

# EXHIBIT 5

JENNIFER PAWLAK FOR AZ  
PO BOX 2405  
CHANDLER, AZ 85244

1035

81-87237271

31 August 2016

Pay to the Order of Maricopa County Democratic Party \$ 375.00  
Three hundred seventy five and 00/100



For Jennifer Pawlak

⑆ 1221872381 ⑈ 7886811518 ⑈ 1035

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Tom Collins, CCEC Executive Director  
1616 W. Adams, Suite 110  
Phoenix, AZ 85007  
Thomas.Collins@azcleelections.gov  
CC: Sara.Larsen@azcleelections.gov

RE: Request for Expenditure Documentation & Notice of Complaint

We represent the Tom Chabin for Corporation Commission Committee ("Committee"). This letter serves as the Committee's response to the complaint and request for documentation issued by the Citizens Clean Elections Commission ("CCEC or Commission").

## **Factual Background**

On October 7, Constantin Querard filed a supplemental complaint asking the CCEC to investigate expenditures the Committee made to the Arizona Democratic Party on the grounds that the expenditures may be in-kind contributions from the Party to the campaign allegedly based on the size and timing of the expenditures. On October 11, the CCEC requested documentation for six expenditures including: "Professional services, Voter List," "Signatures and Printing" "Coordinated Campaign" and "Fair Event Expenses."

## **VAN Access, Consulting Services, Signs, and Event Expenses are All Direct Campaign Expenses**

The Commission seeks further information on six listed expenditures. These expenditures were for direct campaign purposes permitted under Rule R2-20-702.

First, the 6/15/16 charge of \$50.00, the 7/11/16 charge of \$50.00 and the 8/4/16 charge of \$8,000.00 for "Voter List" was the Committee's expenditure for access to the Party's VAN voter database. This payment was made in installments allowed, under Rule R2-20-109(C)(2)(a), without any extension of credit. Thus, with these expenditures the Committee remained in compliance with R2-20-104.

The cost of the access to VAN and voter data is higher for this Committee because substantially more data is requested for a statewide race with the district as the entire State of Arizona than one for a legislative district, county, or local race. *See Exhibit 1, VAN Receipt.*

Second, the 6/15/16 charge of \$1,295.86 for "signatures and printing" was paid to the Party for collection of signatures and printing of signature petition sheets. The Party was the direct vendor. *See Exhibit 2, Invoice.*<sup>1</sup>

Third, the 8/4/16 charge of \$25,000 for "coordinated campaign" was an expenditure for access to general consulting services performed by the Party and Party employees including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. *See Exhibit 3, Chabin Declaration; Exhibit 4, Healy Declaration.* The consulting expenditure was not a joint expenditure under the Commission's Rule R-2-20-703(C) because it was not made in conjunction with a second candidate, and was not payment for an advertisement, literature, material or a campaign event.

Fourth, the 9/1/16 charge of \$25.00 for "Event Expenses-Fair" was payment to the Party for hosting Committee campaign materials at a booth at the fair. This was a direct campaign expense. *Exhibit 5, Invoice and Check.*

The Commission's Rule R2-20-702 that includes prohibitions on use of campaign funds focuses on restricting the use of clean elections funds for personal use and self dealing. Paying money to a political party to provide consulting services as a candidate would any other direct vendor does not run afoul of Rule R2-20-702.

### **Not In-Kind Contributions**

The Committee's partial payments for services rendered by the Party as general campaign consultant described above do not render the remainder of the services the Party renders as 'in-kind' contributions. Under Arizona law, many expenses, functions and services performed by political parties on behalf of party candidates including publicly funded candidates are exempt from the definition of contribution by law, the so-called political party exception. "The payment by a political party for party operating expenses, party staff and personnel, party newsletters and reports, voter registration and efforts to increase voter turnout, party organization building and maintenance and printing and postage expenses. . ." A.R.S § 16-901(5)(b)(v).

### **Conclusion**


Given the enclosed explanation of the requested expenditures, including documentation supporting the use of funds for campaign purposes, and that any partial payments to the Party for consulting services cannot, by definition, transform the remaining value into a contribution from

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<sup>1</sup> Note, a description contained in the invoice is in error. The use is what was reported here and affirmed under penalty of perjury in the attached declaration.

the Party, the Committee respectfully requests the Director to recommend the Commission take no action on this matter.

Sincerely,

  
James E. Barton II  
*Counsel for Committee*

State of Arizona     )

)


County of Maricopa   )

Subscribed and sworn (or affirmed) before me this 26<sup>th</sup> day of October, 2016,

by James E. Barton II.

(seal)



  
\_\_\_\_\_  
Notary Public

# EXHIBIT 1

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Tom Chabin  
Tom Chabin Campaign for Corporation Commi  
Tom Chabin

**Date Received** 02/29/2016  
**Payment Method** Cash  
**Check/Ref. No.**

**Payment Amount** \$50.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$50.00

## Payment Receipt

Arizona Democratic Party

2910 N Central Ave

Phoenix, AZ 85012

**Received From:**

Tom Chabin

Tom Chabin Campaign for Corporation Commi

Tom Chabin

**Date Received** 05/11/2016

**Payment Amount** \$100.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$100.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Tom Chabin

Tom Chabin Campaign for Corporation Commi

Tom Chabin

**Date Received** 06/20/2016

**Payment Amount** \$50.00

**Payment Method** Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$50.00

## Payment Receipt

**Arizona Democratic Party**

**2910 N Central Ave**

**Phoenix, AZ 85012**

**Received From:**

Tom Chabin

Tom Chabin Campaign for Corporation Commi

Tom Chabin

**Date Received**      07/11/2016

**Payment Amount**    \$50.00

**Payment Method**    Cash

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$50.00

## Payment Receipt

Arizona Democratic Party  
2910 N Central Ave  
Phoenix, AZ 85012

**Received From:**

Tom Chabin  
Tom Chabin Campaign for Corporation Commi  
Tom Chabin

**Date Received** 08/01/2016  
**Payment Method** Check  
**Check/Ref. No.**

**Payment Amount** \$4,000.00

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$4,000.00

## Payment Receipt

Arizona Democratic Party

2910 N Central Ave

Phoenix, AZ 85012

**Received From:**

Tom Chabin

Tom Chabin Campaign for Corporation Commi

Tom Chabin

**Date Received** 08/04/2016

**Payment Amount** \$7,750.00

**Payment Method** Check

**Check/Ref. No.**

**Invoices Paid**

<u>Date</u>	<u>Number</u>	<u>Amount Applied</u>
02/29/2016	338	-\$7,750.00

# EXHIBIT 2

**Maricopa County Democratic Party**

2914 N Central Ave.  
Phoenix, AZ 85012  
Phone (602) 298-0503

**INVOICE****DATE: JUNE 1, 2016****TO:**

Tom Chabin Campaign for Corporation Commission  
Attn: Leah Gillespie

**COMMENTS OR SPECIAL INSTRUCTIONS:**

Invoice for copies/printing done on MCDP equipment.

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
					Due on receipt

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
1	Buy-In to MCDP Coordinated Campaign	\$1,295.86	\$1,295.86

SUBTOTAL	\$1,295.86
SALES TAX	0.00
SHIPPING & HANDLING	0.00
TOTAL DUE	\$1,295.86

Make all checks payable to:  
Maricopa County Democratic Party

Check # 1048  
6/15

Thank you for your business!

# EXHIBIT 3

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## DECLARATION OF TOM CHABIN

Tom Chabin declares:

1. I am over the age of 18 and competent to provide the testimony in this declaration based on personal knowledge.
2. I am the Democratic Party's candidate for the Arizona Corporation Commission.
3. I am a Participating Candidate in the Clean Elections Program.
4. The Arizona Democratic Party provided general consulting services to my campaign via the coordinated campaign program.
5. My campaign paid \$25,000 for access to these general consulting services including volunteer training, field organization, campaign finance advice, media consulting and campaign consulting.
6. The consulting expenditure for the coordinated campaign services was not a joint expenditure.
7. The 6/15/16 charge of \$1,295.86 for "signatures and printing" was paid to the Party for collection of signatures and printing of signature petition sheets for my campaign.
8. The 9/1/16 charge of \$25.00 for "Event Expenses-Fair" was payment to the Party for hosting campaign materials at the Party booth at the fair.
9. The Democratic Party was the vendor for these services.
10. These expenditures were for direct campaign purposes.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on the 25<sup>th</sup> day of October, 2016 By: Tom Chabin

# EXHIBIT 4

## DECLARATION OF SHEILA HEALY

Sheila Healy declares as follows:

1. I am the Executive Director of the Arizona Democratic Party (the "Party"), and in that capacity, have personal knowledge regarding the operations of the Party's Coordinated Campaign (the "Coordinated Campaign").
2. The Coordinated Campaign is a statewide effort to help persuade and turn out those voters who are supportive of candidates belonging to the Party.
3. The Coordinated Campaign works in all legislative districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices.
4. A candidate who chooses to participate in the Coordinated Campaign is required to pay a "buy-in" fee, which entitles that candidate to benefit from a host of services that are offered. These services include general consulting, volunteer training, field organization, campaign finance advice, media consulting and campaign consulting. The amount of a candidate's "buy-in" is not separated or budgeted as between those various services.
5. There are two separate "buy-ins" for a candidate wishing to benefit from the Coordinated Campaign; one for the primary election, and one for the general election.
6. The amount of the buy-in is negotiated with each campaign based on the value that the Party's consulting services will have to the campaign. Many factors play into this valuation, including but not limited to, the size of the campaign's target audience, the experience of the candidate, and the candidate's need for support.
7. The services that all candidates receive from the Coordinated Campaign are equal to or greater than the amount of the candidate's buy-in.
8. In many instances, consistent with the political party exception, the Party provides consulting services to its candidates without charge.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 25 day of October, 2016.



\_\_\_\_\_  
Sheila Healy

# EXHIBIT 5

# INVOICE

Check from Tom Chabin and Bill Mundell

To be made out to: YCDP as per Bill's request for the Yavapai fair  
Next week. (discussed at the meeting on wednesday 31st August)

Bill Mundell

\$25.00 made out to YCDP

Tom Chabin

\$25.00 "

1st of September 2016

**TOM CHABIN CAMPAIGN FOR CORPORATION COMMISSION**

1068

91-598/1221  
1131

DATE 9/1/16

CHECK ARMOR  
FRAUD PROTECTION

PAY TO THE  
ORDER OF Yavapai County Democratic Party

\$ 25.00

Twenty-Five and 00/100

DOLLARS



Security  
Features  
Details on  
Back

**Alliance Bank**  
OF ARIZONA

A Division of Western Alliance Bank  
alliancebankofarizona.com • (877) 273-2255

FOR Fair

*WAP*

MP

⑈001068⑈ ⑆122105980⑆ 8011405399⑈

# EXHIBIT C

Arizona Clean Elections Commission  
November 14<sup>th</sup>, 2016

To Whom It May Concern,

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I appreciate the opportunity to provide additional thoughts to the myriad responses received from the Hammond campaign, as well as those from the Mundell, Chabin, Brown, Casillas, Weichert, Deanna, Pawlik, and Salman campaigns.

I am more certain than ever that these campaigns have transferred Clean Elections funding to the Arizona Democratic Party without receiving anything remotely approaching equal value in return, but you obviously will employ much higher standards than one consultant's "feelings." So I'll expand on the responses provided so that you can better appreciate the games that were being played and the ways these campaigns were not properly spending their money. I hope you will agree that these concerns and patterns of behavior raise questions that are worth answering.

We'll start with the Hammond response of October 3<sup>rd</sup> because it describes the Arizona Democratic Party's Coordinated Campaign ("CC") in the greatest detail. Ms. Hammond "bought in" to "maximize her reach to the voters in LD11" for the sum of \$6,000, which was paid on August 24<sup>th</sup>, less than one week before the August 30<sup>th</sup> primary. Hammond's response states that the CC "utilizes a STATEWIDE PLAN" that "works in ALL districts" (emphasis mine).

Of course, a review of Democrat candidate spending shows that candidates who actually funded, or "bought in to" this effort came from only a handful of districts. So the statewide effort was either improperly funded by Clean candidates from just a handful of districts, or the Arizona Democratic Party itself was funding and running a statewide effort in all of the districts, that was merely subsidized by a small number of willing Clean Elections candidates. In fact, I've checked the finance reports of the majority of the Democrats running for the Legislature and it was a very small minority of Democrat candidates who paid anything for this statewide program, and I have not found any traditional candidates who bought in. Similarly, no incumbent Democrats bought in.

#### **HOW DOES THE COORDINATED CAMPAIGN FUNCTION?**

According to the Hammond response "It works in all districts, and through a combination of phone calls, door knocks, and volunteer recruitment, seeks to increase voter turnout with the goal of electing more Democrats to the Legislature and statewide offices."

In other words, it is voter contact and messaging. It is not training or consulting. Which follows, given that the advertisements the Hammond campaign posted seeking paid labor stressed that other candidates, including the federal campaigns of Tom O'Halleran and Ann Kirkpatrick, would benefit from the program.

## THE HAMMOND CAMPAIGN

We are assured by her response that Ms. Hammond paid \$6,000 for six days worth of voter contact and messaging at the end of her uncontested primary, and that that effort completely consumed the \$6,000 that was spent without carrying over to the general election.

Now the responses of the other candidates are fairly boilerplate, which is to be expected given they all use the same attorney. However, every one of those responses describes the exact same Coordinated Campaign that Hammond's campaign does in the opposite way. In fact, it is the contention of every other campaign that the service they received in exchange for their buy-in was exclusively consulting/training. They go to a great deal of trouble to make clear that NO product, communication, or voter contact or messaging was a part of the program or of these expenses. Where Hammond's original plan included door knockers and labor hired expressly for her LD (which same activity she said was later replaced with existing Party resources), the same Coordinated Campaign everyone else bought into now purportedly consists entirely of training and consulting, NOT labor or messaging or voter contact.

The later legal responses anticipate the complications that arise from the party spending on messaging and labor in conjunction with the Hammond campaign, so they steer their clients away from it, but the Hammond response clearly contradicts the later descriptions of what the other candidates received from the exact same program.

As both a consultant and a provider of product I appreciate the difference between the two. There are races where we may provide product but not consulting or vice versa. We also provide both to most of our clients. As such, I understand the price range one might charge for consulting or training. We charge \$275 per month for legislative races, but I know that other firms might charge \$500 or more on a monthly basis.

Still, as Hammond's response points out, the purpose of the Coordinated Campaign is voter contact and messaging. Which makes her decision to spend \$6,000 on it with six days to go in an uncontested primary nonsensical. (It does make her decision to spend \$6,000 additional dollars on it in the general election more logical.) What has not yet been demonstrated is that her primary spending was entirely for primary election efforts because it is prohibited to use primary election funding on general election efforts. Particularly because Ms. Hammond paid \$6,000 for six days worth of product at the very end of an uncontested primary, and then paid another \$6,000 for an equivalent effort that lasted the entirety of a contested general election period.

One final point regarding deciding which description of the CC is accurate. If the program were a training program, it might make sense to participate in it in either the primary or general period. But you wouldn't train on August 24<sup>th</sup> and then return for the exact same training a few weeks later. This adds additional credibility to Hammond's description of the CC and undermines the arguments made by the other campaigns.

*Next, let's look at the prices paid by candidates for these services:*

## THE MUNDELL/CHABIN CAMPAIGNS

Mundell and Chabin ran as a team from the very beginnings of their campaign. From their initial kickoff, to their initial press release, to their signage and their messaging, they ran as a single team. They both clearly relied on Strategies 360 as consultants and for their voter contact as well. Except Chabin didn't pay Strategies 360 equally. Mundell was paying Strategies 360 from as far back as April while Chabin didn't pay until mid-August.

Yet in spite of having a professional consulting firm, Mundell and Chabin both waited until the end of an uncontested primary to each pay \$25,000 to a new vender for consulting/training? Several questions are raised by the Mundell and Chabin responses:

Who was running the race for Mundell and Chabin? Their efforts were clearly coordinated but for most of the primary, yet only Mundell was paying Strategies 360.

Is it Chabin's contention that he received no guidance/consulting/advice for the entire primary period except the final 26 days? It is worth noting that by the time Chabin made his payment to the Arizona Democrat Party both he and Mundell were already employing Leah Gillespie for consulting as well.

What advice/guidance/training did they receive from the Arizona Democratic Party in the final 26 days that was worth \$25,000 each? Perhaps it wasn't even 26 days worth, because just a few days later Chabin was writing checks to Strategies 360 for, you guessed it, consulting.

The last question is interesting because I've done a great deal of training over the years. And "volunteer training, field organization, campaign finance advice, media consulting" is the same for candidates regardless of the size of their race. Since each of the above listed categories of training was claimed by the other respondents, is only the "campaign consulting" portion of the services described by Chabin/Mundell's response (which is not always claimed by the others) where the difference in price is between candidates who paid a few thousand dollars and Chabin/Mundell's twenty-five thousand dollars each? If so, it is nonsense to claim \$50,000 in consulting expenses for 26 days of a race, particularly when already employing two other consultants. Strategies 360 was the team's consultant, so what did Chabin/Mundell get for their fifty thousand dollars from the Arizona Democratic Party?

