



STATE OF WASHINGTON  
PUBLIC DISCLOSURE COMMISSION

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BEFORE THE PUBLIC DISCLOSURE COMMISSION  
OF THE STATE OF WASHINGTON

IN RE COMPLIANCE	)	PDC AUDIT NO: A-09-05
WITH RCW 42.17	)	
	)	REPORT OF EXAMINATION
2008 Robert Cerqui Campaign	)	Limited Scope Audit
_____	)	

I.

**Background & Limited-Scope Audit Findings**

- 1.1 On May 9, 2008, Robert Cerqui filed a Candidate Registration (PDC Form C-1) with the Public Disclosure Commission (PDC), declaring his candidacy for election to the office of State Representative in the 25th Legislative District.
- 1.2 Mr. Cerqui is an incumbent Fife City Councilman, having been elected to that office in 2007.
- 1.3 On March 17, 2009, PDC staff sent a letter informing the Cerqui Campaign that a limited-scope audit was being conducted with regard to contribution and expenditure activities undertaken during the 2008 election cycle. **See Audit Exhibit #1.** The limited-scope audit letter explained that the PDC was conducting a total of 20 limited-scope audits, divided between statewide executive candidates (4), state senate candidates (8), and state representative candidates (8) who appeared on the 2008 general election ballot.
- 1.4 As part of the limited-scope audits, PDC staff verified whether the campaign maintained sufficient documentation and timely reported specific contribution and expenditure activities. Staff also determined whether the campaign substantially complied with the reporting requirements to timely disclose contribution and expenditure information, including in-kind contributions, orders-placed, and last-minute contributions.
- 1.5 The Cerqui campaign provided no records or documents in response to the initial audit request letter. Therefore, on September 22, 2009, staff sent an additional letter to the Cerqui Campaign, requesting that he provide the requested documentation. **See Audit Exhibit #2.**



- 1.6 PDC staff asked Tony Yuchasz, Director of the House Democratic Campaign Committee (HDCC), for assistance in compiling some of the requested audit documents. He agreed to provide assistance. On December 15, 2009, Mr. Yuchasz provided documentation from the records of the HDCC to PDC staff on behalf of the Cerqui campaign. **See Audit Exhibit #3.**
- 1.7 In addition to providing HDCC documents pertaining to the Cerqui campaign, requested by PDC staff, Mr. Yuchasz also contacted some campaign vendors and obtained documentation from the original source, including invoices and receipts. Mr. Yuchasz stated, *“Unfortunately, these materials do not include records under the direct purview of People to Elect Rob Cerqui.”*

#### Summary – 2008 Campaign

- 1.8 The Cerqui Campaign (referred to, hereafter, as “the campaign”) reported receiving a total of \$140,461.72 in monetary and in-kind contributions. The campaign also reported \$101,487.19 in expenditures during the 2008 election cycle. Mr. Cerqui was defeated by Bruce Dammaier in the 2008 general election.

#### Timeliness of Monetary Contribution Reports (PDC Form C-3)

- 1.9 Beginning in June of 2008, all candidates were required to file Cash Receipts Monetary Contributions reports (PDC Form C-3) every Monday for bank deposits that were made by the campaign during the preceding seven days.
- 1.10 PDC staff reviewed information reported by the campaign on C-3 reports and information contained in the PDC database. Staff reviewed a total of 14 C-3 reports filed by the campaign during the period of May 10 through November 7, 2008. Staff evaluated the campaign’s timeliness with regard to filing C-3 reports and depositing campaign contributions within five business days of receipt.
- 1.11 The campaign filed 14 C-3 reports, during the period of May 10 through November 7, which totaled \$96,005.25 in contributions. Of the 14 C-3 reports filed by the campaign, five were timely filed electronically, either on the due date or earlier, indicating a 38.6% compliance rate. The nine late-filed C-3 reports were filed between one and 43 days after they were due. **See Audit Exhibit #4 (Audit Schedule 1).** Of the nine late-filed C-3 reports, contributions for \$2,800, \$6,005, \$1,210, and \$3,815 were filed 43, 13, 15, and 13 days late, respectively.
- 1.12 Candidates are required to timely deposit monetary contributions received by the campaign within five business days of receipt. The campaign failed to timely deposit 98 contributions, totaling \$67,975.25, within five business days of receipt.
- 1.13 The campaign failed to timely deposit 98 of the 205 total contributions received during the 2008 election cycle, a 53% compliance rate.

