

**Maine Commission on Governmental Ethics
& Election Practices**

Summary Report 2014 MCEA Candidate Audits

**Audits of Legislative Candidates Funded Under
the Provisions of the Maine Clean Election Act**



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JULY, 2015



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INTRODUCTION

In 2014, the State of Maine Commission on Governmental Ethics and Election Practices (Commission) audited campaign contributions and expenditures of a sampling of candidates who received public funding authorized by the Maine Clean Election Act (MCEA). The audits focused on transactions recorded in campaign finance reports submitted by the candidates during their 2014 primary and general election campaigns.

AUDIT PROGRAM OBJECTIVES

The overarching objective of the Commission's 2014 audit program was to assess candidate compliance with the terms of MCEA and the Commission's rules. Other objectives included:

- Detecting and reporting violations of the MCEA.
- Identification of campaign finance and reporting requirements which create barriers to compliance by MCEA candidates.
- Reporting on emerging policy matters relative to MCEA compliance and enforcement to assist the Commission in their rule-making deliberations.

Campaign audits were also intended to assist the Commission staff in identifying and addressing training requirements for MCEA participants, their treasurers, and other campaign staff.

PROGRAM DESIGN AND SAMPLE SELECTION

The Commission's audit program is based on the principles set forth in the *Government Auditing Standards* of the U.S. Government Accountability Office, as well as other generally accepted auditing standards, with an emphasis on the program objectives described above. Available Commission staff resources limit the number of audits that can be undertaken, so for the 2014 election cycle, as in past election periods, legislative campaigns were selected using a statistical random sampling technique.

For the 2014 program, the Commission auditor developed an audit sample of 25 percent of the publicly-funded candidates for seats in both the House of Representatives and Senate races. The sample selections are delineated in the following exhibits:

- Candidates selected for audit – House of Representatives – Exhibit I
- Candidates selected for audit – Senate – Exhibit II

As the exhibits indicate, 37 House campaigns and 13 Senate campaigns were selected for audit. In addition, the auditor initiated two special purpose audits of candidates not included in the sample. The special purpose audits were undertaken at the request of the Commission staff based on concerns regarding irregularities in candidates' campaign finance reporting.

AUDIT RESULTS

The 2014 election cycle was the fifth since public funding became available to candidates where the Commission launched a formal, comprehensive and highly structured audit effort. In each succeeding election period, the staff has seen improved compliance among the candidate population. Complete 2014 audit findings are listed in Exhibit III.

The 2014 audit results support the observed trend in improved campaign finance reporting. The auditor believes, based on extensive examinations and discussions with candidates, that the quality improvements are attributable to the ongoing program of compliance monitoring carried out by the Commission staff and by the staff's commitment to providing timely assistance to candidates through each phase of election activity.

A summary of the findings from the 2014 audits follows:

Audit Findings	House (37)	Senate (13)	Special Purpose (2)	Total Candidates (52)
No exceptions or deficiencies	35	12	0	47
Missing vendor documentation/ undocumented expenditure	0	1	0	1
Commingling of funds	1	0	1	2
Campaign expenditures reported in error	0	0	1	1
Failure to maintain campaign records	0	0	1	1
Failure to reimburse a campaign expenditure	1	0	0	1

COMMENTARY ON FINDINGS AND OBSERVED PRACTICES AND RECOMMENDED CHANGES

Most candidates included in the audit sample complied with the provisions of the Maine Clean Election Act; however, it should be noted that compliance was achieved in many cases only after considerable assistance was provided by the Commission staff in the procurement of documentation that substantiated candidates' campaign expenditures. Relatively few candidates were able to fully demonstrate compliance with Commission rules at the time audits were initiated.

Several practices disclosed by the audits should be of concern to the Commission:

- Failure to establish a checking account as the campaign bank account;
- Cash payments to vendors to the campaign;
- Inadequate invoicing by independent contractors who were employed by the campaign.