## CHABIN & MUNDELL GENERAL ELECTION SPENDING

Chabin and Mundell each gave the Arizona Democratic Party \$25,000 with less than one month to go in an uncontested primary, claiming it was exclusively for training and consulting. Yet days later Chabin began finally paying the consultants who were actually running his race. Chabin and Mundell paid nothing to the Democratic Party during the general election, when it would have mattered. What did they actually get for their money? Did they really pay \$50,000 for advice on how to get through the last few days of an uncontested primary while also paying one or two other consultants? Of course not. So what were they paying for?

### **THE CASILLAS CAMPAIGN**

Casillas paid \$6,000 with six days to go in her uncontested primary election period, again claiming just “consulting/training.” During her contested general election, she paid the Arizona Democratic Party nothing and based on her campaign finance reports went through a highly contested general election contests without any consulting. Or did she prepay it?

### **THE WIECHERT CAMPAIGN**

Wiechert received the same “volunteer training, field organization, and campaign management and consulting services” described by the other campaigns yet paid only \$2,500 for what other paid \$6,000 (for legislative campaigns) or \$25,000 (for Corp Comm campaigns). If we are to believe that Wiechert only paid for advice and training, and the description of the training his campaign received is described in the exact same manner as the others, why did his cost so much less? It would make sense if he was buying less product, but he claims he was receiving the same training, also paying on August 24<sup>th</sup> with just six days to go in his uncontested primary, yet he paid substantially less. Why? And for what?

### **THE DEANNA FOR DISTRICT 21 CAMPAIGN**

Deanna for District 21 paid substantially less than other legislative campaigns for her VAN access, but she was also a customer of the Arizona Democratic Party’s consulting/training, for which she paid just \$2,000 on 8/19 and another \$2,300 on 8/29. So not only did her training cost less than almost everyone else’s, but she got \$2,300 worth of additional consulting/training just one day before her uncontested primary? Not likely.

### **THE PAWLIK CAMPAIGN**

Pawlik paid the same discounted rate as Wiechert on 8/19, just \$2,500 for the same collection of “volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting.” as the other candidates paid \$6,000 or more for. Why the discount?

### **THE SALMAN AND BROWN CAMPAIGNS**

Salman and Brown are interesting cases, because each waited until the general election to get “trained”. In Brown’s case she wasn’t funded until September 6<sup>th</sup>, so she had no primary money. But Salman was funded in April, got through the primary, filed campaign finance statements, and then in September decided to get training/consulting on campaign finance and how to run a campaign. Making Salman’s case more interesting is that her payments were for the same services described on every other response filed by campaigns (other than Hammond), yet she paid \$3,615.50 on 9/12 and another \$2,826.00 on 9/24. A total of \$6,441.50 makes sense for product, but it is a bizarrely odd amount to pay for services that everyone else has paid very round sums for (\$2500, \$6000, \$25000). Salman’s responded that she got the same as everyone else, but that appears to be inaccurate.

Salman also spent \$100 on a contribution to Ann Kirkpatrick’s U.S. Senate campaign, which appears to be a violation of the rules.

Brown's expenditure is absurd. Think of a campaign consultant like an investment advisor. Sure, you pay a fee or a percentage, but the advice you receive helps you to more effectively invest your money, netting you what is ultimately a higher return. But no one takes a \$24,000 investment and gives \$12,000 of it to an advisor in the hopes of securing a higher return on the \$12,000 that remains, any more than a legitimate advisor would take half of someone's money in exchange for advice on how to win their race. Their fees would have removed any chance of victory.

### **MANY QUESTIONS REMAIN**

*Why did so many candidates wait until after the voting had started, in uncontested primaries, to transfer thousands or tens of thousands of dollars each to the Arizona Democratic Party, in exchange for consulting/training that could not have provided them with any value for their primary election?*

*Why did all of these same candidates then fire their "consultants" before their contested general elections?*

*Why did all of the candidates using the same attorney describe a CC that was completely different from the same CC described by the Hammond campaign?*

*Why did so many pay different amounts to receive the same services?*

*Why did Salman pay such a uniquely different number?*

*Why did Brown pay half of her funding for advice and cripple her own campaign, and why was the advice/training that Brown received at least twice as valuable as that received by any other legislative campaign?*

*Why did giving the same advice to statewide candidates cost more than twice as much as giving it to Brown, and more than four times as much as giving it to the rest?*

The Clean Elections Commission ought to look at the training and/or consulting that took place in those precious few days at the end of the primary season to determine what work, if any, was done, and why the same work for candidates running for the same offices cost such wildly different amounts? It is also the only way to verify that primary funds were used for primary election purposes and that the spending was as described by the campaigns, even when those descriptions contradict each other (Hammond vs the rest).

I assume these candidates and/or the Democratic Party would not want to place into the public domain the contents of their training and/or consulting, but inspection could be done in such a way as to provide proof that the law was followed, without over-exposing their strategies, etc.

### **VOTER DATA FEES**

As a separate note, the legislative candidates paid a wide range of amounts to receive voter data for their legislative races, ranging from \$250 up to \$850. Why the different amounts for what each campaign describes in identical fashion for districts that are also of similar size?

## THE IMPORTANCE OF GETTING THIS RIGHT

At the end of the day it is quite possible that the Clean Elections Commission will determine that campaigns may simply pay to the parties any amount for "consulting" and that there is no oversight required. So the 2018 cycle may see scores of Clean Elections candidates transfer the majority of their Clean Elections money to the parties. Those monies will obviously then be used to fund party activities quite separate from the actual campaigns of the Clean Elections candidates. This seems to be at odds with the purpose of the Clean Elections Act, but the only way to prevent that is to crack down on behavior that is otherwise not allowed.

It may be that consultants or parties offering consulting are allowed to gouge candidates and that there is no way to stop phony candidates from willingly participating in such schemes in an effort to enrich vendors or parties. The Act did not likely anticipate such behavior. The Act did, however, anticipate that candidates might use primary money to fund general election benefits and prohibited it. The Act similarly did require accurate reporting of products/services received, so product may not be called consulting, etc.

My apologies for delivering such a lengthy document, but there are a great many items to deal with. I appreciate you taking the time to read it and am available to answer any questions you may have.

Thank you,



Constantin Querard  
330 E Thomas Rd  
Phoenix, AZ 85012

State of Arizona     )  
                                      )  
County of Maricopa    )

Subscribed and sworn (or affirmed) before me this 15<sup>th</sup> day of November, 2016.

  
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NOTARY PUBLIC



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# EXHIBIT D

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Bill Mundell  
Participating Candidate for  
Corporation Commissioner  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Bill Mundell for Corporation Commission (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

### **Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

### **Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
  - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

### **Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$80,367.29, however the Amended Post-Primary campaign finance report reflected an ending balance of \$80,382.58. The Amended Post-Primary campaign finance report did not reflect the unspent amount of \$154.56 indicated in the Primary Recap Report, and therefore a variance of \$139.27 was determined to be additional unspent monies due to the Commission. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The Campaign had initially remitted \$1,788.00 in unspent monies to the Commission, in an untimely manner, which was in excess of the calculated total of unspent funds of \$293.83. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$139.27 variance described above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support, with two exceptions noted. The Campaign did not obtain the occupation and employer of two contributors tested. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(1), the treasurer of a candidate's campaign committee is the custodian of the candidate's books and records of accounts and transactions, shall keep a record of all of the following: (b), the identification of any individual or political committee that makes any contribution together with the date and amount of each contribution and the date of deposit into the candidate's campaign bank account. The Citizens Clean Elections Act & Rule Manual definition 16-901 (13)(a) defines "identification" as, for an individual, his name, mailing address, his occupation and the name of his employer.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$390.94, received from another campaign committee for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however the expenditures were incurred on 4/7/16, whereas the reimbursements were not made until 8/11/16. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-109(B)(4), a joint expenditure is made when two or more candidates agree to share the cost of goods or services. Candidates may make a joint expenditure on behalf of one or more other campaigns, but must be authorized in advance by the other candidates involved in the expenditure, and must be reimbursed within seven days. The two reimbursements tested were not made within seven days.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The Campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception noted. The Campaign finance report included a \$3,000.00 expenditure for consultants, however the invoice retained by the Campaign did not itemize or detail the services that were provided.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes with two exceptions. The Campaign finance report included a \$3,000.00 expenditure for consultants, and the invoice retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Bill Mundell for Corporation Commission. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 13, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Deanna Rasmussen-Lacotta  
Participating Candidate for  
State Representative – District No. 21  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Deanna for District 21 (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

Early contributions received during the periods reviewed did not exceed the \$4,011 limit for a legislative candidate.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

Personal contributions received during the periods reviewed did not exceed the \$720 limit for a legislative candidate.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

### **Finding**

We noted no unusual disbursements during our review, except for a loan that was made to the Committee by the Candidate on April 24, 2016, that was not repaid until August 30, 2016. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-104(E), if the loan is to be repaid, the loans shall be repaid promptly upon receipt of Clean Elections funds if the participating candidate qualifies for Clean Elections funding. The Committee received their Clean Elections funding on July 20, 2016.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

### **Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

## 2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

### **Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided a description of bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

### **Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

### **Finding**

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support, except for one exception noted. The Campaign did not give or maintain a copy of a written receipt for one \$100.00 cash contribution, at the time the contribution was made. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(4), all contributions other than in-kind contributions and qualifying contributions must be made by a check drawn on the account of the actual contributor or by a money order or a cashier's check containing the name of the actual contributor or must be evidenced by a written receipt with a copy of the receipt given to the contributor and a copy maintained in the records of the candidate.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

### **Finding**

No other types of cash receipts were reported in the Candidate's campaign finance reports during the periods reviewed.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
  - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

### **Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

### **Finding**

We reviewed five expenditures and five Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes, however, the initial documentation maintained by the Campaign and provided for three Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

### **Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

### **Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

### **Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

### **Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Deanna for District 21. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

November 30, 2016

**CITIZENS CLEAN ELECTIONS COMMISSION**

**Report on Agreed-Upon Procedures**

**Athena Salman  
Participating Candidate for  
State Representative – District No. 26  
Primary Election 2016**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission  
Citizens Clean Elections Commission  
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Salman for House (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures

- a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

**Finding**

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

- b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

**Finding**

No contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iii) Check compliance with the maximum early contribution limits.

**Finding**

No early contributions were reported in the Candidate's campaign finance reports for the periods reviewed.

- (iv) Check compliance with the maximum personal contribution limits.

**Finding**

No personal contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

**Finding**

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

**Finding**

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

**Finding**

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting her. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

**Finding**

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

**Finding**

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

**Finding**

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
- Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

**Finding**

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

**Finding**

Proof of receipts and disbursements was performed for the reporting period and no exceptions were noted.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

**Finding**

No contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

**Finding**

Two cash receipts totaling \$21.60, received from other campaign committees for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We reviewed supporting documentation noting the receipts appear to comply with regulatory rules and laws. We also agreed the receipts to the campaign account bank statement.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

**Finding**

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:

- (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report without exception.

- Agree the amount of the expenditure to the campaign account bank statement.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

**Finding**

We reviewed five expenditures and one Democratic Party expenditure (total population) and determined that all appeared to have been made for direct campaign purposes.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

**Finding**

None of the expenditures we tested appeared to be for joint expenditures.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

**Finding**

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

**Finding**

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

**Finding**

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Salman for House. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

*Foster & Chapman P.C.*

December 7, 2016

# EXHIBIT E

MUR16-005 Democratic Candidates Expenditures

Candidate	Expenditure Date	Expenditure Amount	CFR Expenditure Description	Response	Audit	Audit Findings (if applicable)
Athena Salman	9/12/2016	\$3,615.00	Professional Svcs. - Consulting - Organizer: responsible for managing fellows, stregy for field, direct voter contact, voter registration	Respondent provided two declarations regarding the expenditures in question. Respondent states the Arizona Democratic Party provided general consulting services to the campaign through the coordinated campaign program. Respondent states the coordinated campaign was not a joint expenditure and received the following services: general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting. Respondent states these services were for a direct campaign purpose.	Candidate was selected for a Primary Election Audit on 9/15/16. These expenditures were audited.	External auditors reviewed the expenditure in question, reviewed campaign finance reports, and documentation provided for the expenditure and determied the expenditure was for a direct campaign purpose.
Steven Weichert	7/9/2016	\$650.00	Professional Svcs. - Voter List	Respondent provided copies of checks, receipts and two declarations regarding the expenditures. Candidate declares these expenditures were for direct campaign purposes, the Democratic Party was the vendor, and the coordinated campaign was not a joint expenditure with other candidates. Respondent received "general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting" for the coordinated campaign fee of \$2,500. The rent charges were paid to the Maricopa County Democratic Party for use of an office and reported when they were paid.	Candidate was selected for a General Election Audit on 10/27/16.	
	8/1/2016	\$575.69	Rent/Utilities			
	8/24/2016	\$2,500.00	Professional Svcs. - Consulting, Coordinated campaign, buy-in			
	8/28/2016	\$862.00	Rent/Utilities			
	9/1/2016	\$375.00	Auto-Dialer- Sept.			
Jennifer Pawlik	6/16/2016	\$100.00	Professional Svcs. - Voter List VAN	Respondent provided copies of checks, receipts and two declarations regarding the expenditures. Candidate declares these expenditures were for direct campaign purposes, the Democratic Party was the vendor, and the coordinated campaign was not a joint expenditure with other candidates. Respondent received "general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting" for the coordinated campaign fee of \$2,500. The rent charges were paid to the Maricopa County Democratic Party for use of an office and reported when they were paid.	Candidate was selected for a General Election Audit on 10/27/16.	
	8/19/2016	\$2,500.00	Professional Svcs. - Consultants			
	7/28/2016	\$1,030.00	Rent - Buy -In			
	8/28/2016	\$862.00	Rent			
	9/6/2016	\$375.00	Auto-Dialer- Sept.			

MUR16-005 Democratic Candidates Expenditures

Candidate	Expenditure Date	Expenditure Amount	CFR Expenditure Description	Response	Audit	Audit Findings (if applicable)
Deanna Rasmussen-Lacotta	6/28/2016	\$50.00	Professional Svcs. -Info Tech Services	Respondent provided two declarations regarding the expenditures in question. Respondent states the Arizona Democratic Party provided general consulting services to the campaign through the coordinated campaign program. Respondent states the coordinated campaign was not a joint expenditure and received the following services: general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting. Respondent states these services were for a direct campaign purpose.	Candidate was selected for a Primary Election Audit on 9/15/16. These expenditures were audited.	External auditors reviewed the expenditures, reviewed campaign finance reports, campaign committee's bank records, and documentation provided for the expenditures and determied the expenditures were for direct campaign purposes. Initally, the auditors found the documentation for three of the Democratic Party expenditures was inadquate because it did not provide detailed information but the Respondent provided additonal documentation to clear the exceptions.
	7/21/2016	\$400.00	Professional Svcs. -Info Tech Services VAN			
	8/19/2016	\$2,000.00	Coordinated Campaign			
	8/29/2016	\$2,300.00	Coordinated Campaign			
	8/30/2016	\$250.00	VAN			
Carmen Casillas	7/7/2016	\$100.00	Professional Svcs. - Voter List VAN	Respondent provided copies of receipts and two declarations regarding the expenditures. Candidate declares these expenditures were for direct campaign purposes, the Democratic Party was the vendor, and the coordinated campaign was not a joint expenditure with other candidates. Respondent received "general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting" for the coordinated campaign fee of \$6,000. Respondent paid \$250 to the Party for a photography session.		
	8/24/2016	\$6,000.00	Joint Campaign			
	8/24/2016	\$650.00	VAN- Balance Due			
	8/30/2016	\$250.00	Campaign Photo Shoot			
Elizabeth Brown	6/9/2016	\$50.00	Voter List- VAN	Respondent provided copies of receipts and two declarations regarding the expenditures. Candidate declares these expenditures were for direct campaign purposes, the Democratic Party was the vendor, and the coordinated campaign was not a joint expenditure with other candidates.		
	7/5/2016	\$50.00	Voter List- VAN			
	9/7/2016	\$306.71	Voter List- VAN			
	9/8/2016	\$12,000.00	Miscellaneous			

## MUR16-005 Democratic Candidates Expenditures

Candidate	Expenditure Date	Expenditure Amount	CFR Expenditure Description	Response	Audit	Audit Findings (if applicable)
				Respondent received "general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting" for the coordinated campaign fee of \$12,000. The candidate did report the payment to to the Party as "Miscellaneous" on her campaign finance report.		
Tom Chabin	6/15/2016	\$50.00	Professional Svcs. - Voter List VAN	Respondent provided copies of checks, receipts and two declarations regarding the expenditures. Candidate declares these expenditures were for direct campaign purposes, the Democratic Party was the vendor, and the coordinated campaign was not a joint expenditure with other candidates. The coordinated campaign fee of \$25,000 paid to the Party for "general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting."	Candidate was selected for a General Election Audit on 10/27/16.	
	6/15/2016	\$1,298.86	Signatures and Printing			
	7/11/2016	\$50.00	Professional Svcs. - Voter List VAN	Respondent paid \$1,298.86 the Party for signature collection and printing of petition sheets.		
	8/4/2016	\$4,000.00	Professional Svcs. - Voter List VAN			
	8/4/2016	\$25,000.00	Coordinated Campaign			
	9/1/2016	\$25.00	Fair Event Expenses			
Bill Mundell	6/15/2016	\$50.00	Professional Svcs. - Voter List VAN	Respondent provided two declarations regarding the expenditures in question. Respondent states the Arizona Democratic Party provided general consulting services to the campaign through the coordinated campaign program. Respondent states the coordinated campaign was not a joint expenditure and received the following services: general consulting services, volunteer training, field organization, campaign finance advice, media consulting, and campaign consulting. Respondent states these services were for a direct campaign purpose.	Candidate was selected for a Primary Election Audit on 9/15/16. These expenditures were audited.	External auditors reviewed the expenditures, reviewed campaign finance reports, campaign committee's bank records, and documentation provided for the expenditures and determied the expenditures were for direct campaign purposes. Initially, the auditors found the documentation for five of the Democratic Party expenditures was inadquate because it did not provide detailed information but the Respondent provided additonal documentation to clear the exceptions. Auditors also noted that joint expenditures were appropriately reported.
	6/15/2016	\$1,295.86	Buy-In to MCDP Coordinated Campaign			
	7/11/2016	\$50.00	Professional Svcs. - Voter List VAN			
	8/2/2016	\$70.00	Miscellaneous - Gala tickets Pinal County			
	8/4/2016	\$25,000.00	Coordinated Campaign Buy-In and VAN			
	8/4/2016	\$4,000.00	VAN Access			
	9/1/2016	\$25.00	Event Expense- Fair Yavapai County			

# EXHIBIT F

## Sara Larsen

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**From:** Sam Almy <salmy@azdem.org>  
**Sent:** Friday, April 08, 2016 11:33 AM  
**To:** Sara Larsen  
**Subject:** Voter File Pricing Sheet  
**Attachments:** AZ VAN Pricing 2015-16.pdf

Sara,

Here are our revised guidelines to include clean elections pricing. Please let me know what you think.