The contributions were deposited between one and 43 days late **See Audit Exhibit #5 (Audit Schedule 1A)**. Of the 98 late-deposited contributions, contributions for \$800, \$500, \$500, \$800, \$800, \$2,000, \$800, \$8,000, and \$500 were deposited 43, 42, 16, 12, 14, 34, 35, 13, and 30 days late, respectively.

In-Kind Contributions Received by Campaign & Documentation Maintained by the Campaign for Selected Contributions

- 1.14 PDC staff requested that the campaign provide documentation regarding the following contributions received during the 2008 election cycle campaign:

House Democratic Campaign Committee (HDCC): The contributions received by the campaign from the HDCC included a \$28,000 monetary contribution received on 9/2/2008; a \$5,000 monetary contribution received on 8/1/2008; a \$2,000 monetary contribution received on 9/1/2008; a \$7,985 in-kind contribution received on 7/8/2008; a \$5,000 in-kind contribution received on 7/1/2008; and a \$4,400 in-kind contribution received on 7/22/2008.

25<sup>th</sup> Legislative District Democratic Central Committee (25<sup>th</sup> LDDCC): The contributions received by the campaign from the 25<sup>th</sup> LDDCC included an \$8,000 monetary contribution received on 10/6/2008, and a \$4,000 monetary contribution received on 8/7/2008.

Washington State Democratic Central Committee (WSDCC): The contributions received from the WSDCC included a \$16,120 in-kind contribution received on 10/20/2008.

- 1.15 Mr. Cerqui failed to provide any documentation, in response to the audit letter, for the contributions listed above. At PDC's request, Mr. Yuchaz provided documentation responsive to the audit request letter, including canceled checks for the following HDCC contributions:

- HDCC made a \$28,000 monetary contribution to the campaign on 9/2/2008. The campaign reported receiving the contribution on 9/2/2008, depositing it on 9/10/2008, and disclosing the contribution on a C-3 report filed on 8/11/2008.
- HDCC made a \$5,000 monetary contribution to the campaign on 8/1/2008. The campaign reported receiving the contribution on 8/1/2008, depositing it on 8/5/2008, and disclosing the contribution on a C-3 report filed on 8/11/2008.
- HDCC made a \$2,000 monetary contribution to the campaign on 9/1/2008. The campaign reported receiving the contribution on 9/1/2008, depositing it on 10/12/2008, and disclosing the contribution on a C-3 report filed on 10/14/2008.

- HDCC made a \$7,985 in-kind contribution to the campaign on 7/8/2008. The campaign reported receiving it on 7/8/2008, but did not report the in-kind until September 28, 2008, on an amended 21-day pre-primary C-4 report. The in-kind contribution was disclosed 61 days late.
  - HDCC made a \$4,400 in-kind contribution to the campaign on 7/2/2008. The campaign reported receiving it on 7/22/2008, but did not report it until September 28, 2008, on an amended 21-day pre-primary C-4 report. The in-kind contribution was disclosed 61 days late.
- 1.16 Tony Yuchasz provided three Chinook Consulting invoices, which listed three mail pieces paid for by the WSDCC and totaling \$32,627.47 for the Cerqui campaign. The campaign only reported receiving one in-kind contribution from the WSDCC, totaling \$16,120. It was reported as being received on October 20, 2008, on the 7-day pre-general C-4 report.
- 1.17 It appears from that documentation that the campaign failed to disclose a total of \$16,507.47 in in-kind contributions received from the WSDCC.

#### Last Minute Contribution (LMC) Reports – Timeliness of Filing

- 1.18 During the seven-day period preceding a primary election and the 21-day period preceding a general election, candidates that receive, in the aggregate, contributions of \$1,000 or more from any one source are required to report those contributions within 48 hours of receipt. Campaigns may fulfill this reporting requirement within 48 hours of receipt by: a) e-filing a C-3 report; b) submitting a faxed or e-mailed copy of the LMC report; c) sending an e-mail to the PDC that discloses the information in some other format; or d) telephoning the information to PDC staff.
- 1.19 The campaign did not report receiving any last-minute contributions of \$1,000 or more within seven days of the primary election.
- 1.20 The campaign did report receiving three last-minute contributions of \$1,000 or more within 21 days of the general election as follows:
- An LMC report was e-mailed by the campaign to the PDC on October 24, 2008, disclosing a \$16,120 last-minute in-kind contribution that was received from the WSDCC on October 24, 2008.
  - An LMC report was e-mailed by the campaign to the PDC on October 27, 2008, disclosing a \$16,960.86 last-minute in-kind contribution that was received from the WSDCC on October 27, 2008.