Currently, 21-A M.R.S.A. §1125(7-A) states in part that “A candidate or a committee authorized pursuant to section 1013-A, subsection 1 shall deposit all revenues from the fund and all seed money contributions in an account, referred to in this subsection as a "campaign account," with a bank or other financial institution. The campaign funds must be segregated from, and may not be commingled with, any other funds.” The statute does not stipulate that the account must be a checking account. The 2014 audit disclosed two instances where failure to establish campaign checking accounts resulted in, or facilitated, the candidates commingling Clean Election funds with personal funds which is a serious violation of the Act.

Secondly, an activity related to the failure to establish a checking account is that of making cash disbursements to campaign vendors. Commission rules discourage but do not prohibit the practice of paying for campaign expenses in cash. In the absence of a checking account, the candidate has fewer legitimate disbursement options. Moreover, cash payments eliminate third party payment verification, e.g., cancelled checks, debit card records, a key element in verifying the amount and the allowability of campaign expenditures. In addition, allowing cash payments may create opportunities to use Clean Election funds for personal expenditures, as there is no audit trail documenting the disbursement.

Finally, the third area of concern relates to inadequate invoicing or failure to invoice campaigns for services rendered by independent contractors. Violations of this type seem to occur most often among paid campaign workers, and certain vendors to the campaign. Usually, the individuals concerned here are not in the business of providing services to the general public and do not have established accounting and invoicing procedures to support their commercial activities. Accordingly, the invoices they do (if they do) submit, do not adequately support the payments made to them by the campaign.

RECOMMENDATIONS

Campaign bank accounts – amend 21-A M.R.S.A. §1125 (7-A) to require Clean Election candidates to establish a checking account as their campaign bank account. 21-A M.R.S.A. §1125 (7-A) states in part that “A candidate ... shall deposit all revenues from the fund and all seed money contributions in an account, referred to ... as a ‘campaign account’, with a bank or other financial institution.”. Subsection (7-A) (A) further states in part that “A participating candidate shall provide to the commission a signed written ... authorization allowing the bank or other financial institution administering a campaign account to release to the commission all records held by that bank or institution pertaining to the campaign account, including, but not limited to, campaign account statements, records of payments or transfers from the campaign account and deposits of funds to the campaign account.” .

We recommend that the Commission seek a modification to 21-A M.R.S.A. §1125 (7-A) (A) that adds a requirement that each MCEA candidate, prior to certification, provide the Commission with the name and account number of the candidate’s campaign bank account and to require that said account is a checking account.

Elimination of Cash Payments – We believe that the payment verification process would be strengthened by strictly limiting cash payments for campaign expenditures. Accordingly, we recommend that 21-A M.R.S.A. §1125 (7-A) be amended to include the following prohibition: payments for campaign expenditures in the form of cash are allowable only for transactions of \$50 or less.

Improved Invoicing for Services Provided by Independent Contractors – 21-A M.R.S.A. §1125 (12-A) (E) currently states in part that “The candidate or treasurer shall obtain and keep ... A contemporaneous document such as an invoice, contract or timesheet that specifies in detail the services provided by a vendor who was paid in excess of \$500 for the election cycle for providing campaign staff or consulting services to a candidate.” We recommend that the referenced subsection be amended as follows: The candidate or treasurer shall obtain and keep ... A contemporaneous document such as an invoice, contract or timesheet that specifies in detail the services provided by a vendor who was paid in excess of \$50 for the election cycle for providing campaign staff or consulting services to a candidate. Each invoice, contract or timesheet must be signed by the submitting vendor at the time of the submittal.

SUMMARY

The 2014 audit results demonstrate that candidates funded under the provisions of the Maine Clean Election Act are, for the most part, complying with the terms of the statute and of the Commission’s rules. Improved compliance can be achieved through implementation of recommended changes to requirements governing campaign disbursements and procurement documentation.



