

Agenda

Item #4



STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commission Members

From: Jonathan Wayne, Executive Director

Date: November 29, 2007

Re: Questioned Expenditures of Paul and Pamela Hatch

This memo brings to your attention some special concerns that have arisen in the audits of two Maine Clean Election Act candidates in 2006, Paul and Pamela Hatch. In summary, the Hatches' lack of documentation for seven of their reported expenditures totaling \$2,973.54 has led the Commission staff to be concerned that the expenditures did not, in fact, occur. Below we explain the staff's concerns, and suggest a few options you may wish to consider for the December 7 meeting.¹

This memo is intended to supplement the final audit report, which outlines the auditor's findings regarding a number of issues. Our goal as Commission staff is to promote accountability for over \$3 million in public funds that are now being paid to legislative candidates every election year, while recognizing that in some cases legislative campaigns historically have been managed somewhat informally and that the record-keeping requirements must be kept reasonable to make the Maine Clean Election Act (MCEA) program viable.

Last year, Paul Hatch ran for the State Senate and Pamela Hatch ran for the State House of Representatives. Both were randomly selected for an audit. Mrs. Hatch was the treasurer for Paul Hatch's campaign. Their daughter, Victoria Hatch, was the nominal treasurer for Pamela Hatch's campaign, although we suspect that Pamela Hatch did most of the record-keeping and reporting for her own campaign as well as her husband's.

In the course of performing the audits, the Commission's auditor requested that the Hatches supply both a vendor invoice and proof of payment (such as a canceled check) for a number of selected expenditures. (As explained below, all MCEA candidates are required by statute to keep these records for all expenditures over \$50.) The campaigns were able to provide partially or full documentation for some of the expenditures. For

¹ For the purposes of this memo, the staff will treat the problems with these two campaigns as a single set of problems instead of providing the staff's position regarding each campaign separately. The reason for this is that the record-keeping deficiencies and the manner in which the campaigns operated are identical. The audit reports do treat each campaign individually and the details for each campaign can be found in those two reports.

seven of their expenditures totaling \$2,973.54, the campaigns could supply neither a vendor invoice nor a canceled check (or other proof that the vendor received payment).

Without these documents, the Commission staff cannot be confident that the campaigns, in fact, made these reported expenditures.

The Hatches are adamant that the reported expenditures truly occurred.² They further state:

- When the Hatches made the purchases, the vendors gave them receipts which they cannot locate now.
- At our request, the Hatches have gone to the Post Office and Staples to request duplicate receipts or other documents showing those expenditures were made. Both the Post Office and Staples have replied that they cannot provide such documents.
- The Hatches made the expenditures from their personal funds and expected to have the campaigns reimburse them later. They have stated that the expenditures were made in cash, although they have also provided some indication that they paid for some of the purchases by check from their personal bank accounts. They have not supplied us with any copies of checks from their personal bank accounts used to make the purchases.

Background

Requirement for Candidates to Keep Records of Expenditures

Most legislative candidates in Maine are conscientious and want to comply with the legal requirements for political candidates. The rationale for requiring candidates to keep records of their expenditures is to have documentary proof available that the expenditures that the candidates have reported are accurate. This is especially important for MCEA candidates who are spending public funds. If candidates know that the Commission may request expenditure documentation in the course of an audit, they may be more likely to file accurate financial reports and less likely to misuse MCEA funds (which is already a rare occurrence).

Since at least 1985, all legislative candidates (both publicly and privately financed) have been required to keep “a receipted bill, stating the particulars, for every expenditure in excess of \$50”:

4. Receipts preservation. A treasurer shall obtain and keep a receipted bill, stating the particulars, for every expenditure in excess of \$50 made by

² In a meeting at our office on October 12, 2006, however, they did admit that a reported 10/29/06 expenditure of \$920 for postage was actually the sum of several smaller expenditures for postage made over a period of months leading up to 10/29/06.

or on behalf of a political committee or a candidate The treasurer shall preserve all receipted bills and accounts required to be kept by this section for 2 years following the final report required to be filed for the election to which they pertain, unless otherwise ordered by the commission or a court. (21-A M.R.S.A. § 1016(4))

In 2006, the Legislature enacted special record-keeping requirements for MCEA candidates:

12-A. Required records. The treasurer shall obtain and keep:

A. Bank or other account statements for the campaign account covering the duration of the campaign;

B. A vendor invoice stating the particular goods or services purchased for every expenditure of \$50 or more; and

C. A record proving that a vendor received payment for every expenditure of \$50 or more in the form of a cancelled check, receipt from the vendor or bank or credit card statement identifying the vendor as the payee.

(21-A M.R.S.A. § 1125(12-A))

The 2006 amendment added the requirement for candidates to keep canceled checks (or other proof of payment) and bank account statements. The amendment also clarified the long-standing requirement for candidates to keep a vendor invoice. These requirements were in effect beginning on April 6, 2006.