- An LMC report was e-mailed by the campaign to the PDC on October 30, 2008, disclosing a \$16,533.54 last-minute in-kind contribution that was received from the WSDCC on October 28, 2008.

While the three LMC reports filed by the campaign totaled more than \$49,500 of in-kind contributions from the WSDCC, the three Chinook Consulting invoices that listed three mail pieces paid for by the WSDCC only totaled \$32,627.47.

### PDC Staff Confirmation of Selected Contributors

- 1.21 The in-house confirmation process consisted of staff reviewing the database of expenditures made by registered political committees that report to the PDC, and determining when the expenditures (that were contributions) were made and reported by the political committee. Staff then reviewed the corresponding C-3 report, filed by the campaign, disclosing receipt of the political committee contribution, and verified whether the campaign timely deposited and reported the contribution.
- 1.22 Staff reviewed four contributions received by the campaign from political committees reporting with the PDC in 2008. Those contributions were tracked through the reporting process as detailed in the chart below:

Date Made	Contributor Name	Amount	Date Received	Date Deposited	Date Reported	Days Late
8/5/2008	Abraham Lincoln Memorial Society	\$ 800	8/5/2008	8/11/2008	8/12/2008	0
9/22/2008	Education Voters Political Action Fund	\$800	9/22/2008	10/26/2008	10/28/2008	23
9/09/2008	WA State Dental PAC	\$800	9/10/2008	10/12/2008	10/14/2008	27
9/22/2008	Washington Teamsters	\$800	9/22/2008	10/12/2008	10/14/2008	13

- 1.23 The campaign failed to timely report three of the four contributions on C-3 reports as detailed in the above chart. The three contributions were filed between 13 and 27 days late. In addition, the campaign failed to timely deposit three of the four contributions reviewed within five business days of receipt.

### PDC Contributor Database Query

- 1.24 According to a query of the PDC database, the campaign reported receiving a total of 205 contributions for the 2008 election cycle. The campaign failed to provide the required C-3 contributor address information in all but 4 instances, for a 98.05% compliance rate. The campaign failed to provide the required employer and occupation information in 28 instances, for an 86.34% compliance rate.

### Timeliness of C-4 Reports

- 1.25 PDC staff reviewed the Campaign Summary Receipts and Expenditures reports (PDC Form C-4) filed by the campaign covering the period of May 1 through December 31, 2008. To determine the campaign's timeliness in filing C-4 reports, staff compared the date the C-4 reports were filed to the C-4 due dates listed on the PDC's "Key Reporting Dates" calendar.
- 1.26 Staff reviewed seven C-4 reports filed by the campaign for the 2008 election cycle: that included the May C-4 report; the 21-day and 7-day pre-primary C-4 reports; the post-primary C-4 report; the 21-day and 7-day pre-general C-4 reports; and the post-general election C-4 report. The campaign timely filed four of the seven C-4 reports (listed above) on the required due date or earlier, for a 57.1% compliance rate. **See Audit Exhibit #6 (Audit Schedule 2)** The campaign filed the following C-4 reports late:
- The 21-day pre-primary C-4 report was due to be filed on July 29, 2008, covering the period June 1 – July 28, 2008. The C-4 report was filed by the campaign three days late on August 1, 2008;
  - The post-primary C-4 report was due to be filed on September 10, 2008, covering the period August 12-31, 2008. The C-4 report was filed by the campaign one day late on September 11, 2008; and
  - The post-general election C-4 report was due on December 10, 2008: covering the period October 28 – November 30, 2008. The C-4 report was filed by the campaign 13 days late on December 23, 2008.

### Verification of Selected Expenditures and the Documentation Maintained

- 1.27 PDC staff reviewed the Schedule A to C-4 reports and the information maintained in the PDC database for expenditures reported by the campaign for the 2008 election cycle. The review consisted of selecting expenditures made by the campaign to various vendors during the 2008 election, and reviewing the corresponding documentation. The documentation requested included the following expenditures made by the campaign to Chinook Consulting:
- A \$17,000 expenditure made on 11/7/08 for consulting;
  - A \$7,392.58 expenditure made on 10/15/08 for flyers and postage;
  - A \$5,000 expenditure made on 10/15/08 for printing and postage; and
  - A \$2,508.92 expenditure made on 10/20/08 for an advertisement.

