

Executive Summary and Staff Analysis

PDC Case No. 13-018

James Watkins

This summary highlights staff's findings, conclusions, and recommendations regarding the allegations contained in PDC Case No. 13-018, a 45-day citizen action letter (Citizen Action Complaint) filed on October 12, 2012 by Bob Bennett. The Citizen Action Complaint was filed with the Washington State Attorney General's Office and the King County Prosecutor's Office, and referred to the PDC for investigation and possible action.

Allegations

The Citizen Action Complaint alleges that James Watkins filed incomplete and inaccurate information on his Personal Financial Affairs Statement (F-1 report) in violation of RCW 42.17A.710 as follows:

1. **Alleged Failure to Disclose Income:** The complaint alleged that Mr. Watkins failed to disclose all of his income because he told the *Vancouver Columbian* and the *Seattle Times* that he was going to take a "huge pay cut to serve as state auditor because he makes over three times what the state auditor" makes (i.e., three times approximately \$116,000) when Mr. Watkins' March 14, 2012 F-1 report disclosed personal income totaling no more than \$139,998.
2. **Alleged Failure to Accurately Disclose Income:** The complaint alleged that \$20,000 to \$39,000 in income disclosed on Mr. Watkins' F-1 report could not be accurate because the listed source, Redmond Strategy Group, LLC, was incorporated only fourteen days before the date Mr. Watkins filed his F-1 report.
3. **Alleged Failure to Disclose Details of Assets and Investments:** The complaint alleged that in the Assets/Investments section of his F-1 report (Section 3c), Mr. Watkins failed to itemize investments contained in a 401(k) account and mutual funds held through Fidelity Investments, and 401(k) accounts held through USAA and Thomson Reuters.
4. **Alleged Failure to Disclose Creditor Information:** Finally, the complaint alleged that Mr. Watkins had a loan with a lender that he failed to disclose on his F-1 report.

Investigative Findings for Citizen Action Complaint

First Allegation: PDC staff reviewed news reporting on the 2012 Washington State Auditor's race appearing in the *Columbian* and *Seattle Times*, and reporting in other media outlets. Staff found no evidence of any statement by James Watkins, or attributed to him, that his income exceeded that of the State Auditor by a factor of three, or any similar statement. Staff asked the complainant to provide copies of any evidence supporting his

allegations about Mr. Watkins' alleged claimed income. The complainant did not respond to staff's request. Mr. Watkins stated to PDC staff that his income during the reporting period was accurate as disclosed on his March 14, 2012 F-1 report.

Second Allegation: Mr. Watkins' F-1 report disclosed income in the range of \$20,000 to \$39,000 received from the Redmond Strategy Group, LLC. With his F-1 report, Mr. Watkins filed an F-1 Supplement listing Intellectual Ventures, a Bellevue-based patent licensing company, as the source of payments of \$10,000 or more to Redmond Strategy Group, LLC. The purpose of the payments was listed as "payment for consulting." The Citizen Action Letter offered no evidence that Mr. Watkins had not performed or received compensation for consulting services, including services performed for Intellectual Ventures, or that the income from Redmond Strategy Group, LLC disclosed on Mr. Watkins' F-1 report was inaccurate. Mr. Watkins stated to PDC staff that his income was accurate as disclosed.

Third Allegation: Mr. Watkins stated that he previously believed that because the managers of his mutual funds and his 401(k) plan administrators were responsible for buying and selling individual stocks held in the accounts, he was not required to provide more detail on those investments. He said that while he does not make those granular-level decisions, he does choose which funds he invests in and, several years ago, chose the mutual funds and other investments that would make up his 401[k]. On receiving PDC staff's guidance, he provided the missing information regarding his assets and investments in an addendum to his F-1 report. The missing information consisted of a variety of mutual funds, and included no individual stock holdings.

Fourth Allegation: The Citizen Action Complaint did not include any information about the alleged undisclosed loan owed by Mr. Watkins, or any evidence to document the existence of such a loan. PDC staff asked the complainant to provide any evidence supporting his allegations about Mr. Watkins' alleged undisclosed loan. The complainant did not respond to staff's request. Mr. Watkins stated to PDC staff that his March 14, 2012 F-1 report disclosed the only loans he had outstanding during the F-1 reporting period: his mortgage and an auto loan.

Conclusion and Recommendation:

Because no evidence was presented or found that James Watkins failed to accurately disclose his income or creditor information on his March 14, 2012 F-1 report, staff recommends that the Commission dismiss allegations 1, 2, and 4 in the Citizen Action Letter and recommend to the Washington Attorney General and the King County Prosecuting Attorney that no further action be taken.

Regarding allegation 3, James Watkins disclosed his reportable intangible assets on his March 14, 2012 F-1 report, but inadvertently failed to provide all required detail regarding those assets. When the requirement was explained to Mr. Watkins, he immediately provided the missing information. Staff does not believe that the omitted detail (the names of nine mutual funds) deprived the public of information critical to the election during the 2012 election campaign. For this reason, and because Mr. Watkins' omission was inadvertent and immediately corrected, staff has concluded that enforcement action is not warranted in this case. Staff therefore recommends that the Commission dismiss allegation 3 in the Citizen Action Letter, and recommend to the Washington Attorney General and the King County Prosecuting Attorney that no further action be taken.