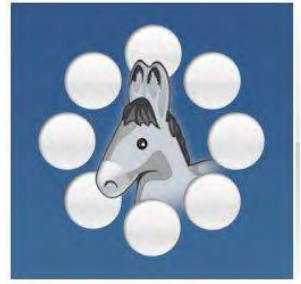
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Sam Almy  
Elections Director  
AZ Democratic Party  
602-234-6822



# Arizona Democratic Party

## Voter File Pricing



Votebuilder, or the VAN, is the platform that is used to provide access to the Arizona Democratic Party's enhanced voter file. Votebuilder is a partnership between the Arizona Democratic Party and the Democratic National Committee. The website is administered by NGP-VAN. The Arizona Democratic Party can provide Votebuilder access to Democratic candidates, allied groups, and consultants for fair-market value. Access to the voter file is subject to the approval of the Arizona Democratic Party. Any questions can be directed to Sam Almy at (602)298-4200 or [salmy@azdem.org](mailto:salmy@azdem.org).

To help offer the right set of tools for each campaign, there are now three levels of access. Please see the package descriptions below for more information.

### **Signature Only:**

The signature only package is designed to allow candidates to gather signatures to qualify for the ballot. The package is the bare minimum a candidate will need to qualify for the ballot. You are able to search for Democrats only, there are no exporting capabilities, and your account will expire on the signature deadline.

### **Clean Elections Package**

For those candidates participating in Arizona's clean elections program, there are additional rules and pricing guidelines. The full Standard Package cannot be given unless the candidate has paid for the full amount, otherwise access would be considered an in-kind contribution. Clean Elections candidates will be billed monthly (see pricing chart) with access to the Signature Only package. The amount billed will be credited towards the Standard Package if candidates choose.

### **Standard Package**

This package is recommended for all candidates. It includes the regular VAN features of creating lists, exporting mail lists, searching on all voters, access to two modeling scores, and counts and crosstabs. This package will run through the general election. The two modeling scores are turnout and partisan score.

### **Analytics Package**

For some campaigns, advanced analytics is needed to win. This package is recommended for those candidates in competitive races, particularly legislative races. The Analytics Package includes everything in the Standard Package. Also included are access to issue based modeling scores such as Choice, Gun Control, College Graduate, Down Ballot Roll Off Risk, and more. In addition to these modeling scores, lists

of up to 5,000 records can be exported without approval by the VAN administrator. For a list of modeling scores, see below or ask the VAN Administrator for current list.

## A la Carte Modeling Scores

Some modeling scores may be more useful than others. If a campaign would like access to one or two of the analytics package models, they can chose from the list. The cost will be negotiable.

## Package Comparison

Feature	Signature Only	Standard	Analytics
Quick Look Up	✓	✓	✓
Create A List	✓	✓	✓
Cut Turf	✓	✓	✓
Print List	✓	✓	✓
Data Entry	✓	✓	✓
MiniVAN Access	✓	✓	✓
Search on Independents	✓	✓	✓
Search on Republicans	✗	✓	✓
Search on Ethnicity	✗	✓	✓
Search on Scoring	✗	✓	✓
Print Labels	✗	✓	✓
Export Mail/Call List	✗	✓	✓
Counts and Crosstabs	✗	✓	✓
Bulk Upload	✗	✓	✓
Virtual Phone Bank	✗	✓	✓
Robo Calls*	✗	✓	✓
Robo Surveys*	✗	✓	✓
Create Survey Questions	✗	✓	✓
Create Activist Codes	✗	✓	✓
Create Scripts	✗	✓	✓
Create Report Formats	✗	✓	✓
Access to MyCampaign	✗	✓	✓
Create Volunteer Records	✗	✓	✓
Create Volunteer Events	✗	✓	✓
Schedule Volunteers	✗	✓	✓
Advanced Modeling	✗	✗	✓
Export Without Approval**	✗	✗	✓
Priority VAN Support	✗	✗	✓
Detailed District Analysis	✗	✗	✓
Detailed Post Election Analysis	✗	✗	✓
Inclusion on Daily Reports	✗	✗	✓

\*For an additional cost

\*\*Up to 5,000 Records

# Pricing Chart

VAN pricing is based on two criteria – number of voter records and the location of the race on the ballot. For instance, a school district in Maricopa County may have a large number of voters, but because of the down ballot nature of the race, the price will be reduced.

	Jurisdiction	Signature Only	Standard	Analytics
<b>State and Federal Offices</b>	Statewide	-	\$12,000	\$15,000
	Congressional District	-	\$3,000	\$4,000
	Legislative District	\$250	\$800	\$1,000
<b>Counties and County Supervisors</b>	Maricopa County	\$750	\$5,000	\$6,250
	Pima County	\$300	\$2,500	\$3,125
	Yavapai & Pinal County	\$100	\$500	\$625
	Other Counties	\$50	\$250	\$300
	Maricopa Supervisor	\$500	\$1,500	\$1,875
	Pima Supervisor	\$300	\$750	\$950
	Other Supervisor	\$50	\$250	\$300
<b>Cities and City Districts</b>	City of Phoenix	\$350	\$2,000	\$2,500
	Phoenix City District	\$250	\$800	\$1,000
	City of Tucson	\$250	\$1,200	\$1,500
	City of Tucson Ward	\$75	\$400	\$500
	City of Mesa	\$250	\$1,200	\$1,500
	Cities 100k to 150k	\$100	\$750	\$950
	Cities 50k to 100k	\$50	\$350	\$450
	Cities 10k to 50k	-	\$250	\$250
	Cities under 10k	-	\$100	\$100
	Other City Districts	-	\$250	\$300
<b>Judge – Justice of the Peace – Constable</b>	Maricopa & Pima JP	\$50	\$350	\$450
	Other JP	\$50	\$250	\$300
	Constable	\$50	\$250	\$300
	Maricopa & Pima Judge	\$50	\$350	\$450
	Other Judge	\$50	\$250	\$300
<b>School Districts</b>	School District	\$50	\$250	\$300
	Phoenix Union HSD	\$50	\$350	\$400
<b>County Party</b>	Maricopa County	-	-	\$1,000
	Pima County	-	-	\$500
	Other Counties	-	-	\$250

# Payment Deadlines

Campaigns do not raise all their money at one time. Because of this, the Arizona Democratic Party will work with anyone one creating a payment plan that works for your campaign. Below are hard deadlines required to keep access to the VAN.

Payment	Package	Federal & Statewide Candidates	Candidates with a primary	Candidates without a primary	Clean Elections Candidates
<b>Deposit</b>	Signature Only	N/A	\$50 due on activation	\$50 due on activation	\$50 Monthly
	Standard	10% due by May 1 <sup>st</sup> prior to election year	\$50 due 30 days after activation	\$50 due 30 days after activation	\$50 Monthly
	Analytics	10% due by May 1 <sup>st</sup> prior to election year	\$50 due 30 days after activation	\$50 due 30 days after activation	\$50 Monthly
<b>1/2 Payment</b>	Signature Only	N/A	30 days after activation	30 days after activation	\$50 Monthly
	Standard	July 1 <sup>st</sup> prior to election year	45 days before primary election	45 days before general election	\$50 Monthly
	Analytics	July 1 <sup>st</sup> prior to election year	45 days before primary election	45 days before general election	\$50 Monthly
<b>Full Payment</b>	Signature Only	N/A	30 days before signatures are due	30 days before signatures are due	\$50 Monthly
	Standard	October 1 <sup>st</sup> prior to election year	15 days before primary election date	15 days before general election date	\$50 Monthly
	Analytics	October 1 <sup>st</sup> prior to election year	15 days before primary election date	15 days before general election date	\$50 Monthly



**CITIZENS CLEAN ELECTIONS COMMISSION**  
**Independent Expenditure Report**

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

**OFFICIAL USE ONLY**

☐ Received \_\_\_\_\_

☐ Amended Report

Name: Senate Victory PAC				
Address: 727 E. Bethany Home Road, Suite B109		City: Phoenix	State: AZ	Zip: 85014
Telephone Number: (602) 248-0797		Fax Number:		
Name of Authorized Agent: Walter Dudley		Telephone Number: (602) 248-0797	E-mail Address: wfdudley@dhtax.net	
Authorized Agent Address (if different from above): (see above)		City:	State:	Zip:

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
9/23/2016	\$3,400	Allen, Kais, Shope, Ackerly, Thorpe	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9/26/2016	\$10,000	Bagley	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10/7/2016	\$7,763	Bagley	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10/13/2016	\$32,500	Pratt, Kais, Allen	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/16/2016	\$16,000	Schmuck, Brophy-McGee	<input checked="" type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [cccec@azcanelections.gov](mailto:cccec@azcanelections.gov).


Forms received within 24 hours of the date of expenditure will be considered timely.

Failure to file the form and submit the information required subjects an entity that makes independent expenditures to penalties under the Clean Elections Act unless the entity receives an exemption from the Commission. Exemption forms are available at [www.azcanelections.gov](http://www.azcanelections.gov).

Please contact [cccec@azcanelections.gov](mailto:cccec@azcanelections.gov) or (602) 364-3477 with questions.

\*The independent expenditure date is the date when the literature or advertisement is distributed. The independent expenditure may be paid for at a later date as reported on committee campaign finance reports required by A.R.S. §16-915.

I, the undersigned, certify that the above statements are true and accurate to the best of my knowledge and belief:

 12-02-16  
Signature of Authorized Agent

Senate Victory PAC submits this report under protest and subject to its position that the Arizona Citizens Clean Elections Commission lacks jurisdiction over independent expenditure committees such as Senate Victory PAC, and has no authority under Arizona law to impose reporting, disclosure or other regulatory obligations on such entities. Senate Victory PAC fully reserves all rights, claims, defenses and arguments in any proceeding before the Arizona Citizens Clean Elections Commission in connection with this report or any other matter.

**STATE OF ARIZONA**  
**CITIZENS CLEAN ELECTIONS COMMISSION**

In the Matter of:

Senate Victory PAC, Respondent

MUR No. 16-007

**[Proposed] CONCILIATION AGREEMENT**

Pursuant to ARS § 16-957(A), the Citizens Clean Elections Commission (the "Commission"), Senate Victory PAC (Respondent) enter this Conciliation Agreement (the "Conciliation Agreement") in the manner described below:

- A. Senate Victory PAC did not timely file certain reports required by the Commission related to spending on behalf certain candidates. See Exhibit A (Filings). The Commission finds that these failures demonstrate there is reason to believe Respondent may have committed a violation of the Citizens Clean Elections Act and Commission rules (collectively, the "Act").
- B. A.R.S. § 16-941(D) states that "any person who makes independent expenditures related to a particular office" in excess of certain amounts must report such expenditures to the Secretary of State. A.R.S. § 16-956(A)(7) provides that the Commission has authority to enforce the Act and Rules, to include the assessment of penalties that apply for failure to file reports.
- C. On November 2, 2016, the Commission received a Complaint regarding Respondent's failure to file a report required by A.R.S. § 16-941, -958. After receiving the Complaint the Commission Staff reviewed the Respondent's Campaign Finance Reports. Those

1 reports indicated other independent expenditures that the Commission maintains  
2 should have been reported pursuant to the Act

3 D. In response to the Complaint and the Supplemental Complaint, Respondent has filed  
4 several reports under protest.

5 E. This Conciliation Agreement concludes the Commission's enforcement proceeding  
6 respecting the Complaint and additional reports that Respondent should have timely  
7 filed.

8 WHEREFORE, the Commission enters the following orders in lieu of any other action regarding this  
9 matter:

10 1. The Commission has jurisdiction over persons subject to ARS 16-941(D) and 16-958,  
11 including political committees. Respondent disputes this jurisdiction, but avows that the  
12 Campaign Finance Reporting System did not prompt it to make any reports as called  
13 for in those statutes, and it had no knowledge of the Commission's efforts to provide  
14 alternative electronic means of filing.

15 2. Pursuant to A.R.S. §§ 16-941(D) and -958 any person who makes an independent  
16 expenditure above a threshold set forth in the Clean Elections Act must file reports  
17 required by the person and that under A.R.S. § 16-942(B) the statutory penalty for any  
18 reporting violation on behalf of a candidate is up to \$880 per day up to twice the value  
19 of the unreported amount. Respondent disputes that its expenditures were subject to  
20 the reporting requirements set forth in A.R.S. §§ 16-941(D) and -958 and disputes the  
21 Commission's authority under A.R.S. § 16-942(B) to assess any statutory penalty in  
22 connection with such expenditures.

23 3. Respondent agrees to settle this matter for \$2,500, in addition to the other provisions  
24 herein. This amount represents a mitigated fine based, in part, on the facts stated in  
25 paragraph 1.

26 4. To satisfy the debt amount acknowledged above, Respondent shall pay to the  
Commission \$2,500 by \_\_\_\_\_.

- 1           5.     All payments shall be made by check or money order payable to the Citizens Clean  
2                 Elections Fund and delivered to the Citizens Clean Elections Commission, 1616 West  
3                 Adams, Suite 110, Phoenix, Arizona, 85007.
- 4           6.     The Commission shall not commence any legal action against Respondent to collect  
5                 the claims so long as they are not in default.
- 6           7.     Respondent shall be in default of this Agreement upon the occurrence of any of the  
7                 following:
- 8                 a.     Respondent fails to make any payment required hereunder within five (5) working  
9                         days following the date due;
- 10                b.     Respondent files a petition under the bankruptcy laws or any creditor of the  
11                         Respondent files any petition under said laws against the Respondent;
- 12                c.     Any creditor of Respondent commences a foreclosure action to foreclose (by suit  
13                         or trustee sale) on real property of the Respondent or commences garnishment,  
14                         attachment, levy or execution against the Respondent's property; or;
- 15                d.     Respondent provides false information to the Commission.
- 16                e.     Respondent fails to abide by any provision of this agreement.
- 17           8.     In the event of default hereunder, at the option of the Commission, all unpaid amounts  
18                 hereunder shall be immediately due and payable and the Commission may pursue  
19                 additional penalties mitigated by this agreement. In addition, interest shall accrue on  
20                 the unpaid balance from the date that the payments become due and payable. Interest  
21                 shall accrue at the statutory rate of ten percent (10%) pursuant to A.R.S. § 44-1201(A).
- 22           9.     Nothing contained in this Agreement shall be construed to prevent any state agency  
23                 which issues licenses for any profession from requiring that the debt in issue be paid in  
24                 full before said agency will issue Respondent a new license.
- 25           10.    The Commission may waive any condition of default without waiving any other  
26                 condition of default and without waiving its rights to full, timely future performance of  
                    the conditions waived.