In addition, the campaign was asked to provide copies of documentation for the following expenditures:

- A \$2,953.50 expenditure made to Stones Phones, Inc. on November 1, 2008, for "Phone Ads;" and

- A \$1,400 expenditure made to Enhanced Visual Images on September 26, 2008, for a “Photographer.”

1.28 No documentation was submitted by the campaign for this limited-scope audit.

#### **Orders-Placed:**

1.29 Orders placed, debts and obligations of more than \$250 are required to be disclosed on a Schedule B to C-4 report in the reporting period incurred. Based on the documentation provided by Mr. Yuchasz, the following expenditures should have been reported as orders-placed on a prior C-4 report:

- The invoice for Stones Phones listed an order placed date of October 20, 2008, for the \$2,953.50 expenditure made by the campaign on November 1, 2008. The Stones Phones expenditure should have been disclosed earlier as an order placed for “Phone Ads” on the 7-day pre-general C-4 report.
- The invoice for Chinook Consulting listed an order placed date of October 10, 2008, for the \$7,392.58 expenditure made on October 15, 2008 for flyers and postage. The Chinook Consulting Phones expenditure should have been disclosed as an order placed on the 21-day pre-general C-4 report.

## **II.**

### **Audit scope**

2.1 The twenty (20) limited-scope audits of 2008 legislative and statewide executive candidates are part of the Commission’s Strategic Plan. The purpose of this limited-scope audit is to determine whether the Robert Cerqui Campaign substantially complied with the reporting requirements under the public disclosure law (Chapter 42.17 RCW).

2.2 Those reporting requirements include the timely and accurate disclosure of contribution and expenditure activities; the timely disclosure of last-minute contributions and orders-placed for expenditures; and documentation that verifies or confirms the information reported on the campaign-finance reports.

2.3 The audit procedures consisted of, but were not limited to, the following:

- Reviewed Public Disclosure Commission Monetary Contributions Reports (PDC Form C-3) and Expenditures Reports (PDC Form C-4) filed by the Campaign from May 1 - December 31, 2008;
- Reviewed PDC database for contribution and expenditure information e-filed by the Campaign for the 2008 election cycle;

- Staff reviewed documentation submitted on December 14, 2009, by Tony Yuchasz, Director of the House Democratic Campaign Committee, on behalf of the Campaign.
- Reviewed selected campaign expenditures made by the Campaign; and
- Reviewed timeliness and accuracy of the monetary and in-kind contributions received, expenditures made, orders-placed, last-minute contributions, and other reported information.
- No documentation was submitted by the Campaign.

**III.**  
**Relevant Areas of Law**

- 3.1 **RCW 42.17.060** requires candidates to deposit within five business days of receipt in an account established and designated for the campaign, all monetary contributions received by a candidate.
- 3.2 **RCW 42.17.080 & 42.17.090** requires candidates appearing on the primary and general election ballot to file frequent and detailed reports of contribution and expenditure activities, including the disclosure of in-kind contributions, orders-placed, loans and other campaign debts or liabilities.
- 3.3 **RCW 42.17.105** requires candidates during the eight-day period preceding a primary election and the twenty-one day period preceding a general election, to report within forty-eight hours, contributions received during the period of more than \$1,000.

Respectfully Submitted this 6th day of January, 2010.

  
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Kurt Young  
PDC Compliance Officer

### List of Audit Exhibits

- Audit Exhibit #1:** On March 17, 2009, PDC staff letter informing the Robert Cerqui Campaign that a limited-Scope audit was being conducted.
- Audit Exhibit #2:** September 22, 2009, PDC staff sent additional letter to the Robert Cerqui Campaign requesting the campaign submit a response to the audit notification letter.
- Audit Exhibit #3:** Documentation provided on December 15, 2009, by Tony Yuchasz with the House Democratic Campaign Committee.
- Audit Exhibit #4:** Timeliness of C-3 reports (See Audit Schedule 1)
- Audit Exhibit #5:** Timeliness in depositing campaign contributions (See Audit Schedule 1A)
- Audit Exhibit #6:** Timeliness of C-4 reports (See Audit Schedule 2)