General Results of Audit Program in 2006

In 2006, the Commission undertook for the first time systematic audits of MCEA candidates. Previously, the Commission did not audit MCEA candidates in the sense of requesting documentation of expenditures, other than in isolated compliance situations.

The Commission audited 61 randomly selected legislative candidates in 2006. Not all candidates had vendor invoices or canceled checks at the beginning of their audit, but they were able to fully document all or almost all of the expenditures by the conclusion of the audit. The Hatches are unique in the very large amount of expenditures that remain undocumented.

Hatches' Campaign Experience

Pamela and Paul Hatch have had ample campaign experience in which to learn that they were statutorily required to keep receipts or invoice from vendors. Pamela Hatch has been a candidate for the Maine Senate or Maine House of Representatives in every election since 1992. Paul Hatch has been a candidate for the Legislature in every election

since 2000. They both received MCEA funding during the 2002, 2004, and 2006 elections, as shown in the Appendix.

Undocumented Expenditures

In her campaign finance reports, Pamela Hatch reported making the following expenditures, which have remained completely undocumented:

Expenditures Reported by Pamela Hatch's Campaign			
<i>Date</i>	<i>Payee</i>	<i>Expenditure Type – Remark</i>	<i>Amount</i>
10/31/06	Postmaster	Postage – Mailing	\$585.00
10/31/06	Staples	Literature – Plus Labels, Inkjet Ink, Envelopes	\$457.63
11/2/06	Postmaster	Postage – GOTV-Postcards	\$480.00
11/5/06	Staples	Literature – for leaflet drop on Sunday night and Monday	\$357.35
Total			\$1,879.98

Paul Hatch's campaign reported making the following expenditures, which have remained completely undocumented:

Expenditures Reported by Paul Hatch's Campaign			
<i>Date</i>	<i>Payee</i>	<i>Expenditure Type – Remark</i>	<i>Amount</i>
5/30/06	Staples	Literature – Printing for Postcard Mailing	\$73.56
7/30/06	John Ring	Salary – Driver	\$100
10/29/06	Postmaster	Postage – Postcard Mailing for Get Out the Vote	\$920.00
Total			\$1,093.56

The total of these expenditures is \$2,973.54. The campaigns do not have a vendor invoice or a proof of payment (such as a canceled check) for any of these seven expenditures.

The campaign reported making an expenditure of \$100 to John Ring on July 30, 2006, but confirmed in the audit that this reported payment as in error. Rather, it made four later payments of \$100 each to Mr. Ring were not included in campaign finance reports. They have described the failure to report the four later payments as an oversight.

Different Explanations for the October 29, 2006 Expenditure of \$920.00

On September 19, 2006, the Commission's auditor mailed a letter to Paul Hatch requesting more information about specific expenditures, including the reported October 29, 2006 expenditure of \$920 to the Post Office. The campaign responded with a letter dated September 24, 2007. The letter was not signed but the heading at the top of the letter indicated it was from Mr. Hatch. It stated that:

USPS dated 10/29/06 for \$920 that was reported but not documented.

This was bought by my wife/treasurer Pamela Hatch for a postcard mailing prior to the general election with cash from our personal funds. Check was made out

to reimburse her for the cost. John Ring and I had found out early on that the voter's lists supplied by the Democratic Party at no cost to us were out of date and we had listed as best we could corrections to them as we went door to door. In one instance, the Town of Bingham had post office boxes listed but no home address. In the final days of campaigning, we knew it would be impossible to send another prepaid mailing at the cost of \$5200 thru Ourso/Beychok and reach the people we needed to reach. In hindsight, it would have made sense as we look back, to have done our transactions by personal check or by credit card so we would have some proof of purchase, especially since we lost the receipt. (underlining added)

On October 12, 2006, the Hatches met with the Commission staff. We asked whether the campaign could produce the check that it used to reimburse the Hatches for the \$920 purchase of postage. Mrs. Hatch responded that the statement "Check was made out to reimburse her for the cost" was not correct, and that, in fact, she had not yet been reimbursed for the \$920 expenditure. We expressed to her our surprise that she would make a \$920 purchase of postage in cash. She replied that the reported amount of \$920 was actually not a single expenditure but was the combined total of a number of purchases made over a period of months. She showed us a receipt from the Post Office dated July 8, 2006 for the purchase of \$390 in postage and she claimed this purchase was part of the \$920 total.