- 1 11. In the event legal action is necessary to enforce collection hereunder, Respondent shall  
2 additionally pay all costs and expenses of collection, including without limitation,  
3 reasonable attorneys' fees in an amount equal to thirty-five percent (35%) of monies  
4 recovered.
- 5 12. Respondent acknowledges that all obligations payable pursuant to this Agreement  
6 constitute a fine, penalty, or forfeiture payable to and for the benefit of a governmental  
7 unit, and not compensation for actual pecuniary loss; and that pursuant to 11 USC §  
8 523 such obligations are not subject to discharge in bankruptcy.
- 9 13. This Agreement shall be construed under the laws of the State of Arizona.
- 10 14. In the event that any paragraph or provision hereof shall be ruled unenforceable, all  
11 other provisions hereof shall be unaffected thereby.
- 12 15. This Agreement shall constitute the entire agreement between the parties regarding the  
13 subject matter. This Agreement shall not be modified or amended except in a writing  
14 signed by all parties hereto.
- 15 16. This Agreement shall not be subject to assignment.
- 16 17. No delay, omission or failure by the Commission to exercise any right or power  
17 hereunder shall be construed to be a waiver or consent of any breach of any of the  
18 terms of this Agreement by the Respondent.
- 19 18. By entering into this Agreement, the Respondent does not waive any rights, claims,  
20 defenses or arguments in any subsequent proceeding before the Commission or any  
21 agency, court or other tribunal.
- 22 19. Respondent has obtained independent legal advice in connection with the execution of  
23 this Agreement or have freely chosen not to do so. Any rule construing this Agreement  
24 against the drafter is inapplicable and is waived.
- 25 20. This Agreement shall be void unless executed by the Respondent and delivered to the  
26 Commission not later than January 23, 2017.

21. All proceedings commenced by the Commission in this matter will be terminated and the matter closed upon receipt of the final payment of the civil penalty and compliance with the other terms set forth in this Agreement.

Dated this \_\_\_\_ day \_\_\_\_, 2017.

By: \_\_\_\_\_  
Thomas M. Collins, Executive Director  
Citizens Clean Elections Commission

By: \_\_\_\_\_  
, Respondent

**STATE OF ARIZONA**  
**CITIZENS CLEAN ELECTIONS COMMISSION**

In the Matter of:

House Victory PAC, Respondent

MUR No. 16-008

**[Proposed] CONCILIATION AGREEMENT**

Pursuant to ARS § 16-957(A), the Citizens Clean Elections Commission (the "Commission"), House Victory PAC (Respondent) enter this Conciliation Agreement (the "Conciliation Agreement") in the manner described below:

- A. House Victory PAC did not timely file certain reports required by the Commission related to spending on behalf certain candidates. See Exhibit A (Filings). The Commission finds that these failures demonstrate there is reason to believe Respondent may have committed a violation of the Citizens Clean Elections Act and Commission rules (collectively, the "Act").
- B. A.R.S. § 16-941(D) states that "any person who makes independent expenditures related to a particular office" in excess of certain amounts must report such expenditures to the Secretary of State. A.R.S. § 16-956(A)(7) provides that the Commission has authority to enforce the Act and Rules, to include the assessment of penalties that apply for failure to file reports.
- C. On November 2, 2016, the Commission received a Complaint regarding Respondent's failure to file a report required by A.R.S. § 16-941, -958. After receiving the Complaint the Commission Staff reviewed the Respondent's Campaign Finance Reports. Those

1 reports indicated other independent expenditures that the Commission maintains  
2 should have been reported pursuant to the Act

3 D. In response to the Complaint and the Supplemental Complaint, Respondent has filed  
4 several reports under protest.

5 E. This Conciliation Agreement concludes the Commission's enforcement proceeding  
6 respecting the Complaint and additional reports that Respondent should have timely  
7 filed.

8 WHEREFORE, the Commission enters the following orders in lieu of any other action regarding this  
9 matter:

10 1. The Commission has jurisdiction over persons subject to ARS 16-941(D) and 16-958,  
11 including political committees. Respondent disputes this jurisdiction, but avows that the  
12 Campaign Finance Reporting System did not prompt it to make any reports as called  
13 for in those statutes, and it had no knowledge of the Commission's efforts to provide  
14 alternative electronic means of filing.

15 2. Pursuant to A.R.S. §§ 16-941(D) and -958 any person who makes an independent  
16 expenditure above a threshold set forth in the Clean Elections Act must file reports  
17 required by the person and that under A.R.S. § 16-942(B) the statutory penalty for any  
18 reporting violation on behalf of a candidate is up to \$880 per day up to twice the value  
19 of the unreported amount. Respondent disputes that its expenditures were subject to  
20 the reporting requirements set forth in A.R.S. §§ 16-941(D) and -958 and disputes the  
21 Commission's authority under A.R.S. § 16-942(B) to assess any statutory penalty in  
22 connection with such expenditures.

23 3. Respondent agrees to settle this matter for \$2,500, in addition to the other provisions  
24 herein. This amount represents a mitigated fine based, in part, on the facts stated in  
25 paragraph 1.

26 4. To satisfy the debt amount acknowledged above, Respondent shall pay to the  
Commission \$2,500 by \_\_\_\_\_.

- 1           5.     All payments shall be made by check or money order payable to the Citizens Clean  
2                 Elections Fund and delivered to the Citizens Clean Elections Commission, 1616 West  
3                 Adams, Suite 110, Phoenix, Arizona, 85007.
- 4           6.     The Commission shall not commence any legal action against Respondent to collect  
5                 the claims so long as they are not in default.
- 6           7.     Respondent shall be in default of this Agreement upon the occurrence of any of the  
7                 following:
- 8                 a.     Respondent fails to make any payment required hereunder within five (5) working  
9                         days following the date due;
- 10                b.     Respondent files a petition under the bankruptcy laws or any creditor of the  
11                         Respondent files any petition under said laws against the Respondent;
- 12                c.     Any creditor of Respondent commences a foreclosure action to foreclose (by suit  
13                         or trustee sale) on real property of the Respondent or commences garnishment,  
14                         attachment, levy or execution against the Respondent's property; or;
- 15                d.     Respondent provides false information to the Commission.
- 16                e.     Respondent fails to abide by any provision of this agreement.
- 17           8.     In the event of default hereunder, at the option of the Commission, all unpaid amounts  
18                 hereunder shall be immediately due and payable and the Commission may pursue  
19                 additional penalties mitigated by this agreement. In addition, interest shall accrue on  
20                 the unpaid balance from the date that the payments become due and payable. Interest  
21                 shall accrue at the statutory rate of ten percent (10%) pursuant to A.R.S. § 44-1201(A).
- 22           9.     Nothing contained in this Agreement shall be construed to prevent any state agency  
23                 which issues licenses for any profession from requiring that the debt in issue be paid in  
24                 full before said agency will issue Respondent a new license.
- 25           10.    The Commission may waive any condition of default without waiving any other  
26                 condition of default and without waiving its rights to full, timely future performance of  
                    the conditions waived.

- 1           11.     In the event legal action is necessary to enforce collection hereunder, Respondent shall  
2                     additionally pay all costs and expenses of collection, including without limitation,  
3                     reasonable attorneys' fees in an amount equal to thirty-five percent (35%) of monies  
4                     recovered.
- 5           12.     Respondent acknowledges that all obligations payable pursuant to this Agreement  
6                     constitute a fine, penalty, or forfeiture payable to and for the benefit of a governmental  
7                     unit, and not compensation for actual pecuniary loss; and that pursuant to 11 USC §  
8                     523 such obligations are not subject to discharge in bankruptcy.
- 9           13.     This Agreement shall be construed under the laws of the State of Arizona.
- 10          14.     In the event that any paragraph or provision hereof shall be ruled unenforceable, all  
11                     other provisions hereof shall be unaffected thereby.
- 12          15.     This Agreement shall constitute the entire agreement between the parties regarding the  
13                     subject matter. This Agreement shall not be modified or amended except in a writing  
14                     signed by all parties hereto.
- 15          16.     This Agreement shall not be subject to assignment.
- 16          17.     No delay, omission or failure by the Commission to exercise any right or power  
17                     hereunder shall be construed to be a waiver or consent of any breach of any of the  
18                     terms of this Agreement by the Respondent.
- 19          18.     By entering into this Agreement, the Respondent does not waive any rights, claims,  
20                     defenses or arguments in any subsequent proceeding before the Commission or any  
21                     agency, court or other tribunal.
- 22          19.     Respondent has obtained independent legal advice in connection with the execution of  
23                     this Agreement or have freely chosen not to do so. Any rule construing this Agreement  
24                     against the drafter is inapplicable and is waived.
- 25          20.     This Agreement shall be void unless executed by the Respondent and delivered to the  
26                     Commission not later than January 23, 2017.

1           21.     All proceedings commenced by the Commission in this matter will be terminated and  
2                   the matter closed upon receipt of the final payment of the civil penalty and compliance  
3                   with the other terms set forth in this Agreement.

4                               Dated this \_\_\_\_ day \_\_\_\_, 2017.

5                               By: \_\_\_\_\_  
6                                       Thomas M. Collins, Executive Director  
7                                       Citizens Clean Elections Commission

8                               By: \_\_\_\_\_  
9                                       , Respondent



# CITIZENS CLEAN ELECTIONS COMMISSION Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

## OFFICIAL USE ONLY

☐ Received \_\_\_\_\_

☐ Amended Report

Name: <b>House Victory PAC</b>			
Address: <b>16018 E. Twin Acres Drive</b>		City: <b>Gilbert</b>	State: <b>AZ</b>
Zip: <b>85298</b>		Telephone Number: <b>(480) 389-8946</b>	
Fax Number:			
Name of Authorized Agent: <b>Jeff Hill</b>		Telephone Number: <b>(480) 389-8946</b>	E-mail Address: <b>jhill548@aol.com</b>
Authorized Agent Address (if different from above): <b>(see above)</b>		City:	State: <b>AZ</b>
		Zip:	

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
10/13/2016	\$2,666.67	Brophy-McGee	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/17/2016	\$2,666.67	Schmuck	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/17/2016	\$2,666.66	Norgaard	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/17/2016	\$2,666.66	Syms	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/17/2016	\$2,666.67	Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [ccec@azcleelections.gov](mailto:ccec@azcleelections.gov).

Forms received within 24 hours of the date of expenditure will be considered timely.

Failure to file the form and submit the information required subjects an entity that makes independent expenditures to penalties under the Clean Elections Act unless the entity receives an exemption from the Commission. Exemption forms are available at [www.azcleelections.gov](http://www.azcleelections.gov).

Please contact [ccec@azcleelections.gov](mailto:ccec@azcleelections.gov) or (602) 364-3477 with questions.

\*The independent expenditure date is the date when the literature or advertisement is distributed. The independent expenditure may be paid for at a later date as reported on committee campaign finance reports required by A.R.S. §16-915.

I, the undersigned, certify that the above statements are true and accurate to the best of my knowledge and belief:

  
Signature of Authorized Agent

House Victory PAC submits this report under protest and subject to its position that the Arizona Citizens Clean Elections Commission lacks jurisdiction over independent expenditure committees such as House Victory PAC, and has no authority under Arizona law to impose reporting, disclosure or other regulatory obligations on such entities. House Victory PAC fully reserves all rights, claims, defenses and arguments in any proceeding before the Arizona Citizens Clean Elections Commission in connection with this report or any other matter.



# CITIZENS CLEAN ELECTIONS COMMISSION Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

OFFICIAL USE ONLY

☐ Received \_\_\_\_\_

☐ Amended Report

Name:  
House Victory PAC

Address:  
16018 E. Twin Acres Drive

City  
Gilbert

State  
AZ

Zip  
85298

Telephone Number:  
(480) 389-8946

Fax Number:

Name of Authorized Agent:  
Jeff Hill

Telephone Number:  
(480) 389-8946

E-mail Address:  
jhill548@aol.com

Authorized Agent Address (if different from above):  
(see above)

City

State

Zip

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
10/17/2016	\$2,666.67	M. Hamway	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/28/2016	\$3,975.00	D. Cook	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/28/2016	\$3,975.00	T. Shope	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/28/2016	\$3,500.00	S. Kais	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/28/2016	\$3,500.00	C. Ackerley	<input checked="" type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [ccec@azcanelections.gov](mailto:ccec@azcanelections.gov).

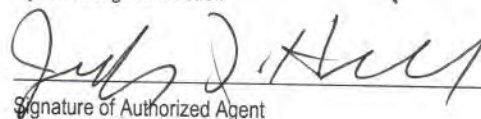
Forms received within 24 hours of the date of expenditure will be considered timely.

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Please contact [ccec@azcanelections.gov](mailto:ccec@azcanelections.gov) or (602) 364-3477 with questions.

\*The independent expenditure date is the date when the literature or advertisement is distributed. The independent expenditure may be paid for at a later date as reported on committee campaign finance reports required by A.R.S. §16-915.

I, the undersigned, certify that the above statements are true and accurate to the best of my knowledge and belief:

  
Signature of Authorized Agent

House Victory PAC submits this report under protest and subject to its position that the Arizona Citizens Clean Elections Commission lacks jurisdiction over independent expenditure committees such as House Victory PAC, and has no authority under Arizona law to impose reporting, disclosure or other regulatory obligations on such entities. House Victory PAC fully reserves all rights, claims, defenses and arguments in any proceeding before the Arizona Citizens Clean Elections Commission in connection with this report or any other matter.



# CITIZENS CLEAN ELECTIONS COMMISSION

## Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

OFFICIAL USE ONLY

☐ Received \_\_\_\_\_

☐ Amended Report

Name:

House Victory PAC

Address:

16018 E. Twin Acres Drive

City

Gilbert

State

AZ

Zip

85298

Telephone Number:

(480) 389-8946

Fax Number:

Name of Authorized Agent:

Jeff Hill

Telephone Number:

(480) 389-8946

E-mail Address:

jhill548@aol.com

Authorized Agent Address (if different from above):  
(see above)

City

State

Zip

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
10/28/2016	\$13,000.00	D. Hernandez	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10/31/2016	\$2,500.00	M. Syms	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/31/2016	\$2,500.00	M. Hamway	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/31/2016	\$2,500.00	B. Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10/31/2016	\$2,500.00	J. Norgaard	<input checked="" type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [ccec@azcleelections.gov](mailto:ccec@azcleelections.gov).

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Please contact [ccec@azcleelections.gov](mailto:ccec@azcleelections.gov) or (602) 364-3477 with questions.

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I, the undersigned, certify that the above statements are true and accurate to the best of my knowledge and belief:

  
Signature of Authorized Agent

House Victory PAC submits this report under protest and subject to its position that the Arizona Citizens Clean Elections Commission lacks jurisdiction over independent expenditure committees such as House Victory PAC, and has no authority under Arizona law to impose reporting, disclosure or other regulatory obligations on such entities. House Victory PAC fully reserves all rights, claims, defenses and arguments in any proceeding before the Arizona Citizens Clean Elections Commission in connection with this report or any other matter.



# CITIZENS CLEAN ELECTIONS COMMISSION

## Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

### OFFICIAL USE ONLY

☐ Received \_\_\_\_\_

☐ Amended Report

Name: House Victory PAC			
Address: 16018 E. Twin Acres Drive		City: Gilbert	State: AZ
Zip: 85298			
Telephone Number: (480) 389-8946		Fax Number:	
Name of Authorized Agent: Jeff Hill		Telephone Number: (480) 389-8946	E-mail Address: jhil548@aol.com
Authorized Agent Address (if different from above): (see above)		City:	State: Zip:

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
11/1/2016	\$2,300.00	C. Ackerley	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/1/2016	\$2,300.00	D. Hernandez	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11/1/2016	\$2,300.00	R. Gabaldon	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11/7/2016	\$6,043.96	M. Epstein	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11/7/2016	\$521.99	J. Norgaard	<input checked="" type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [ccec@azcanelections.gov](mailto:ccec@azcanelections.gov).

Forms received within 24 hours of the date of expenditure will be considered timely.

Failure to file the form and submit the information required subjects an entity that makes independent expenditures to penalties under the Clean Elections Act unless the entity receives an exemption from the Commission. Exemption forms are available at [www.azcanelections.gov](http://www.azcanelections.gov).

Please contact [ccec@azcanelections.gov](mailto:ccec@azcanelections.gov) or (602) 364-3477 with questions.

\*The independent expenditure date is the date when the literature or advertisement is distributed. The independent expenditure may be paid for at a later date as reported on committee campaign finance reports required by A.R.S. §16-915.