The information disclosed at the October 12, 2006 meeting is unsettling in a few respects:

- If the campaign in fact made large purchases of postage over a number of months during 2006 (including July 8) that added up to \$920, the reporting of a single expenditure of \$920 on October 29, 2006 was not accurate. Also, if purchases of postage in mid-2006 were used for mailings in the middle portion of the year, the reported remark of "Postcard Mailing for Get Out the Vote" was not correct either.
- The September 24, 2006 letter from the Paul Hatch campaign incorrectly stated that the campaign had reimbursed Pamela Hatch by check for her \$920 purchase. The Paul Hatch campaign should not have included information in response to an audit request, which its treasurer (Pamela) knew to be false.
- The September 24, 2006 letter leaves the impression that the campaign in fact made a single purchase of \$920 on October 29, 2006. If the \$920 amount was actually an aggregate of a number of transactions earlier in the year, that should have been stated forthrightly in the September 24 letter.

Staff Concerns

A number of circumstances, taken together, have caused the Commission staff to become concerned that the seven expenditures totaling \$2,973.54 did not occur. We have not reached any conclusion, but there is insufficient information available at this time to

verify that the expenditures were in fact made. Our concerns are raised by the following facts:

- The campaigns do not have any documentation for the seven expenditures, other than the July 8, 2006 receipt that purportedly was part of the \$920 purchase.
- Of the 61 legislative campaigns audited at random, almost all of the campaigns were able to obtain vendor invoices and proof of payment for the expenditures selected for audit. There were a few instances in which the campaigns were only able to produce partial documentation (either a vendor invoice or a canceled check). The Hatches' inability to document \$2,973.54 in expenditures is a much larger documentation deficiency than any other 2006 legislative campaign that was audited.
- The staff is unable to find a reasonable explanation for the Hatches making such large expenditures of personal cash for campaign purchases, particularly when both campaigns had sufficient MCEA funds in checking accounts that could have been used to pay for the goods and services. For example, in the case of Pamela Hatch's campaign, she reports making four cash payments totaling \$1,880 within a six-day period right before the general election that she has been unable to document. Why would the campaign make those purchases using personal cash? If she instead made the purchases through her personal checking account, she should produce copies of the checks.
- In the context of responding to the Commission's written audit request in which the Commission requested a specific explanation for the reported 10/29/06 expenditure of \$920 by the Hatch campaign, it is disconcerting that the campaign's September 24, 2006 letter would incorrectly state that the campaign had reimbursed Pamela Hatch and would not disclose that the reported expenditure of \$920 was not accurate.

Options You May Wish to Consider

After hearing from the Hatches at the December 7 meeting, you may wish to consider some of the following options depending on your reaction to the evidence provided to date:

- A. Accept the reported expenditures.** If you are sufficiently confident that the seven reported expenditures did, in fact, occur, you could choose to find the campaigns in violation of 21-A M.R.S.A. § 1125(12-A) for not obtaining required vendor invoices and proof of payment and could assess civil penalties for those violations. The staff believes such penalties would be appropriate. Based on the evidence available at this time, however, the staff cannot recommend this option. There remains a possibility that the Hatches will come forward with additional evidence in the future that will provide greater assurance that the expenditures are genuine.

B. Request further explanation or evidence of the expenditures. In light of the Hatches' inability to produce vendor invoices or canceled checks verifying the seven expenditures, you may wish request that the Hatches produce other types of evidence that the campaign made the purchases, such as:

- Sample pieces of the "Mailing" and "GOTV-Postcards" that were sent with the postage purchased on October 31 and November 2, 2006 by the Pamela Hatch campaign. Preferably, the mailings and postcards would be postmarked to prove that the mailings were sent.
- Samples of the leaflets that were purchased by the Pamela Hatch campaign at Staples, preferably postmarked.
- Samples of the "Postcard Mailing for Get Out the Vote" that was sent with the Paul Hatch campaign's 10/29/06 purchase of \$920 in postage. If other mailings were sent with this postage earlier in the year, the campaign should provide samples. Preferably, they would be postmarked to demonstrate when the mailings occurred.
- Samples of the "Printing for Postcard Mailing" purchased from Staples on 5/30/06, preferably postmarked.
- Sworn affidavits from individuals outside the Hatch family that were involved in the mailings and leaflet drop and who can attest that these communications were in fact distributed to voters. If the individuals have direct knowledge of the purchases of postage and photocopying from the Post Office and Staples, the affidavits should include what they know about the purchases.
- Copies of bank statements and cancelled checks from the Hatches' personal bank account demonstrating that the Hatches made these purchases with personal funds – either by check or in cash.

C. Disallow the expenditures and consider punitive action. If you conclude that the seven reported expenditures did not occur, you should consider requesting the return of the \$2,973.54 in funds and may wish to consider civil penalties for false reporting or spending MCEA funds for purposes not related to a campaign.

Thank you for your consideration of this matter.

**Paul and Pamela Hatch's Participation
in the Maine Clean Election Act**

Candidate	Year	Office	District	Payments of MCEA Funds
Pamela Hatch	2002	Senate	13	\$37,924
Pamela Hatch	2004	Senate	26	\$35,136
Pamela Hatch	2006	House	85	\$11,892
<i>Total</i>				\$84,952
Paul Hatch	2002	House	98	\$6,176
Paul Hatch	2004	House	85	\$4,586
Paul Hatch	2006	Senate	26	\$23,840
<i>Total</i>				\$34,602
<i>Total for Both</i>				\$119,554



STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

November 14, 2007

Audit Report No. 2006-SEN013

**Candidate: Paul R. Hatch
Senate District 26**

Background

Paul R. Hatch was a candidate for the Maine State Senate, District 26, in the 2006 general election. The Commission on Governmental Ethics and Election Practices (Commission) certified Mr. Hatch as a Maine Clean Election Act (MCEA) candidate on April 21, 2006. MCEA candidates are required under the Act to submit reports of their receipts, expenditures, outstanding campaign debt, and equipment purchases and dispositions for specified periods during the election cycle.

Audit Scope

Examination of selected candidate contribution and expenditure transactions occurring during the following campaign reporting periods:

- Seed Money
- Six Day Pre-Primary
- 42 Day Post-Primary
- Six Day Pre-General
- 42 Day Post-General

Transactions subject to review were those recorded in the candidate's accounting records and reported to the Commission. The audit's purpose was to determine if the identified receipts and payments (1) were properly approved by the candidate or his authorized representative; (2) were adequately documented as evidenced by original vendor invoices and cancelled checks or other acceptable disbursement documentation; and (3) complied in all material respects with the requirements of the Maine Clean Election Act and the Commission's rules.

Audit Findings and Recommendations

Finding No. 1 – Undocumented Seed Money Expenditures: The Hatch campaign reported \$400 in seed money contributions and \$398.67 in seed money expenditures made during the qualifying period. The contributions were not deposited in the campaign bank account. The audit disclosed that none of the seed money expenditures was substantiated with a receipt, invoice, cancelled check, or other form of documentation. (See Exhibit I.) This documentation is important for verifying what goods and services were purchased and that the vendor received payment. According to the candidate and his treasurer, the contributions

were made in cash and the expenditures were paid for in cash. It is the Commission's practice to offset the initial distribution of MCEA funds by the amount of unspent seed money. In this case, the Commission deducted the cash balance of \$1.33 in the seed money report from the first payment of MCEA funds paid to the candidate. Accordingly, in the absence of bank account statements and seed money expenditure documentation, the auditor is unable to verify that the amounts of the reported contributions and expenditures are accurate and the first payment of MCEA funds to the candidate was in the correct amount.

Auditor's Note No. 1 – Mr. Hatch responded in writing to this finding (see the attachment to this report). He states that he did not deposit seed money into a bank account because he did not have a bank account opened for the purpose. The audit disclosed that the candidate maintained account number 90356368 at the Skowhegan Savings Bank, and that this account was used as the campaign bank account for the entire period of the campaign and beyond. Moreover, this account was in existence as early as the year 2005. Mr. Hatch's response does not provide any additional information as to why his qualifying period expenditures are undocumented.

Criteria: 21-A M.R.S.A. § 1125(12-A)(A), "The treasurer shall obtain and keep...[b]ank or other account statements for the campaign account covering the duration of the campaign. 21-A M.R.S.A. § 1125(12-A)(B), "The treasurer shall obtain and keep...[a] vendor invoice stating the particular goods or services purchased for every expenditure of \$50 or more...." 21-A M.R.S.A. § 1125(12-A)(C), "The treasurer shall obtain and keep...[a] record proving that a vendor received payment for every expenditure of \$50 or more in the form of a cancelled check, receipt from the vendor or bank or credit card statement identifying the vendor as the payee." Commission Rules, Chapter 3, Section 3(3), "...the Commission will deduct from the initial distribution from the Fund to a certified candidate an amount equal to the amount of unspent seed money reported by that candidate."

Recommendations: The Commission staff recommends that the Commission find the candidate in violation of 21-A M.R.S.A. § 1125(12-A)(A), (B) and (C), and consider assessing the candidate and his treasurer a penalty of \$100.

Finding No. 2 – Undocumented Maine Clean Election Act Expenditures: The Hatch campaign reported three expenditures totaling \$1,093.56 that were partly or completely undocumented (see Exhibit I). Two expenditures (\$920.00 reportedly paid to the U.S. Post Office and \$73.56 reportedly paid to Staples) had no documentation, i.e., no proof of purchase and no proof of payment. The third (a reported 7/30/2006 payment to John Ring) was initially documented by a signed statement by Mr. Ring which he later recanted. There was no proof of payment in that instance. Vendor invoices are required by the Election Law to verify that goods and services purchased were related to the campaign and the canceled check or other proof of payment is required to verify that the reported vendor received payment.

The candidate and his treasurer claim that the postal and Staples expenditures were made in cash, and that the payment to John Ring reported on the Six Day Pre-General campaign

finance report never occurred. In the absence of any supporting documentation for the postal and Staples expenditures the auditor questions whether the reported transactions were legitimate campaign expenses or in fact were actually made. With respect to the reported payment to John Ring (later disavowed), the auditor believes that in view of the conflicting statements by Mr. Ring, this expenditure is highly questionable as well.