I, the undersigned, certify that the above statements are true and accurate to the best of my knowledge and belief:

  
Signature of Authorized Agent

House Victory PAC submits this report under protest and subject to its position that the Arizona Citizens Clean Elections Commission lacks jurisdiction over independent expenditure committees such as House Victory PAC, and has no authority under Arizona law to impose reporting, disclosure or other regulatory obligations on such entities. House Victory PAC fully reserves all rights, claims, defenses and arguments in any proceeding before the Arizona Citizens Clean Elections Commission in connection with this report or any other matter.



# CITIZENS CLEAN ELECTIONS COMMISSION

## Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

### OFFICIAL USE ONLY

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☐ Amended Report

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Telephone Number: (480) 389-8946	Fax Number:		
Name of Authorized Agent: Jeff Hill	Telephone Number: (480) 389-8946	E-mail Address: jhill548@aol.com	
Authorized Agent Address (if different from above): (see above)	City:	State:	Zip:

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
11/7/2016	\$521.99	B. Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$521.99	M. Hamway	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$521.99	M. Syms	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$577.53	K. Brophy-McGee	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$577.53	M. Syms	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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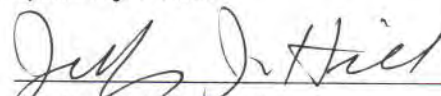
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Signature of Authorized Agent

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# CITIZENS CLEAN ELECTIONS COMMISSION Independent Expenditure Report

Pursuant to A.R.S. §§16-941(D), -956, -958, and A.A.C. R2-20-109(F)

## OFFICIAL USE ONLY

☐ Received \_\_\_\_\_

☐ Amended Report

Name:

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Jeff Hill

Telephone Number:

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E-mail Address:

jhill548@aol.com

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(see above)

City

State

Zip

Date of Expenditure* (i.e. 5/30/2016)	Amount of Expenditure (i.e. \$5,000.00)	Candidate Supported /Opposed	Support	Oppose
11/7/2016	\$577.52	M. Hamway	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$302.20	M. Hamway	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11/7/2016	\$302.20	M. Syms	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

All persons, including corporations, limited liability companies, and labor organizations, are required to file independent expenditure reports under A.R.S. §§ 16-941(D); -958 & Ariz. Admin. Code R2-20-109(F). Please fill out, scan and return to the Arizona Citizens Clean Elections Commission, [ccec@azcanelections.gov](mailto:ccec@azcanelections.gov).

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## **DRAFT COVER LETTER**

Dear Chairperson Ong:

The Citizen's Clean Elections Commission submits its five-year review report for Chapter 20 of Title 2 in compliance with A.R.S. § 41-1056. This report revises the report submitted on June 29, 2016. All Commission rules have been reviewed and no rule will expire under A.R.S. § 41-1056(J). All rule changes outlined in this five-year report, including recent amendments, have been submitted with the Arizona Administrative Register.

The Commission certifies that it is in full compliance with the requirements of A.R.S. § 41-1091. The Commission certifies that it does not have any Substantive Policy Statements. Prior Substantive Policy Statements have been incorporated into the Commission's rules through exempt rulemaking.

An electronic copy of the report is included on the enclosed CD.

This is the fourth submission of the Commission's five-year report since October 2015. In addition to the reports, the Commission has provided the Governor's Regulatory Review Council and its staff with voluminous public comment associated with the Commission's rules. In addition, the Commission, its staff, and its counsel have continually kept open communications with the Council and its staff to determine what deficiencies the Council or its staff contend exist.

As in previous versions of this report, at the request of Council staff, the Commission has included information regarding rule amendments that were not in place at the time of the Commission's first submission on October 29, 2015. The Commission recently adopted numerous rule amendments, all of which are included in the revised report.

The Commission has also provided written and oral testimony on the substance of the Commission's rules, statute, and the case law that governs the Clean Elections Act and the Commission's authority under that Act, including the Voter Protection Act. From comments made during Council meeting, the Commission is led to believe that at least one member of the Council (member Sundt) disagrees that the Commission has a valid legal basis for certain Commission rules. For the reasons set forth in the report itself, the Commission has legal authority to enact and implement the rules referenced in this report.

This fourth revised report is intended to address the Council's concerns, to the extent possible. The Council, however, has not articulated for the Commission what deficiencies purportedly exist with previous versions of this report. Although Council staff have opined on what some individual Council members may believe, there has been no action by the Council to state what makes the Commission's submissions inadequate. The only formal action the Council has taken is to return the Commission's report. It is the Commission's position that the Council has not met its obligation to "inform the agency of the manner in which its report is inadequate," A.R.S. § 41-1056(C), and that the Council has failed to indicate how the Commission's reports have do not comply with A.R.S. § 41-1056(A).

|

The Commission also notes other defects in the Council’s treatment of the Commission’s five-year report. The Commission understands from Council staff that the Council’s position is that the Council’s purported repeal of certain Commission rules may occur regardless of the Council’s acceptance or rejection of this revised report. That position is not consistent with A.R.S. § 41-1056. Under that statute, the Council’s decision regarding amendment or repeal follows the review of the report, and also follows after the decision to return a report in whole or in part. By purporting to put its consideration of Commission rules on one track and its consideration of the Commission’s report on another, the Council is creating a confusing, on-the-fly procedure that lacks statutory authority.

Furthermore, as with previous versions, the Commission submits this revised five-year report without admitting or conceding that the Council has authority to require the Commission to amend or repeal any of the Commission’s rules. It remains the Commission’s position that the Council lacks any authority to require the amendment or repeal of the Commission’s rules. The Voter Protection Act prohibits the Council from requiring the Commission to repeal or amend a rule. Even if the Voter Protection Act did not apply, the Council has failed to comply with § 41-1056’s statutory prerequisites to repeal an agency’s rules, including the Council’s obligation to “determine[ that] the agency’s analysis under Subsection A [of 41-1056] demonstrates that the rule is materially flawed.” A.R.S. § 41-1056(E).

Relatedly, the Council’s previous direction to repeal certain rules—even if legally possible—is now a logical impossibility. The rules subject to the Council’s repeal directive are no longer the same rules. The Commission’s rules have been revised substantially since the Council first directed the repeal of certain subsections of R2-20-109 at its February 2, 2016 meeting.

If you require any further information, or have comments or questions, please contact Sara Larsen by e-mail at [sara.larsen@azcleanelections.gov](mailto:sara.larsen@azcleanelections.gov) or by phone at (602) 364-3477.

## FIVE YEAR REVIEW – [DATE], 2017 Citizens Clean Elections Commission

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This report covers all rules in Title 2, Chapter 20, all articles. The Citizens Clean Elections Commission (the “Commission”) adopted these rules to further the goals of the Citizens Clean Elections Act (“Act”). The Act was passed by the voters in 1998 and created the clean elections system to diminish the influence of special-interest money, including the opportunities for and appearance of *quid pro quo* corruption, and to thereby promote the integrity of Arizona state government. The Act promotes freedom of speech under the United States and Arizona Constitutions. It also created a voluntary system wherein “participating” candidates receive public funds to finance campaigns. To qualify for funding, participating candidates must follow additional rules and reporting requirements. The Act also applies to candidates who are nonparticipating candidates and independent spenders in elections. The Rules implement the provisions of the Act. All rules created or amended prior to June 25, 2013 have been “pre-cleared” by the U.S. Department of Justice pursuant to Section Five of the Federal Voting Rights Act.

The Commission reports the following analysis of its rules in the order required by Arizona Administrative Code (“A.A.C.”) R1-6-301. Pursuant to A.A.C. R1-6-301(B), Part I includes information pertaining to all, or a great number, of the rules. Part II reports information unique to the listed rules.

This report is made without waiver of any of the Commission’s legal positions concerning the Commission’s rulemaking authority or the Governor’s Regulatory Review Council’s authority under A.R.S. § 41-1056.

### Part I: Analysis Which Is Identical Within Groups of Rules

#### 1. General statutes authorizing the rule

##### INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

The Commission’s general rulemaking authority is found in A.R.S. § 16-956 (C). This statute gives the Commission authority to adopt rules to carry out the purposes of the Article and to govern procedures of the Commission. A.R.S. § 16-956 (C) provides:

The commission may adopt rules to carry out the purposes of this article and to govern procedures of the commission. Commission rule making is exempt from title 41, chapter 6, article 3. The commission shall propose and adopt rules in public meetings, with at least sixty days allowed for interested parties to comment after the rules are proposed. The Commission shall also file a notice of exempt rule making and the proposed rule in the format prescribed in section 41-1022 with the secretary of state's office for publication in the Arizona administrative register. After consideration of the comments received in the sixty-day

comment period, the commission may adopt the rule in an open meeting. Any rules given final approval in an open meeting shall be filed in the format prescribed in section 41-1022 with the Secretary of State's Office for publication in the Arizona Administrative Register. Any rules adopted by the Commission shall only be applied prospectively from the date the rule was adopted.

The Commission is governed by the Act codified at Title 16, Chapter 6, Article 2. The Act includes A.R.S. §§ 16-940 through -961. A copy of the Act is attached hereto as **Attachment A**. **Attachment B** is a copy of the rules covered by this report.

## **2. The objective of the rule**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

The objective of each rule is to further the objective of the Act, which as stated in A.R.S. § 16-940 (A) is:

to create a clean elections system that will improve the integrity of Arizona state government by diminishing the influence of special-interest money, will encourage citizen participation in the political process, and will promote freedom of speech under the U.S. and Arizona Constitutions.

## **3. Effectiveness of the rule in achieving the objective**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

Each rule is effective in achieving the above-stated objective.

## **4. Consistency of the rule with state and federal statutes and rules, and a listing of the statutes or rules used in determining the consistency**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES.

The rules are consistent with state statutes and in the process of preparing this report the rules have been compared against each other and A.R.S. §§ 16-940 through -961 and have been found to be consistent.

INFORMATION IDENTICAL FOR AND APPLIES TO RULE AMENDMENTS ADOPTED ON DECEMBER 15, 2016.

The Commission adopted a number of rule amendments on December 15, 2016. The December 15, 2016 rule amendments and all other rule amendments adopted since October 29, 2015 can be found in **Attachment C**. The Commission adopted the rule amendments to harmonize the Commission's rules with recent legislative amendments to Title 16, avoid confusion within the regulated community, and promote consistency

between the Commission's rules and the policies of other election-related offices. The rule amendments are primarily the result of Senate Bill 1516 (2016), legislation that substantially altered Arizona campaign finance law in some respects. Certain provisions in SB1516 raise substantial questions under the Arizona and United States Constitutions. The Commission made rule amendments without waiving any legal objection, and without any waiver of its full authority to enforce Article 2 of Chapter 6 of Title 16.

5. **Agency enforcement policy, including whether the rule is currently being enforced and, if so, whether there are any problems with enforcement**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES.

All rules are fairly and consistently enforced by the Commission.

6. **Clarity, conciseness, and understandability of the rule**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES.

The Commission finds each of its rules to be clear, concise, and understandable.

7. **Summary of the written criticisms of the rule received by the agency within five years**

This information is provided in Part II for individual rules that were the subject of written criticism in the last five years. For rules with no entry under item 7 in Part II, the Commission did not receive any written criticism of the rule.

8. **Estimated economic, small business, and consumer impact**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

**Economic, small business and consumer impact statement**

The rules proposed and adopted by the Commission between January 2010 and January 17, 2017 create no discernible economic impact for small businesses or consumers provided. For small businesses or consumers who make expenditures subject to the rules' reporting requirements, compliance with the rules imposes zero economic impact because the reporting requirement is simple and may be filed without any filing fee. To the extent that the obligation to file a report itself imposes an economic impact, that impact comes from the statutory reporting requirement and not from the rules. A failure to abide by any of the statutes or rules may create an economic impact on those subject to the penalties the Commission may impose.

The Commission receives funds from the following sources.

- A 10 percent surcharge imposed on all civil and criminal fines and penalties collected pursuant to A.R.S. § 12-116.01;
- A \$5 voluntary contribution per taxpayer (\$10 when married and filing jointly) who files an Arizona state income tax return and marks an optional check-off box on the first page of the form. A taxpayer who checks this box receives a \$5 reduction in tax liability and \$5 goes to the Clean Elections Fund (NOTE: As of August 2, 2012, the Commission only receives \$5 voluntary taxpayer contributions from individuals filing tax returns for tax years 2012 and earlier.);
- A voluntary donation to the Clean Elections Fund by designating the Fund on an income tax return form filed by the individual or business entity, or by making a payment directly to the Fund. Any taxpayer making a donation shall receive a dollar-for-dollar tax credit not to exceed 20 percent of the tax amount on the return or \$680 per taxpayer, whichever is higher (NOTE: As of August 2, 2012, the Commission no longer accepts donations for the dollar-for-dollar tax credit.);
- Qualifying contributions received by participating candidates;
- Civil penalties assessed against violators of the Citizens Clean Elections Act.

**9. Analysis submitted by another person on the rules' impact on competitiveness**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

No such analysis has been submitted to the Commission for any of its rules.

**10. Course of Action from Last Review**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

All action described from the 5-year review report submitted on June 30, 2016-was completed at the Commission meeting in December 2016 and reported here.

**11. Least Burden and Costs**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

Each rule achieves its underlying regulatory objective with the least burden and cost possible, and the probable benefits of each rule outweigh its probable costs.

**12. Determination to corresponding federal law**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

The rules are consistent with federal law.

**13. A.R.S. § 41-1037**

INFORMATION IS IDENTICAL FOR AND APPLIES TO ALL RULES

Commission rules do not require the issuance of a regulatory permit, license or agency authorization.

**14. Course of action the agency proposes to take regarding each rule**

This information is provided in Part II for individual rules for which the Commission proposes to take action. For rules with no entry under item 10 in Part II, the Commission proposes no course of action.

**Part II: Analysis of Individual Rules**

**ARTICLE 1 – GENERAL PROVISIONS**

**R2-20-101 Definitions**

**2. Objective**

Supplement the definitions provided in A.R.S. §§16-901 and 16-961 for Chapter 20 of the Commission rules.

**14. Course of Action**

**a. Action Taken**

On October 6, 2011, the Commission struck the definition of “election cycle” from the rule because the definition is found in statute. (19 A.A.R. 3515)

On September 27, 2013, the Commission adopted final amendments to the rule that added the definitions of “person,” “candidate for statewide office,” and “legislative candidate.” The Commission also adopted final amendments to the rule that clarified the definition of “candidate” as a person and, if not specifically stated, “candidate” includes a candidate for statewide or legislative office. The Commission also adopted final amendments to the rule that changed the definition of “expressly advocates” by removing the language from (10)(b)(ii) that states “in the 16 week period immediate preceding a general election.” (19 A.A.R. 3515)

On December 15, 2016, the Commission adopted final amendments to the rule that updated definitions to remove unnecessary or outdated cross-references, and to clarify other definitions. The definition of “Campaign account” added the words “at a financial institution” and deleted cross-reference to a previous version of A.R.S. § 16-902(C). The definition of “unopposed” was updated to remove cross-references and provide more clarity.

**b. Action Proposed**

None.

## **R2-20-102    Applicability**

### **2.     Objective**

Specify to which candidates the Act and rules apply.

### **14.    Course of Action**

#### **a.     Action Taken**

On September 27, 2013, the Commission unanimously repealed the applicability rule to eliminate potential confusion. (19 A.A.R. 3518)

#### **b.     Action Proposed**

None.

## **R2-20-103    Time Calculations**

### **2.     Objective**

Clarify procedures for computing periods of time and methods of communicating between the candidate and the Commission.

## **R2-20-104    Certification as a Participating Candidate**

### **2.     Objective**

Provide guidance on filing an application for certification and electronic campaign finance reports; accepting contributions and making expenditures; and requirements for a nonparticipating candidate to be eligible for participating candidate status.

### **14.    Course of Action**

#### **a.     Action Taken**

On October 6, 2011, the Commission adopted final rule amendments to (C)(8) clarifying the rule by removing the language “equalizing fund payments” as the Commission no longer issued equalizing funding at that time and inserted the language “primary and general election funding” to clarify the funding type. (19 A.A.R. 1685)

On May 9, 2013, the Commission adopted final rule amendments to (D)(5) requiring participating candidates to attend a candidate training class within 60 days of being certified or within 60 days of the beginning of the qualifying period if the candidate is certified prior to the start of the qualifying period. (19 A.A.R. 1685)

On December 15, 2016, the Commission adopted final rule amendments to remove unnecessary or outdated cross-references and to clarify language regarding the qualifications for becoming a participating candidate.

b. Action Proposed

None.

**R2-20-105 Certification for Funding**

**2. Objective**

Provide the process for certifying clean elections candidates.