Auditor's Note No. 2 – Mr. Hatch's written response to this finding (see the attachment to this report) does not shed any light on the missing expenditure documentation.

Criteria: 21-A M.R.S.A. § 1125(12-A)(B), "The treasurer shall obtain and keep...[a] vendor invoice stating the particular goods or services purchased for every expenditure of \$50 or more...." 21-A M.R.S.A. § 1125(12-A)(C), "The treasurer shall obtain and keep...[a] record proving that a vendor received payment for every expenditure of \$50 or more in the form of a cancelled check, receipt from the vendor or bank or credit card statement identifying the vendor as the payee." 21-A M.R.S.A. § 1127(1), "a person who violates any provision of this chapter or rules of the commission ... is subject to a fine not to exceed \$10,000 per violation payable to the fund."

Recommendations: The staff recommends that the Commission find the campaign in violation of 21-A M.R.S.A. § 1125(12-A) for not keeping vendor invoices and proof of payment for these expenditures. In the absence of any supporting documentation for the expenditures to the U.S. Post Office and Staples totaling \$993.56, the staff is unable to verify whether the reported expenses were actually made. (The campaign has acknowledged that the reported \$100 expenditure to John Ring dated July 30, 2006 did not occur, although the campaign made four later payments to him.)

The staff urges the Commission to consider whether these expenditures did, in fact, occur, taking into consideration all relevant evidence which the Commission believes is appropriate. The Commission may wish to consider two options:

- If the Commission is reasonably confident that the campaign did make the reported postal and Staples expenditures, the staff recommends assessing a penalty of \$300 for the failure to keep required vendor invoices and proof of payment under 21-A M.R.S.A. § 1125(12-A). The rationale for the penalty is that the state of Maine should be able to rely on candidates to keep the vendor invoice and proof of payment required by statute, and should not have to take a campaign's word that reported expenditures did occur.
- If, in the alternative, the Commission concludes that the campaign did not make the reported expenditures to the U.S. Post Office and Staples, the Commission should view the misreporting as a very serious violation. In that case, the staff recommends that the Commission disallow the three expenditures totaling \$1,093.56. As a result, when the reporting errors discussed in Finding No. 3 are also taken into consideration, the staff recommends that the Commission request the repayment of \$590.63 in MCEA funds. (see calculation in Finding No. 3) The Commission may also wish to

consider other civil penalties, such as a penalty for violating 21-A M.R.S.A. § 1125(6) by using MCEA funds for purposes that were not campaign-related and a penalty for violating 21-A M.R.S.A. § 1125(12) by misreporting expenditures of MCEA funds. The Commission may assess a penalty of up to \$10,000 for any violation of the MCEA.

Finding No. 3 – Unreported Primary and General Election Campaign Expenditures: As part of his review of campaign records, the auditor determined that the Hatch campaign made five campaign payments totaling \$461.30 (see Exhibit I) that were not publicly disclosed in campaign finance reports submitted to the Commission. In addition to the lack of public disclosure; the failure to report the expenditures also affects the final cash balance for the campaign which must be returned after the general election. The candidate returned \$992.83 of authorized but unspent MCEA funds to the Commission after the general election. If the questioned amount of \$1,093.56 in Finding No. 2 is disallowed, then the adjusted ending balance should be \$1,583.46, and the candidate should return an additional \$590.63 to the Maine Clean Election Fund (see Exhibit II).

Criteria: 21-A M.R.S.A. § 1017(5), “A report required under this section...must contain the itemized expenditures made or authorized during the report filing period, the date and purpose of each expenditure and the name of each payee and creditor.” 21-A M.R.S.A. § 1125(12), “...participating and certified candidates shall report any money collected, all expenditures, obligations and related activities to the commission according to procedures developed by the commission.”

Recommendations: The Commission staff recommends that the Commission find the candidate in violation of 21-A M.R.S.A. §§ 1017(5) and 1125(12) for not accurately reporting the five campaign expenditures and assess the candidate and his treasurer a penalty of \$250. As noted in Finding No. 2, if the Commission concludes that the reported expenditures of \$920 to the U.S. Post Office and \$73.56 to Staples were not truthful, it may wish to consider additional penalties.

Finding No. 4 – Misreported Campaign Expenditures: The Hatch campaign misreported two payments made to Poli Graphics, a vendor of printed materials. Details of the transactions follow:

<u>Transaction Date</u>	<u>Reported Amount</u>	<u>Amount Paid</u>	<u>Variance</u>
5/12/2006	\$1,643.07	\$1,797.55	\$154.48
7/27/2006	\$708.35	\$595.50	(\$112.85)
Totals	\$2,351.42	\$2,393.05	\$41.63

The payment dated 5/12/2006 was remitted to the vendor by the campaign treasurer and later reimbursed to her in the correct amount. The error is in the amount reported on the campaign finance report. The expenditure dated 7/27/2006 was paid to the vendor in the amount of \$595.50, reported to the Commission as \$708.35, and reimbursed to the campaign treasurer in the amount of \$708.35. According to the campaign treasurer, the reported

amounts were based on telephone quotes for services provided by the vendor at the time services were ordered.

Auditor's Note No. 3 – Mr. Hatch responded in writing to this finding (see the attachment to this report). He claims the reimbursement to Mrs. Hatch in the amount of \$708.35 was based on the payment to *PoliGraphics* of \$595.50 and payment to *Spirit Line* of \$112.78. The audit disclosed the following: (a) Mr. Hatch reported a payment to *PoliGraphics* of \$708.35 dated 7/27/2006 in his Six Day Pre-General campaign finance report. He also listed a payment to *Spirit Line* 46787 of \$112.85 dated 7/27/2006 in the same report. The reimbursement check paid to Mrs. Hatch in the amount of \$708.35 noted on the memo line “AARP credit card poligraphics” (no mention of *Spirit Line*). The auditor examined the AARP annual statement for 2006 issued to Mr. Hatch, and only the *PolyGraphics* expenditure of \$595.50 was listed. The candidate has not provided the auditor with any documentation to support the claimed *Spirit Line* payment. At the very least based upon Mr. Hatch's statement, his campaign overstated the *PolyGraphics* expenditure by \$112.85; however, without additional evidence, the auditor has no basis to change the finding.

Criteria: 21-A M.R.S.A. § 1017(5), “A report required under this section...must contain the itemized expenditures made or authorized during the report filing period, the date and purpose of each expenditure and the name of each payee and creditor. 21-A M.R.S.A. § 1125(12), “...participating and certified candidates shall report any money collected, all expenditures, obligations and related activities to the commission according to procedures developed by the commission.”

Recommendations: The Commission staff recommends that the Commission find the candidate in technical violation of 21-A M.R.S.A. §§ 1017(5) and 1125(12) for not reporting the correct amounts and for not amending the campaign reports after the accurate amounts became available. This type of error is not uncommon, and therefore the Commission staff recommends no penalty assessment. The staff also recommends that the Commission direct Mr. Hatch to amend his reports to reflect the correct amount of campaign expenditures.

Finding No. 5 – Commingling of Funds: Mr. Hatch used an existing bank account at the Skowhegan Savings Bank as his campaign account. The account balance at the beginning of April, 2006 was \$507.38. Mr. Hatch transferred \$450 of this amount to another account he maintained at Skowhegan Savings Bank during April. In addition, he purchased checks for the campaign from these non-MCEA funds in April. On May 3, 2006, the balance of non-MCEA funds in the account was \$46.08 (see Exhibit I). Mr. Hatch thus commingled his MCEA funds with the \$46.08 in personal funds.

Criteria: 21-A M.R.S.A. § 1016(1), “All funds of a political committee and campaign funds of a candidate must be segregated from, and may not be commingled with, any personal funds of the candidate, treasurer or other officers, members or associates of the committee.” 21-A M.R.S.A. § 1125(7-A), “The campaign funds must be segregated from, and may not be commingled with, any other funds.”

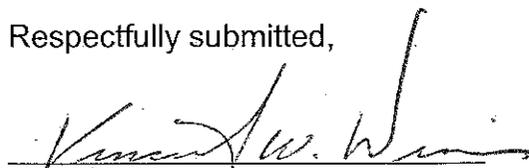
Recommendations: The Commission staff believes the candidate violated the cited provisions by commingling MCEA funds with some personal funds. However, we have found this to be a common error among candidates who deposit the minimum required amount by the bank to open or maintain an account with non-MCEA funds, and once they receive their MCEA distribution from the Commission, they forget to reimburse themselves for the original deposit amount. Normally, the staff does not recommend penalizing candidates in this situation. Accordingly, we recommend a finding of technical violation of 21-A M.R.S.A. § 1125(7-A) but with no penalty assessment.

Finding No. 6 -- Unexplained Excess Balance in the Campaign Bank Account: The Hatch campaign reported an ending balance of \$992.83 in their 42 Day Post-General campaign finance report. This amount was repaid to the Maine Clean Election Fund. The audit disclosed however, that the balance in the campaign bank account after all reported campaign transactions had been accounted for was \$2,214.36. The audit further determined that this cash balance included an intended travel reimbursement to the candidate of \$1,689.96 which was reported but not actually made. In addition, the bank balance included the \$46.08 in non-MCEA funds discussed above. After accounting for unreported and unreimbursed campaign expenses, an unexplained balance of \$478.32 of MCEA fund remained in the account (see Exhibit I). The Commission staff provided the candidate and his treasurer with an opportunity to explain why the campaign should be allowed to use the \$478.32 for any unpaid campaign obligations, but on October 26, 2007, the campaign chose instead to refund the \$478.32 to the Maine Clean Election Fund. The Commission staff believes that no further action regarding this finding is warranted.