**14. Course of Action**

a. Action Taken

On January 19, 2012, the Commission adopted final amendments to the rule adding a new subsection (C) to allow participating candidates to collect up to 50% of the number \$5 qualifying contributions required to qualify for funding through a secured electronic portal maintained by the Secretary of State's Office known as E-Qual. (19 A.A.R. 1688)

On February 9, 2012, the Commission adopted final amendments to subsection (D) of the rule to clarify that solicitor information is not required for \$5 qualifying contributions collected in accordance with subsection (C). (19 A.A.R. 1688)

On May 9, 2013, the Commission adopted final amendments to subsection (J) of the rule increasing the minimum number of \$5 qualifying contributions required for all statewide and legislative offices. (19 A.A.R. 1688)

On December 15, 2016, the Commission adopted final amendment to reflect the expansion of the electronic qualifying system, 2016 Ariz. Sess. Laws, Ch. 176 (52d Leg. 2d Reg. Sess.). to subsection (C) deleting "up to a maximum of 50% of the minimum number required to qualify for funding, deleting an outdated cross-reference, and clarifying how a participating candidate should account for transaction fees "in a manner that indicates the transaction fees have been accumulated and transferred." Subsection (J) was deleted because it contained and outdated cross-reference.

b. Action Proposed

None.

**R2-20-106 Distribution of Funds to Certified Candidates**

**2. Objective**

Provide the process and criteria for the Commission to evaluate a candidate's application for funding.

**R2-20-107 Candidate Debates**

**2. Objective**

Provide procedures for conducting debates, for candidates seeking to be excused from participation in the debates and the penalty for failing to participate in the debates.

**14. Course of Action**

a. Action Taken

On October 6, 2011, the Commission adopted final amendments to subsection (E) of the rule by removing reference to equalizing funds as the Commission no longer issued equalizing funds at that time. (19 A.A.R. 1690)

On November 21, 2013, the Commission adopted final amendments to subsections (A), (D), and (K) to outline the timelines and procedures for the Commission to invite participating and non-participating candidates to Commission sponsored debates and for allowing non-participating candidates to request a Commission sponsored debate even if there is not a participating candidate in the race. (19 A.A.R. 4213)

On July 23, 2015, the Commission adopted final amendments to subsection (D)(3) to clarify the procedures in which a nonparticipating candidate may participate in a Commission sponsored debate and/or request the Commission sponsor a debate. (21 A.A.R. 1627)

On December 15, 2016, the Commission adopted final amendments to subsections (B), (D), (H), and (I). The amendments clarify and simplify some provisions and delete outdated cross-references.

b. Action Proposed

None.

## **R2-20-108 Termination of Participating Candidate Status**

### **2. Objective**

Provide a method for candidates to withdraw their application for certification or funding.

### **14. Course of Action**

#### **a. Action Taken**

On May 20, 2011, the Commission adopted final amendments to the rule to permit a participating candidate to terminate the candidate's participation in the Arizona's public financing program. The Commission also removed language from subsection (A) stating that "the candidate shall immediately begin the process of returning public funds to the Fund" in order to clarify that once a candidate has received public funds, the candidate may not withdraw from participation in the program. The Commission amended subsection (C) to include language permitting a person who has withdrawn from participation to reapply provided the candidate is in compliance with other rules relating to the certification of participating candidates. (17 A.A.R. 1950)

#### **b. Action Proposed**

None.

## **R2-20-109, R2-20-110, and R2-20-111 Requirements**

### **1. General statutes authorizing the rule**

A.R.S. §§ 16-940, -941, -942, -943, -955, -956, -957, -958, and -961.

### **2. Objective**

R2-20-109 provides the requirements for the submission of independent expenditure reports. R2-20-110 provides rules for the reporting requirements of participating candidates. R2-20-111 provides rules for the reporting requirements of non-participating candidates. Each rule also includes requirements for the imposition of penalties for the failure to timely file a campaign finance report under Chapter 6 of Title 16 (A.R.S. § 16-901 to -961).

### **3. Effectiveness of the rule in achieving the objective**

R2-20-109(B) is effective in achieving its objective. The rule implements the independent expenditure reporting requirements of the Act.

**4. Consistency of the rule with state and federal statutes and rules, and a listing of the statutes or rules used in determining the consistency**

**Please note that substantial portions of what had been R2-20-109(F)-(G) have been amended and re-codified across R2-20-109, 110, and 111.**

R2-20-109 to -111 are consistent with the law. The Clean Elections Act establishes penalties for those who violate reporting requirements of Chapter 6 of Title 16 (A.R.S. § 16-901 to -961) and requires the Commission to enforce the Act. A.R.S. § 16-942(B) (providing for penalties); A.R.S. § 16-956(A)(7) (enforcement authority). Campaign finance reporting requirements exist in the Clean Elections Act itself and elsewhere in Chapter 6 of Title 16. See A.R.S. § 16-926 (reporting requirements); A.R.S. § 16-941(D) (Clean Elections Act requiring any person who makes independent expenditures over \$500 to submit a report regarding the expenditure).

R2-20-109 provides rules for the method of reporting independent expenditures (R2-20-109(A)) and for the consequences of a failure to file a required report, including the possibility of penalties (R2-20-109(B)). In addition, the rule clarifies that penalties “shall not apply . . . to an entity that meets all of the requirements of A.R.S. § 16-901(43)(a)-(e).” R2-20-109(B)(4)(b)(1). This rule provision ensures consistency with recent legislative amendments to Title 16. R2-20-110 provides rules for the reporting requirements applicable to candidates participating in the clean elections funding system. R2-20-111 provides rules regarding the reporting requirements, contribution limits, and potential penalties applicable to non-participating candidates.

Some have argued that the Commission’s enforcement authority is limited to expenditures relating to candidates participating in the clean-election funding system. That is incorrect.

The Act plainly does not limit the Commission’s authority to elections involving “participating” candidates. Arizona voters adopted the Clean Elections Act to “improve the integrity of Arizona state government by diminishing the influence of special-interest money, [] encourage citizen participation in the political process, and [] promote freedom of speech under the U.S. and Arizona Constitutions.” A.R.S. § 16-940(A).

To achieve these ambitious goals, the Act, gives the Commission express jurisdiction over campaign finance reports relating to “candidates,” without regard to the candidate participates in the clean elections funding system. With respect to reporting obligations, the relevant provisions of the Act use the term “candidate,” without distinguishing between “participating” and “non-participating.” See A.R.S. § 16-941(D) (independent expenditure reports should “identify the office and the

candidate or group of candidates”); § 16-942(B) (prescribing penalties for violations “by or on behalf of any candidate of any reporting requirement”). At the same time, the Act uses the term “participating” or “nonparticipating” when it means for a provision to apply only to one or the other category of candidates. See, e.g., A.R.S. § 16-941(A) (regulating contributions and expenditures for “a participating candidate”); § 16-941(B) (prohibiting “nonparticipating candidates” from accepting contributions in excess of specified amounts); § 16-942(A) (prescribing enhanced penalties for “a violation . . . by or on behalf of a participating candidate”). The Act’s language thus clearly shows that the drafters knew how to indicate if a provision of the Act was intended to apply only to a participating candidate.

The Act recognizes that all legislative and statewide elections potentially involve concerns of special-interest money, citizen participation and free speech. The Act addresses various obligations of nonparticipating candidates, including:

- Section 16-941(B) (setting campaign contribution limits)
- Section 16-941(C) (noting that nonparticipating candidates are bound by all campaign finance laws save those in direct conflict with those in the Act)
- Section 16-941(D) (imposing reporting obligations on “any person” who makes independent expenditures in excess of \$500)
- Section 16-942(B) (establishing penalties for those who violate reporting requirements of Chapter 6, which includes non-participating candidate races)
- Section 16-942(C) (creating penalty of disqualification for certain violations of campaign contribution limits)
- Section 16-943 (establishing criminal liability for knowing violations of statutes relating to contribution limits)
- Section 16-956(A)(7) (noting the Commission’s mandatory obligation to enforce the Act and to monitor candidate reports filed under Chapter 6)
- Section 16-957(A) (setting fourteen day requirement for Commission to serve any person who violates the Act an order regarding the violation)

The arguments that have been raised to contend that the Commission’s authority is restricted to participating candidates are flawed.

First, the fact that other governmental entities (such as the Secretary of State’s office) may have some parallel enforcement authority over certain campaign-finance reports does not diminish the Commission’s authority. The Commission’s enforcement authority—adopted by voters concerned with the influence of special-interest money on elected offices—is a “paramount” duty of the Commission. *Clean Elections Institute, Inc. v. Brewer*, 209 Ariz. 241, 244 ¶ 13, 99 P.3d 570, 574 (2004). As the Court recognized, these duties are independent of any public financing program and involve non-participating candidates and independent expenditures. *Id.* The contrary claim was recently rejected in *Horne v. Citizens Clean Elections Commission*, CV 2014-009404 (8/19/2014), when the trial court

dismissed a case challenging the Commission's jurisdiction to resolve complaints against a non-participating candidate. **(Appendix D)**

Second, for the same reasons, the United States Supreme Court's 2011 decision in *Arizona Free Enterprise Club's Freedom PAC v. Bennett*, 131 S. Ct. 2806 (2011), does not affect the Commission's enforcement authority. That decision strikes down the "matching fund" provisions of the Act and has nothing to do with the subject matter covered in R2-20-109 to -111, just as it has nothing to do with other parts of the Act that regulate nonparticipating candidates (such as the campaign contribution limits in § 16-941(B)).

Third, A.R.S. § 16-942(B)'s provision that "the candidate and the candidate's campaign's account shall be jointly and severally liable for any penalty imposed pursuant to this subsection" does not limit that section's application to participating candidates. If this sentence was intended to be limited to participating candidates, the drafters would have included the word "participating," just as they did in other sections. The reference to a candidate's campaign account logically refers to any candidate's campaign account. All candidates who establish political committees have bank accounts for their campaigns. A.R.S. § 16-902(C). This provision of § 942(B) is intended to provide notice to candidates of their potential, individual exposure to civil fines. Reading A.R.S. § 16-942(B) to implicitly restrict the Commission's authority to races involving participating candidates would illogically require ignoring the explicit grant of jurisdiction over "any person" in A.R.S. § 16-941(D) ("any person who makes independent expenditures related to a particular office . . .") and A.R.S. § 16-958 ("any person who has previously reached the dollar amount specified in § 16-941 . . .") and would contradict the Commission's express jurisdiction over "any reporting requirement imposed by this chapter" in the same section.

Finally, there is no conflict between A A.R.S. § 16-942(B) and other enforcement provisions in Title 16. A.R.S. § 16-942(B) makes it clear that its penalties are "in addition to any other penalties imposed by law."

#### **R2-20-109(B)(4)**

R2-20-109(B)(4) sets forth terms under which the Commission will determine whether an entity is a political committee under A.R.S. § 16-901(20) subject to the reporting requirements in A.R.S. § 16-926. As stated previously, A.R.S. § 16-942(B) gives the Commission the legal authority to impose civil fines for any violation "by or on behalf of any candidate of any reporting requirement imposed by [Title 16, Chapter 6]." If a complaint is filed alleging a reporting violation of A.R.S. § 16-926, these rules will help the Commission determine whether a violation occurred, as those reporting requirements apply only to political committees. This

rule addresses complaints alleging that a “dark money” group was obligated to disclosed its contributors under A.R.S. § 16-926 but failed to do so. The history of this new rule is included in the materials provided to GRRC staff; it was fully vetted over several months with broad public input. For all of the reasons previously explained concerning the Commission’s jurisdiction over reports required under this “chapter,” it is a legitimate exercise of the Commission’s regulatory authority.

Moreover, the rule was adopted in compliance with the Commission’s rules, which require a 60-day comment period prior to adoption.

Rule amendments adopted on December 15, 2016, further modified R2-20-109(B)(4) in light of recent legislative amendments to the definition of “primary purpose.”

#### **R2-20-111**

Rule R2-20-111 sets forth rules applicable to enforcement actions against non-participating candidates for their violation of both reporting requirements and contribution limits. The Clean Elections Act gives the Commission express authority over nonparticipating candidates’ contribution limits (A.R.S. § 16-941(B); A.R.S. § 16-942(C)) and reporting requirements (A.R.S. §§ 16-942(B)).

#### **5. Agency enforcement policy, including whether the rule is currently being enforced and, if so, whether there are any problems with enforcement**

Rules R2-20-109 to -111 are currently being enforced. The rules were all subject to recent amendments, and the amended versions have not been in effect during an enforcement proceeding as of this submission. No problems are anticipated with the enforcement.

#### **7. Written Criticism (Appendix D)**

Prior to the September 27, 2013 Commission meeting, Sam Wercinski of Arizona Advocacy Network submitted written public comment in support of the Commission proposed rule changes. Mr. Wercinski proposed a change to subsection (B)(3)(d) to clarify that the joint expenditure should fairly allocated to the “obligated candidate” rather than “candidate.”

Prior to the May 22, 2014 Commission meeting, the Commission received public comment regarding the rule. Senator Steve Pierce and the Elect Steve Pierce Committees, through their legal counsel, Michael Liburdi, submitted a petition for a rule change proposing the Commission repeal R2-20-109(G). Mr. Liburdi stated the rule “is an extra-legal exercise of the Commission’s rulemaking power and established bad public policy for regulators and non-participating candidates.” The

Citizens Clean Elections staff recommended the Commission not repeal the provision. Robyn Prud'homme-Bauer from the League of Women Voters of Arizona provided written public comment supporting the Commission staff's position to R2-20-109 stating the rule changes aligned with the League's position on full disclosure. Sam Wercinski of the Arizona Advocacy Network also submitted written public comment in support of the staff recommendation of amendments to R2-20-109(G) and in opposition to the petition for a rule change submitted by Senator Pierce. Finally, Tim Hogan from the Arizona Center for Law in the Public Interest submitted written public comment in opposition to Senator Pierce's petition for a rule change for the fact that "the plain language of the Clean Elections Act does not support Pierce's interpretation."

On July 23, 2015, the Commission considered discussion and possible action on proposed amendments to the rule that were presented at the Commission's May 14, 2015 public meeting. Prior to the meeting the Commission received numerous written public comments with 152 individuals supporting the Commission proposed rule changes. The Commission received 6 public comments submitted from individuals and/or on behalf of numerous organizations that were in opposition to the proposed rule changes including Eric Wang, Senior Fellow at the Center for Competitive Politics, Americans for Prosperity, Secretary of State Michele Reagan, State Election Director, Eric Spencer, and Connie Wilhelm Garcia, President and Executive Director of the Home Builders Association of Central Arizona. Louis Hoffman, a former Commissioner, provided substantial written public comment in regard to the rule revisions. Mr. Hoffman proposed removing the A.R.S. § 16-913 citation from subsection (F)(6) and adding clarifying language regarding independent expenditures to subsection (F)(3). Mr. Hoffman's proposal also clarifies that the Commission may audit exempt entities in subsection (F)(8). He also adds additional detailed language regarding civil penalties in a new subsection (F)(12).

On August 19, 2015, the Secretary of State submitted a petition for a rule change proposing the Commission removes from R2-20-109(F)(3) entities subject to A.R.S. § 16-913 reporting requirements from being subject to penalties under A.R.S. § 16-942.

Prior to the August 20, 2015 Commission meeting, the Commission received public comment from 33 individuals. Substantive written public comments were received from the Center for Competitive Politics and their counsel, Kory Langhofer, Eric Spencer, Louis Hoffman, the Arizona Chamber of Commerce and Industry (which submitted its' comment on behalf of the the following organizations: Arizona Chamber of Commerce and Industry, Greater Phoenix Chamber of Commerce, Greater Phoenix Leadership, Arizona Small Business Association, The Realtors of Arizona Political Action Committee, Arizona Cattlemen's Association, Arizona Hospital and Healthcare Association, Arizona Chapter Associated General Contractors, Arizona Tax Research Association, Arizona Business Coalition and Valley Partnership, Greater Flagstaff Chamber of Commerce, Tucson Chamber of

Commerce, Mesa Chamber of Commerce, Tempe Chamber of Commerce, Chandler Chamber of Commerce, Green Yuma County Chamber of Commerce, Buckeye Chamber of Commerce, Prescott Valley Chamber of Commerce, Green Valley Sahuarita Chamber of Commerce, and Oro Valley Chamber of Commerce), and Saman Golestan. The Commission considered all public comment and proposed revisions to the rules.

Prior to the October 29 and 30, 2015 meetings, the Commission received public comment from 19 individuals or groups including: Glenn Hammer, President of the Arizona Chamber of Commerce, former Clean Elections Commissioners, Timothy Reckart and Louis Hoffman, Morgan Dial of Southern Arizona Sports Marketing, and Shirley Sandelands, President of the Arizona League of Women Voters. The Commission considered all public comment prior to voting on the rule. Due to the volume of the public comments submitted, the Council is encouraged to review all the public comments submitted with in report and contained in the Appendix as the individuals and organizations listed here are not an exhaustive list.

Prior to the September 15, 2016, and December 15, 2016 meetings, the Commission received public comment from Shirley Sandelands, President of the Arizona League of Women Voters; Rivko Knox; Eric Spencer, the State Elections Director for the Secretary of State; Constantin Querard of Grassroot Partners; Dr. Doris Provine, board president of the Arizona Advocacy Network; and James Barton of the Torres Law Group. The Commission considered all public comment prior to voting on the rule. The Council is urged to review the public comment received, which is contained in the Appendix.