Candidate's Comments

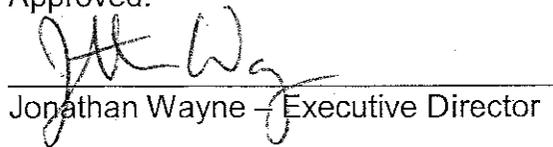
Mr. Hatch's comments on the audit findings and recommendations are attached.

Respectfully submitted,



Vincent W. Dinan – Staff Auditor

Approved:



Jonathan Wayne – Executive Director

CANDIDATE: PAUL R. HATCH
 SENATE DISTRICT 26
 AUDIT OF 2006 CAMPAIGN FINANCE REPORTS

VENDOR	DATE	AMOUNT	REPORTING PERIOD
Undocumented Seed Money Expenditures			
Postmaster 04976	1/18/2006	\$156.00	Seed Money
Staples	1/20/2006	\$73.50	Seed Money
WalMart 04976	2/5/2006	\$52.40	Seed Money
WalMart 04976	3/12/2006	\$9.41	Seed Money
Postmaster 04976	3/13/2006	\$48.00	Seed Money
Big Apple 04976	4/10/2006	\$39.36	Seed Money
Big Apple 04976	4/15/2006	<u>\$20.00</u>	Seed Money
Total		<u>\$398.67</u>	

Unreported Primary and General Election Expenditures

John Ring	8/4/2006	\$150.00	Six Day Pre-General
John Ring	8/30/2006	\$100.00	Six Day Pre-General
John Ring	9/18/2006	\$100.00	Six Day Pre-General
John Ring	10/5/2006	\$100.00	Six Day Pre-General
Harland Checks	4/19/2006	<u>\$11.30</u>	Six Day Pre-Primary
Total		<u>\$461.30</u>	

Undocumented Primary and General Election Expenditures

John Ring	7/30/2006	\$100.00	Six Day Pre-General
Postmaster 04976	10/29/2006	\$920.00	42 Day Post-General
Staples	5/30/2006	<u>\$73.56</u>	Six Day Pre-Primary
Total		<u>\$1,093.56</u>	

CANDIDATE: PAUL R. HATCH
SENATE DISTRICT 26
AUDIT OF 2006 CAMPAIGN FINANCE REPORTS

VENDOR	DATE	AMOUNT	REPORTING PERIOD
Banking Issues			
Non-MCEA Bal. @ 4/3/2006		\$507.38	
Add: seed money deposited and any MCEA funds		\$0.00	
Subtotal		\$0.00	
Less:			
Transfer to Acct 4000336 (non-campaign)		(\$450.00)	
Payment for campaign checks made with non-MCEA funds		(\$11.30)	
Non-MCEA Bal. on 5/3/2006		\$46.08	

Reconciliation of funds remaining in the campaign bank account:

Balance at 8/16/2007	\$2,214.36
Less:	
Unreimbursed fuel costs	(\$1,689.96)
Non-MCEA funds	(\$46.08)
Unreconciled balance	\$478.32

AUDIT OF 2006 CAMPAIGN FINANCE REPORTS**CANDIDATE: PAUL R. HATCH****SENATE DISTRICT: 26****MODE OF CAMPAIGN FINANCING: MCEA****Adjustments to the ending Balance Reported in the 42 Day Post-General Report**

Ending Balance per 42DPG Report	\$992.83
Add: Postage reported but not paid	\$920.00
Add: Staples reported but not paid	\$73.56
Add: J. Ring Reported but not paid	\$100.00
Less: J. Ring paid but not reported	(\$150.00)
Less: J. Ring paid but not reported	(\$100.00)
Less: J. Ring paid but not reported	(\$100.00)
Less: J. Ring paid but not reported	(\$100.00)
Less: checks purchased but not reported	(\$11.30)
Less: net unreported PoliGraphics payments	(\$41.63)
Adjusted Ending Balance	\$1,583.46

Adjustments to the Ending Balance in the Campaign Bank Account

Ending Bank Balance per Jan., 2007 Statement	\$2,214.36
Less: unreimbursed travel costs	(\$1,689.96)
Less: Non-MCEA funds	(\$46.08)
Adjusted Ending Bank Balance	\$478.32

Memo: On Audit Report No. 2006-SEN26 from Paul R. Hatch

**To: Executive Director Mr. Wayne, Mr. Dinan and
MCEA Commission Members**

Finding No. 1

The sum of \$400.00 was donated by family members.