#### **8. Estimated economic, small business, and consumer impact**

Nothing in Rule R2-20-109, 110, or 111 has any discernible economic, small business, or consumer impact. R2-20-109(B) does not apply to any B2C, small business or other similar entity, but only to entities that make expenditures for or against candidates for state and legislative offices. R2-20-110 and 111 apply to candidates, who are individuals involved in running for office and raising money to run for office. As noted above, to the extent compliance with statutory reporting requirements imposes an economic cost, the impact derives from the statute itself and not the Commission's rules. In addition, the Commission adopted several amendments to these rules on December 15, 2016, which should further streamline compliance for regulated entities. The amendments harmonize the Commission's rules with recent statutory amendments to campaign finance law.

#### **9. Analysis submitted by another person on the rules' impact on competitiveness**

Neither individuals nor organizations have submitted an analysis on the impact of the rules competitiveness.

## **10. Course of Action from Last Review**

This rule did not require any corrective action from the last review. The Commission amended Rule R2-20-109, 110, and 111 in light of recent legislation.

## **11. Least Burden and Costs**

The rule achieves its underlying regulatory objective with the least burden and cost possible, and the probable benefits of each rule outweigh its probable costs. For example, R2-20-109(B)(4) provides the only public, promulgated government statement in Arizona on when an entity may be found to have the predominant purpose of influencing elections, the key factor in determining whether an entity is a political committee under A.R.S. § 16-905(B). In addition, the Commission revised subsection (B)(4) on December 15 to harmonize it with recent amendments to the definition of “primary purpose” under A.R.S. § 16-901(43). The Commission’s rules provide clarity and predictability that would not otherwise exist, thus reducing regulatory burden.

## **12. Determination to corresponding federal law**

There is no corresponding federal law. The rules are consistent with federal law in general. The rules are entirely consistent with state statutes and in the process of preparing this report the rules have been compared against each other and A.R.S. §§ 16-940 through -961 and have been found to be consistent.

## **13. A.R.S. § 41-1037**

The Commission’s rule does not require the issuance of a regulatory permit, license or agency authorization.

## **14. Course of Action**

### **a. Action Taken (Appendix F, G)**

On October 6, 2011, the Commission adopted final amendments to subsection (A) of the rule clarifying campaign finance reports will be filed electronically with the Secretary of State’s office and that participating candidates must have sufficient funds in their campaign accounts to pay for the total amount of the expenditure at the time it is made. The Commission also eliminated subsections (B-D), which pertained to equalizing funding and independent expenditures (subsections (E-F) were re-codified). Subsection (E) was added to clarify reporting requirements for participating candidates. (19 A.A.R. 2923)

On July 25, 2013, the Commission considered rule amendments to subsections (A) – (G) of the rule in order to clarify that the rule applies to all persons who are

obligated to file the Commission's campaign finance reports and clarify the reporting requirements under the statute. The Commission approved the rule for publication for a 60-day public comment period in which to solicit feed back from the public.

On August 29, 2013, the Commission adopted final amendments to subsection (A) of the rule clarifying that participating candidate must make reimbursements to authorized agents within seven calendar days of the expenditure is deemed an in-kind contribution. In addition, the Commission added language to subsection (C) requiring candidates to maintain a travel log and reimburse mileage or air travel within seven calendar days. (19 A.A.R. 2923)

On September 27, 2013, the Commission adopted final amendments to the rule. The final adopted rule includes the following amendments:

Subsection (A) – amended to make clear the section applies to all persons obligated to file any campaign finance report subject to the Act and Rules.

Eliminates R2-20-109(A)(3)

Re-codified R2-20-109(A)(1-6) as R2-20-109(B)(1-5)

Subsection (B) - amended to further define joint expenditures and the allocation and reimbursement for joint expenditures.

Re-codified subsection(B) as subsection (C).

Subsection (C) - amended to clarify the timing of reporting expenditures for participating candidates.

Re-codified R2-20-109(C) as R2-20-109(D).

Subsection (D) - amended to clarify the transportation requirements for participating candidates.

Re-codified R2-20-109(D) as R2-20-109(E).

Subsection (E) – amended to clarify participating candidates' reports and refunds of excess monies.

Subsection (F) – added to clarify reporting requirements for independent expenditures.

Subsection (G) – added to clarify reporting requirements and campaign finance limits applicable to non-participating candidates. (19 A.A.R. 3519)

On March 20, 2014, the Commission considered a petition for a rule change submitted by Michael Liburdi on behalf of Senator Steve Pierce. The Commission discussed and proposed changes to subsection (G) of the rule to clarify contribution limits and civil penalties as applied to non-participating candidates. The Commission approved the proposed rule amendments for publication for a 60-day public comment period in which to solicit feed back from the public.

On May 22, 2014, the Commission adopted final amendments to subsection (G) of the rule to clarify the Commission's enforcement of contribution limits and reporting requirements related to non-participating candidates under the Citizens Clean Elections Act, rules, and related penalties. (20 A.A.R. 1329)

On September 11, 2014, the Commission adopted final emergency amendments to the rule. Subsection (F) was amended to clarify language related to the Commission's enforcement of reporting requirements and exceptions under the Clean Elections Act, rules and related penalties. Subsection (F)(3)(c) was amended to clarify the penalties for amounts not reported during the election. Subsection (F)(3)(d) was added to clarify that the amounts in (a), (b), and (c) are subject to adjustment of A.R.S. § 16-959. Language was added to subsection (F)(4) to clarify that any corporation, limited liability company, or labor organization that is both (a) not registered as a political committee and (b) in compliance or intends to comply with A.R.S. §§ 16-920 and -914.02 may seek an exemption from the reporting requirements of the Act. Subsection (F)(5) was amended by removing subsections (a) and (b) in regards to an organization's primary purpose and certification that the organization does not intend to accept donations or contributions for the purpose of influencing elections. Subsection (F)(6) was amended to clarify that organizations that do not receive an exemption from the Commission are required to file independent expenditure reports as specified in A.R.S. § 16-958. (20 A.A.R. 2804)

On May 14, 2015, the Commission approved proposed rule amendments to subsections (D) and (F) for publication with the Arizona Administrative Register a 60-day public comment period in which to solicit feed back from the public.

On July 23, 2015, the Commission considered public comment received during the 60-day public comment period for the proposed rule amendments. The Commission considered over 150 written public comments and live public comments from individuals attending the public meeting. The Commission ultimately decided to re-open the public comment period for an additional 30-day period in order to give the public additional time to review and comment on the proposed rule changes.

On August 20 and 21, 2015, the Commission approved rule amendment proposals for publication with the Arizona Administrative Register in order to solicit public comment for the revised rule proposals which included the Secretary of State's petition for a rule change and Mr. Langhofer's rule amendment proposal. The

Secretary of State proposed removing a reference to A.R.S. § 16-913 from the existing rule.

The Commission sought public comment on the following proposed rule amendments:

R2-20-109(D)(2)(a)(b) – clarifies the time period in which mileage reimbursements and expenditures must be reported. Allow for direct fuel purchases by the candidate for the candidate's automobile only and require documentation such as a travel log to be kept regarding a candidate's direct fuel purchases.

R2-20-109 (F)(3) – adds language emphasizing an independent expenditure can be made on behalf of any candidate, a participating candidate or a nonparticipating candidate. Codify in rule statutory language stating an independent expenditure against a candidate is considered an independent expenditure on behalf of the opposing candidate(s). Add language that political committees receiving contributions or making expenditures for candidate elections are subject to the penalties of the Clean Elections Act. Also updates language to clarify the definition of "political committee" in response to HB 2649 redefining the term.

R2-20-109(F)(3) – removes entities subject to A.R.S. § 16-913 reporting requirements from being subject to penalties under A.R.S. § 16-942.

R2-20-109 (F)(6) – clarifies filing requirements to reflect statutory requirements.

R2-20-109 (F)(8) – clarifies Commission's auditing authority to eliminate potentially confusing language.

R2-20-109 (F)(12) – these provisions update the Commission's rules to address the passage of HB2649, which amended the definition of political committee and to provide further clarity to the requirements applicable to those making independent expenditures. (21 A.A.R. 1977, 2043)

On September 24, 2015, the Commission provided another opportunity for the public to address this issue and placed the rule matter on the agenda for the purpose of discussion and solicitation of public comment. The agenda clearly identified the item as a discussion item and indicated that no action would be taken on the rules during the meeting. No person or group filed any public comment or took the opportunity to appear at the discussion session.

On October 28, 2015, the Commission submitted to the Governor's Regulatory Review Council the agency's 5-year review report detailing all Commission rule changes over the last five years. The Commission included possible proposed

actions regarding the rule because the public comment period for the rule had not yet concluded.

On October 29, 2015, during an open and public meeting, the Commission received public comment on the rule, rule amendments, and Secretary of State's petition for a rule change.

On October 30, 2015, after more than 160 days of public comment solicitation, the Commission unanimously adopted final amendments to the rule. The final adopted rule includes the following amendments:

R2-20-109(D)(2)(a)(b) – clarifies the time period in which mileage reimbursements and expenditures must be reported. Allow for direct fuel purchases by the candidate for the candidate's automobile only and require documentation such as a travel log to be kept regarding a candidate's direct fuel purchases.

R2-20-109 (F)(3) – adds language emphasizing an independent expenditure can be made on behalf of any candidate, a participating candidate or a nonparticipating candidate. Codify in rule statutory language stating an independent expenditure against a candidate is considered an independent expenditure on behalf of the opposing candidate(s). Add language that political committees receiving contributions or making expenditures for candidate elections are subject to the penalties of the Clean Elections Act. Also updates language to clarify the definition of "political committee" in response to HB 2649 redefining the term.

R2-20-109 (F)(6) – clarifies filing requirements to reflect statutory requirements of A.R.S. § 16-941(D) and A.R.S. § 16-958(A)-(B).

R2-20-109 (F)(8) – clarifies Commission's auditing authority to eliminate potentially confusing language.

R2-20-109 (F)(12) – these provisions update the Commission's rules to address the passage of HB2649, which amended the definition of political committee and to provide further clarity to the requirements applicable to those making independent expenditures. (21 A.A.R. 3168)

The Commission did not adopt Secretary of State Reagan's petition to remove A.R.S. § 16-913 from the rule. The Secretary's Office provided no comment either during the comment period or at the hearing for the proposal it introduced.

On November 20, 2015, the Commission was notified that the 5-year review report would be considered at the Council's December 29, 2015 study session and at the January 5, 2016 Council meeting.

On December 2, 2015, the Council's staff attorney requested copies of the written criticisms and comments that were received for the rules covered in the report. The next day Commission staff provided copies of all public comments as requested.

On December 17, 2015, the Commission staff confirmed with the Council's staff attorney that the law did not support the Council staff's request that Commission amend the 5-year report to include rule amendments adopted after submission of the report. Commission staff nevertheless confirmed to the staff attorney that the amendments he had previously received information on had been adopted. Commission staff also advised the staff attorney on the limitations imposed by the law on Council. The Council staff attorney acknowledged the email and indicated that "[i]f any questions arise out [a review with the Chairwoman Nicole Ong] I will let you know."

On December 29, 2015, Commission staff attending the study session regarding the 5-year review Report. Commission staff learned that confirming the adoption of the rules was insufficient to satisfy the Council staff's request, despite the assurance on December 17, 2015, and the absence of any dispute the Council had all information related to each and every rule amendment considered and adopted during the 5-year period and afterward. The Council requested that the 5-year review report be revised to include the actions take by the Commission on October 30, 2015 in regards to the rule. Commission staff provided the Council a revised 5-year review report on December 29, 2015 along with additional information regarding the rule and any analysis provided to the Commission during the rulemaking process.

The Council did not take any action on the 5-year review report at the January 5, 2016 meeting. Instead the Council decided to move the agenda item to the Council's next meeting on February 2, 2016.

On February 2, 2016, the Council voted to return the 5-year review report to the Commission. The Council also voted to repeal subsections (F) and (G) of the rule. No reason for these actions was provided by the Council. The staff attorney subsequently informed the Commission that the new 5-year review report would be due May 30, 2016. At the May 5, 2016 meeting the Council granted an extension to for the submission of the revised 5-year review report.

On September 15, 2016, the Commission adopted final rule amendments to Rule R2-20-109. The amendments were intended to provide clarity during the 2016 cycle, and to reorganize the rule to be more logically organized and easier to understand by moving issues related to separate categories of regulated entities into separate rules. The amendments did the following:

- R2-20-109(B), (C), and (E), relating to participating candidates, were removed from the rule and renumbered as R2-20-110. R2-20-110 is renumbered as new section R2-20-114.

- R2-20-109(D), relating to transportation expenses, was removed from the rule and moved to R2-20-702(G).
- R2-20-109(F) was renumbered as R2-20-109(B).
- R2-20-109(F)(2) was deleted because the underlying statute, A.R.S. § 16-917, was repealed.
- R2-20-109(F)(3) was restructured in R2-20-109(B)(2)-(3).
- R2-20-109(F)(11) was deleted.
- R2-20-109(G) was removed from the rule and renumbered as R2-20-111.
- R2-20-110 was renumbered as R2-20-114.
- R2-20-111 was renumbered as R2-20-115.

On December 15, 2016, the Commission adopted several amendments to R2-20-109, 110, and 111. The rule amendments were made primarily to harmonize the Commission's rules with SB1516, and are made without waiver of any objections to the legal validity of SB1516 under the Arizona and United States Constitutions. The amendments did the following:

- R2-20-109:
  - Provides for the Executive Director to take steps to implement a substitute reporting process for independent expenditures when the system provided by the Secretary of State is totally or partially unavailable. R2-20-109(A)(1)-(2).
  - Provides that campaign finance reports under A.R.S. §§ 16-941(D) and 16-958 shall be filed by all persons who make independent expenditures and details statutory penalties for failure to file such reports. R2-20-109(B)(2).
  - Clarifies that entities required to file campaign finance reports under Chapter 6 of Title 16 are subject to the Clean Elections Act unless the report is required of political committees and the entity is not a political committee. R2-20-109(B)(3)-(4).
  - Deletes R2-20-109(B)(4)-(11) related to exemptions from A.R.S. §§ 16-941 and 16-958 because the basis for those exemptions (former A.R.S. § 16-914.02) has been repealed.
- R2-20-110:
  - Updates rule to remove outdated cross-references. R2-20-110(C).
  - Reorganizes section on certain expenses into this section, moved from R2-20-703. R2-20-110(A)(4)(e).
  - Provides for a post-general election report for participating candidates to ensure monies owed to the Clean Elections Fund are returned and properly used. R2-20-110(C)(2)(b).
- R2-20-111:
  - Provides that the twenty percent reduction of contribution limits for nonparticipating candidates found in A.R.S. § 16-941(B) applies to all campaign contribution limits on contributions that the law permits candidates to accept. R2-20-111(E).

- Provides that the contribution limits as adjusted by A.R.S. § 16-931 shall be the base level contribution limits subject to reduction under A.R.S. § 16-941(B). R2-20-111(F).

b. Action Proposed

None. .

## **R2-20-112 Political Party Exceptions**

### **2. Objective**

Provide guidance on the scope of the political party exceptions to the definitions of contributions and expenditures in A.R.S. § 16-901(5), (8).

### **14. Course of Action**

a. Action Taken

On December 15, 2016, the Commission adopted final rule amendments to R2-20-112. The amendments are primarily the result of SB1516 and are made without waiver of any legal objection to the legal validity of SB1516 under the Arizona and United States Constitutions. The amendment deletes the previous text of the rule and replaces outdated cross-references with an updated cross-reference to the in-force version of the relevant statute.

b. Action Proposed

None.

## **R2-20-113. Calculation of Equalizing Funds (REPEALED)**

### **2. Objective**

Provide details for calculating equalizing funds in accordance with A.R.S. § 16-952.

### **14. Course of Action**

a. Action Taken

On October 6, 2011, the Commission repealed the rule calculating equalizing funds for participating candidates. (19 A.A.R. 1694)

b. Action Proposed

None.

## **R2-20-113. Candidate Statement Pamphlet (NEW RULE)**

### **2. Objective**

Provide procedures for candidate eligibility and submission of statements for the Commission's primary and general election candidate statement pamphlets in accordance with A.R.S. § 16-956.

### **14. Course of Action**

#### **a. Action Taken**

On July 23, 2015, the Commission adopted a new rule to clarify which candidates are eligible to submit statements to the Commission's primary and general election candidate statement pamphlets. (21 A.A.R. 1633)

#### **b. Action Proposed**

None.

## **R2-20-114 Campaign Accounts**

### **2. Objective**

Specify the method for maintaining campaign accounts.

### **14. Course of Action**

#### **a. Action Taken**

On October 6, 2011, the Commission adopted final amendments to the rule by removing subsection (B) which permitted the Commission to consider a nonparticipating candidate's campaign finance activity in all accounts for the purposes of equalizing funds. (19 A.A.R. 1693)

On July 23, 2015, the Commission adopted final amendments to the rule to clarify that a single campaign account is the same as a candidate campaign bank account. (21 A.A.R. 1629)

On September 15, 2016, the Commission adopted final rule amendments renumbering R2-20-110 – Campaign Accounts as new rule R2-20-114.

#### **b. Action Proposed**

None.

## **R2-20-115 Books and Records Requirements**

### **2. Objective**

Specify the manner for keeping records and giving the public access to campaign records.

### **14. Course of Action**

#### **a. Action Taken**

On July 23, 2015, the Commission adopted final amendments to the rule to clarify that candidates should maintain records relating to the candidate's campaign bank account. (21 A.A.R. 1631)

On September 15, 2016 ], the Commission adopted final rule amendments renumbering R2-20-111 as new rule R2-20-115.

#### **b. Action Proposed**

None.

## **ARTICLE 2 – COMPLIANCE AND ENFORCEMENT PROCEDURES**

## **R2-20-201 Scope**

### **2. Objective**

Specify the scope of the rules.

## **R2-20-202 Initiation of Compliance Matters**

### **2. Objective**

Describe methods for initiating an enforcement matter.

## **R2-20-203 Complaints**

### **2. Objective**

Provide the process for filing a complaint.

**R2-20-204 Initial Complaint Processing; Notification**

**2. Objective**

Specify the procedures for processing complaints.

**14. Course of Action**

a. Action Taken

On July 23, 2015, the Commission adopted final amendments to subsections (A) and (B) of the rule to allow the Commission greater flexibility in the method in which respondents are provided with copies of complaints filed with the Commission. (21 A.A.R. 1634)

b. Action Proposed

None.

**R2-20-205 Opportunity for No Action on Complaint-Generated Matters**

**2. Objective**

Specify the method and time period allowed for an alleged violator to respond to a complaint.

**14. Course of Action**

a. Action Taken

On July 23, 2015, the Commission adopted final amendments to subsection (C) of the rule to require a respondent's response to be sworn to and signed in the presence of a notary public and notarized which aligns with the requirements of complaints filed with the Commission. (21 A.A.R. 1636)

b. Action Proposed

None.

**R2-20-206 Administrative Counsel's Recommendation on Complaint-Generated Matters**

**2. Objective**

Specify the Executive Director's and complainant's role prior to bringing a reason-to-believe violation to the Commission.

## **7. Written Criticism**

Prior the May 22, 2014 Commission meeting, Robyn Prud'homme-Bauer from the League of Women Voters of Arizona provided a written comment supporting the rule amendments. Sam Wercinski from the Arizona Advocacy Network provided written public comment in opposition the proposed subsections (C) and (D) stating the proposals would create a separate process for initiating investigations for one group of candidates versus another and therefore creating unequal due process.

## **14. Course of Action**

### **a. Action Taken**

On May 22, 2014, the Commission adopted final amendments to subsection (B) clarifying that the Executive Director's recommendation is not an appealable agency action. The Commission also adopted subsections (C) and (D) to specify the procedures for initiating an inquiry regarding a nonparticipating candidate or a nonparticipating candidate's campaign committee and that the Commission's decision to authorize an inquiry is not an appealable agency action. (20 A.A.R. 1332)

On July 23, 2015, the Commission adopted final amendments to subsection (A) of the rule allow the Executive Director to close a complaint generated matter based on the respondent complying with the rule or statute on which the complaint is founded and notifying the Commission in such an instance. (21 A.A.R. 1638)

On August 20, 2015, the Commission approved a rule amendment proposal for publication with the Arizona Administrative Register in order to solicit public comment for a proposal that would require the Executive Director to first receive Commission approval to initiate an inquiry if a person making an independent expenditure in an election without a participating candidate faces penalties subject to A.R.S. § 16-942(B). (21 A.A.R. 1981)

### **b. Action Proposed**

If given unanimous approval by the Commission, the earliest effective date of the proposed amendment would be October 29, 2015.

## **R2-20-207 Internally Generated Matters; Referrals**

### **2. Objective**

Provide the Executive Director with authority to generate an internal complaint.

## **R2-20-208 Complaint Processing; Notification**

### **2. Objective**

Provide the process for notifying the complainant and the respondent of a reason-to-believe determination.

### **7. Written Criticism**

Prior to the August 20, 2015 Commission meeting, the Arizona Chamber of Commerce submitted a proposal to the Commission to amend the enforcement processing procedures when a complaint alleges an “Article 1” violation involving an independent expenditure.

### **14. Course of Action**

#### **a. Action Taken**

On August 20, 2015, the Commission approved three rule amendment proposals for publication with the Arizona Administrative Register in order to solicit public comment for the proposals. (21 A.A.R. 1772, 1822, 1983)

#### **b. Action Proposed**

If given unanimous approval by the Commission, the earliest effective date of the proposed amendments would be October 29, 2015.

## **R2-20-209 Investigation**

### **2. Objective**

Specify the methods used by the Commission to investigate following a reason-to-believe determination.

## **R2-20-210 Written Questions Under Order**

### **2. Objective**

Allow the Commission to issue an order requiring any person to submit sworn, written answers to written questions.

## **R2-20-211 Subpoenas and Subpoenas Duces Tecum; Depositions**

### **2. Objective**

Allow the Commission to authorize the Administrative Counsel or Assistant Attorney General to issue subpoenas for a deposition or issue a subpoena *duces tecum* during its investigation.

#### **R2-20-213 Motions to Quash or Modify a Subpoena**

##### **2. Objective**

Allow any person to whom a subpoena is directed to apply to the Commission to quash or modify the subpoena.

#### **R2-20-214 The Probable Cause to Believe Recommendation: Briefing Procedures**

##### **2. Objective**

Specify the procedure for the Commission's determination of probable cause to believe that a violation of the statute or rule has occurred or is about to occur.

#### **R2-20-215 The Probable Cause to Believe Finding; Notification**

##### **2. Objective**

Provide the process for notifying the respondent of a probable cause finding.

#### **R2-20-216 Conciliation**

##### **2. Objective**

Provide the process for settling matters informally.

#### **R2-20-217 Enforcement Proceedings**

##### **2. Objective**

Provide the process for assessing civil penalties.

#### **R2-20-218 Reserved**

#### **R2-20-219 Reserved**

#### **R2-20-220 Ex Parte Communications**

##### **2. Objective**

Prohibit ex parte communications with the Commission staff or Commissioner.

## **R2-20-221 Representation by Counsel; Notification**

### **2. Objective**

Specify the extent of a respondent's right to be represented.

## **R2-20-222 Civil Penalties**

### **2. Objective**

Designate potential civil penalties.

### **7. Written Criticism**

Prior to the September 27, 2013 meeting, Sam Wercinski from the Arizona Advocacy Network provided written public comment stating that he currently penalty structure is unfair and lacks deterrent value. Mr. Wercinski proposed a percentage based penalty for deterring campaign finance violations.

### **14. Course of Action**

#### **a. Action Taken**

On May 9, 2013, the Commission adopted final amendments to subsections (A) and (B) which increased the maximum civil penalties for participating legislative candidate from \$500 to \$1,000, participating statewide candidates from \$2,500 to \$5,000, and for a person other than a participating candidate from \$500 to \$1,000. (19 A.A.R. 1697)

On September 27, 2013, the Commission adopted final amendments to the rule which struck subsection (C) of the rule which limited penalties for violations of the Act. (19 A.A.R. 3524)

#### **b. Action Proposed**

None.

## **R2-20-223 Notice of Appealable Agency Action**

### **2. Objective**

Specify the Commission's notice requirement after making a probable cause finding.

### **14. Course of Action**

a. Action Taken

On July 21, 2011, the Commission amended subsection (A) to include language specifying the statute or the rule “violated and the specific facts constituting the violation.” (On October 27, 2015, this rule amendment was submitted to Arizona Administrative Register for publication.)

b. Action Proposed

None.

**R2-20-224 Request for Administrative Hearing**

**2. Objective**

Designate the timeline and process for a respondent to request a hearing.

**R2-20-225 Informal Settlement Conference**

**2. Objective**

Provide the process for a respondent to request an informal settlement conference.

**R2-20-226 Administrative Hearing**

**2. Objective**

Specify the timeline and process for conducting administrative hearings.

**R2-20-227 Review of Administrative Decision by Commission**

**2. Objective**

Specify the Commission’s responsibilities when it receives notice of an administrative decision.

**R2-20-228 Judicial Review**

**2. Objective**

Provide the process for exhausting administrative remedies prior to seeking judicial review.

**ARTICLE 3 - STANDARD OF CONDUCT FOR COMMISSIONERS AND EMPLOYEES**

**R2-20-301 Purpose and Applicability**

## **2. Objective**

Indicate the purpose and scope of this article.

### **R2-20-302 Definitions**

## **2. Objective**

Define terms for this article.

### **R2-20-303 Notification to Commissioners and Employees**

## **2. Objective**

Specify material to be made available to each employee and Commissioner upon revision or entrance of new employment.

### **R2-20-304 Interpretation and Advisory Service**

## **2. Objective**

Specify the process for seeking advice on questions of conflict of interest.

### **R2-20-305 Reporting Suspected Violations**

## **2. Objective**

Provide the procedure for reporting suspected violations of conflict of interest requirements.

### **R2-20-306 Disciplinary and Other Remedial Action**

## **2. Objective**

Specify the disciplinary action for violating this Article.

### **R2-20-307 General Prohibited Conduct**

## **2. Objective**

Specify conduct that is prohibited for Commissioners or employees.

### **R2-20-308 Outside Employment or Activities**

## **2. Objective**

Specify the prohibited conduct related to employment and other activities for Commissioners or employees.

**R2-20-309 Financial Interests**

**2. Objective**

Specify financial conflicts of interest requirements.

**R2-20-310 Political and Organizational Activity**

**2. Objective**

Specify conflicts of interest related to express advocacy.

**R2-20-311 Membership in Associations**

**2. Objective**

Specify potential conflicts of interest related to membership in nongovernmental associations or organizations.

**R2-20-312 Use of State Property**

**2. Objective**

Specify limitations on using state property.

**ARTICLE 4 – AUDITS**

**R2-20-401 Purpose and Scope**

**2. Objective**

Provide the purpose and scope of the article.

**13. Course of Action**

a. Action Taken

On October 6, 2011, the Commission adopted final amendments removing nonparticipating candidates' campaign finances from the purpose and scope of the audits conducted by the Commission. (19 A.A.R. 1699)

b. Action Proposed

None.

**R2-20-402. General**

**2. Objective**

Establish the tools available to the Commission in conducting audits.

**R2-20-402.01 Random Audits**

**2. Objective**

Authorize Commission staff to conduct random audits.

**14. Course of Action**

a. Action Taken

On October 6, 2011, the Commission adopted final amendments to the rule removing nonparticipating candidates' campaign finances from the random audits conducted by the Commission. (19 A.A.R. 1700)

On July 23, 2015, the Commission adopted final amendments to the rule to clarify that statewide and legislative candidates are selected for random audits rather than statewide offices and legislative districts, consistent with current practices. (21 A.A.R. 1640)

On December 15, 2016, the Commission adopted final amendments to the rule to limit random audits to participating legislative candidates, rather than both participating legislative candidates and participating statewide candidates. The rule amendments were made primarily to harmonize the Commission's rules with SB1516, and are made without waiver of any objections to the legal validity of SB1516 under the Arizona and United States Constitutions.

b. Action Proposed

None.

## **R2-20-402.02**

### **2. Objective**

Provide for audits of participating statewide legislative candidates.

### **14. Course of Action**

#### **a. Action Taken**

On December 15, 2016, the Commission adopted Rule R2-20-402.02 to provide for the audit of participating statewide legislative candidates. The new rule provides, "All participating statewide candidates shall be audited after each primary election period and each general elections period."

#### **b. Action Proposed**

None.

## **R2-20-403 Conduct of Fieldwork**

### **2. Objective**

Establish candidate responsibilities during an audit.

## **R2-20-404 Preliminary Audit Report**

### **2. Objective**

Provide the procedures for the first phase of the audit process.

## **R2-20-405 Final Audit Report**

### **2. Objective**

Provide the procedures for the final phase of the audit process.

## **R2-20-406 Release of Audit Report**

### **2. Objective**

Provide details on how an audit report is made available to the public.

## **ARTICLE 5 – RULEMAKING**

### **R2-20-501 Purpose and Scope**

#### **2. Objective**

Specify the purpose and scope of the Commission's rulemaking.

### **R2-20-502 Procedural Requirements**

#### **2. Objective**

Provide the process for filing a written petition regarding the issuance, amendment or repeal of an administrative rule.

### **R2-20-503 Processing of Petitions**

#### **2. Objective**

Provide the process for reviewing petitions related to issuing, amending, or repealing rules.

### **R2-20-504 Disposition of Petitions**

#### **2. Objective**

Provide the process for disposition of petitions related to rulemaking.

### **R2-20-505 Commission Considerations**

#### **2. Objective**

Specify a nonexclusive list of criteria the Commission may consider in disposing of a petition for rulemaking.

### **R2-20-506 Administrative Record**

#### **2. Objective**

Designate which records compose the administrative record.

## **ARTICLE 6 – EX PARTE COMMUNICATIONS**

### **R2-20-601 Purpose and Scope**

#### **2. Objective**

Specify the purpose and scope of the article.

**R2-20-602 Definitions**

**2. Objective**

Define terms as used in the article.

**R2-20-603 Audits, Investigations & Litigation**

**2. Objective**

Prohibit ex parte communications with the Commission during audits, investigations or litigation.

**R2-20-604 Sanctions**

**2. Objective**

Specify the process for sanctioning those who violate this article.

**ARTICLE 7 – AUDITS AND REPAYMENT**

**R2-20-701 Purpose and Scope**

**2. Objective**

Specify the purpose and scope of the article.

**R2-20-702 Use of Campaign Funds**

**2. Objective**

Specify legal uses of campaign funds.

**14. Course of Action**

**a. Action Taken**

On February 17, 2011, the Commission adopted final amendments to the rule to clarify the limits on candidate expenditures for staff meals (R2-20-702(C)(2)), to clarify the personal use limitations listed are not inclusive (R2-20-702(C)(3)), and to prohibit campaign funds to be used to purchase extended warranties or other similar purchase options that extend beyond the campaign (R2-20-702(C)(3)(h)). Additionally, the amendments to the rule require “fixed assets purchased with campaign funds that can be used for non-campaign purposes with a value of \$200 or

more that were purchased with campaign funds shall be turned in to the Commission no later than 30 days after the primary election or the general election if the candidate was successful in the primary. A candidate may elect to reimburse the Commission for 50% of the original purchase price of the item instead of turning in the item” (R2-20-702(C)(6)). (17 A.A.R. 1267)

On October 6, 2011, the Commission adopted final amendments to the rule to clarify that candidates are prohibited from using Clean Elections funding for the cost of legal defense, any affirmative claim, or any litigation in court or before the Commission regarding a campaign (R2-20-702 (C)(1)). In addition, the Commission adopted final amendments to address disclosure of payments made by participating candidates to candidates or their family members or businesses (R2-20-702(C)(4)). (19 A.A.R. 1702)

On May 9, 2013, the Commission adopted final amendments to subsection (D) of the rule to decrease the amount of time a candidate has to return a fixed asset and increase the percentage of the cost of the item that the candidate must reimburse the Commission in the event the candidate wishes to retain the fixed asset. (19 A.A.R. 1702)

b. Action Proposed

None.

**R2-20-702.01. Use of Assets**

**2. Objective**

Provide a method for a candidate to use campaign materials from prior elections.

**R2-20-703 Documentation for Direct Campaign Expenditures**

**2. Objective**

Specify the process by which a participating candidate may ensure that campaign expenditures satisfy the direct campaign expenditure requirement.

**14. Course of Action**

a. Action Taken

On July 23, 2015, the Commission adopted final amendments to the rule to clarify that candidates must keep a list of fixed assets with a value of \$200 or more. The amendment keeps rules regarding fixed assets consistent. (21 A.A.R. 1641)

On December 15, 2016, the Commission adopted final amendments to the rule to remove language relating to certain expenditures. The removed language has been moved to R2-20-110.

b. Action Proposed

None.

**R2-20-704 Repayment**

**2. Objective**

Designate the process for repaying distributed funds to the Clean Elections fund and specify that the Commission may require such repayment.

**14. Course of Action**

a. Action Taken

On July 23, 2015, the Commission adopted final amendments to the rule clarifying that repayment sources include the candidate's current election campaign account. ( 21 A.A.R. 1643)

b. Action Proposed

None.

**R2-20-705 Additional Audits or Repayment Determination**

**2. Objective**

Authorize additional audits or examinations of campaign activity when new facts are available.

A copy of the Commission's rules are attached as **Appendix H**.

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## Attachments

- A- Clean Elections Act
- B- Rules covered in this report
- C- Rule amendments adopted since October 29, 2015.

DRAFT