Pamela Hatch (wife) \$100.00
Victoria Hatch (daughter) \$100.00
Paula Ridley (daughter) \$100.00
Paul Hatch (myself) \$100.00

This money was not deposited in an account because I did not have the Bank account opened at the time. All the funds except \$1.33 were used for campaign purposes to raise the Five dollar contributions. They included a mailing, supplies for the mailing, thank you notes, postage and gasoline to pick up contributions and verify that those who had donated were voters in my district. Had I not had the opportunity to qualify as a clean election candidate I would have had to raise funds for my campaign by begging from other sources and/or using some of my retirement. The only other option was not to be a candidate at all.

Finding No. 2

Undocumented expenditures in the amount of \$1093.56 were made in cash. Stamps and mailing supplies were bought. Although cash receipts were received we have been unable to find them. We were unable to get copies from either Post office or Staples. The reason we paid cash was that in my previous campaign in 2002 we were called a few days before election by the ethics commission and told we could spend quite a sum of money and were unable to get newspaper, local radio ads or T.V. ads because of the time line. The decision was made to purchase stamps and supplies with our own money and send a mailing if additional money became available. Also in regards to Mr. Ring he is one of the most honest people we know. He donated much more time than the small amount we paid to him from the campaign, driving me from town to town and even walking long distances as I canvassed door to door, putting up with heat in June, July and August, black flies, dogs, keeping notes for me on my voters list, doing parades, leaflet drops, helping at the fair booth in Skowhegan and eating hot dogs because they were cheap and paying for his own lunches most of the time. He just made a mistake about the payment in July.

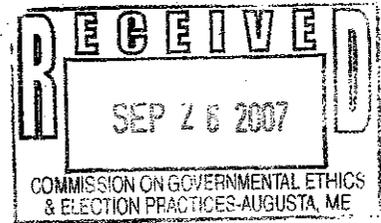
Finding No. 4

The finding of the Auditor Mr. Dinan was a little confusing the correct amount for polygraphics was \$ 595.50 a check was made out to my wife for \$708.35 but included the credit card billing for both polygraphics (signs) and Spirit Line (parade decorations for \$112.85). Have copies of both credit card billings and a 1st place trophy we won at the Norridgewock Labor Day parade for best politically decorated vehicle.

Paul R. Hatch
23 French Street
Skowhegan, Maine
04976-1614

September 24, 2007

State of Maine
Commission on Governmental Ethics
and Election Practices
135 State House Station
Augusta, Maine
04333-0135



*By Certified
Mail*

Dear Mr. Dinan,

Received your letter dated September 19, 2006 requesting information for the following items.

USPS dated 10/29/06 for \$920.00 that was reported but not documented.

This was bought by my wife/treasurer Pamela Hatch for a postcard mailing prior to the general election with cash from our personal funds. Check was made out to reimburse her for the cost. John Ring and I had found out early on that the voter's lists supplied by the Democratic Party at no cost to us were out of date and we had listed as best we could corrections to them as we went door to door. In one instance the Town of Bingham had Post Office boxes listed but no home address. In the final days of campaigning we knew it would be impossible to send another prepaid mailing at the cost of \$5200.00 thru Ourso/Beychok and reach the people we needed to reach. In hindsight it would have made sense, as we look back to have done our transactions by personal check or by credit card so we would have had some proof of purchase especially since we lost the receipt.

Staples dated 5/30/06 for \$73.56 that was reported but not documented.

This was again an item paid by cash by my wife/treasurer Pamela Hatch. This was to make sure that friends and neighbors who are Dems who supported me and others who were Dems and made contributions to the Maine Clean Election fund were encouraged to get out to vote so I would qualify for a the general election. We also made numerous phone calls but knew that with our schedules we would be unable to finish the job before the primaries so we decided to do the mailing concept too.

John Ring dated 7/30/06 for \$100.00 that was not reported.

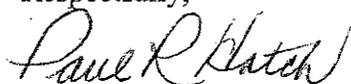
After reaching Mr. Ring this last week-end on his cell phone (he was in Portland) and unable to get any reception, he called this morning from his home in Pittsfield. My wife asked about the July 30th payment and asked if I had paid by cash or personal check. The answer was no that he and Paul had talked about everything being documented. He brought a letter today stating that he made a mistake. Letter is enclosed.

John Ring dated 8/4/06 for \$150.00, 8/30/06 for \$100.00, 9/18/06 for \$100.00 and 10/5/06 for \$100.00 that was not reported.

This was an oversight and my wife /treasurer Pamela Hatch sent an amended report on the 20th prior to receiving your letter dated the 19th. The item above was not reported because we wanted to make sure that we talked to John about the matter before we amended the report and included the July payment.

Thank you Mr. Dinan for your patience and consideration over the last several weeks and for your professionalism and the numerous times you sat with us and explained what was needed to complete the report.

Respectfully,

A handwritten signature in cursive script that reads "Paul R. Hatch". The signature is written in black ink and is positioned above the printed name.

Paul R. Hatch