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Exhibit I. Audit Sample Selection—House of Representatives

CANDIDATE	DISTRICT	AUDIT REPORT NO.
Thompson, Barbara J.	12	2014-HR001
Kirchherr, Robert	73	2014-HR002
Dunphy, Larry C.	118	2014-HR003
Stearns, Paul A.	119	2014-HR004
Burstein, Christine S.	96	2014-HR005
Doore, Donna R.	85	2014-HR006
Gilbert, Paul E.	74	2014-HR007
Daughtry, Matthea	49	2014-HR008
Wood, Stephen J.	57	2014-HR009
Hubbell, Brian L.	135	2014-HR010
Tipping-Spitz, Ryan D.	123	2014-HR011
DeChant, Jennifer	52	2014-HR012
Hickman, Craig V.	81	2014-HR013
Long, Ricky D.	145	2014-HR014
Adams, Herbert C.	40	2014-HR015
Gideon, Sara	48	2014-HR016
Dickerson, Elizabeth E.	93	2014-HR017
Davidoff, Amy J.	10	2014-HR018
Werts, R. Wayne	63	2014-HR019
Casas, Owen D.	94	2014-HR020
DeAngelis, Rosemarie	33	2014-HR021
David, Edward S.	113	2014-HR022
Denno, Dale	45	2014-HR023
Brooks, Joseph E.	98	2014-HR024
Emerson, Oscar F.	137	2014-HR025
Jones, Brian L.	99	2014-HR026
Whitley, Dennise D.	71	2014-HR027
Pecunies, Callie W.	117	2014-HR028
Amadon, Timothy S.	107	2014-HR029
Brown, Paige K.	97	2014-HR030
Dingman, Charles F.	75	2014-HR031
Reddy, Andrew	33	2014-HR032
Coombs, William H.	89	2014-HR033
Iverson, Guy A.	114	2014-HR034
Elliott, Alice D.	55	2014-HR035
Walsh, Susan M.	133	2014-HR036
Chandler, Samuel K.	36	2014-HR037

Exhibit II. Audit Sample Selection—Senate

CANDIDATE	DISTRICT	AUDIT REPORT NO.
Dill, James F.	5	2014-SEN001
Hill, Dawn	35	2014-SEN002
Whittemore, Rodney L.	3	2014-SEN003
Lachowicz, Colleen M.	16	2014-SEN004
Knapp, Alice E.	23	2014-SEN005
Tuttle, John L.	33	2014-SEN006
Horch, K. Frederick	24	2014-SEN007
Therault, Charles Ken	1	2014-SEN008
Cleveland, John J.	20	2014-SEN009
Manchester, Cathleen A.	25	2014-SEN010
Johnson, Jennifer L.	24	2014-SEN011
Platts, Asher D.	27	2014-SEN012
Gerzofsky, Stanley J.	24	2014-SEN013

Exhibit III. 2012 Summary of Audit Examinations & Reports

Report No.	Candidate	District	No Audit Exceptions	Undocumented Expenditures / Missing Vendor Documentation	Commingling of Funds	Campaign Expenditures Reported in Error	Failure to Maintain Campaign Records	Failure to Reimburse a Campaign Expenditure
SENATE CANDIDATES								
2014-SEN009	Cleveland, John J.	20	X					
2014-SEN001	Dill, James F.	5	X					
2014-SEN013	Gerzofsky, Stanley J.	24	X					
2014-SEN002	Hill, Dawn	35	X					
2014-SEN007	Horch, K. Frederick	24	X					
2014-SEN011	Johnson, Jennifer L.	24	X					
2014-SEN005	Knapp, Alice E.	23	X					
2014-SEN004	Lachowicz, Colleen M.	16	X					
2014-SEN010	Manchester, Cathleen A.	25	X					
2014-SEN012	Platts, Asher D.	27		X				
2014-SEN008	Theriault, Charles Ken	1	X					
2014-SEN006	Tuttle, John L.	33	X					
2014-SEN003	Whittemore, Rodney L.	3	X					
HOUSE CANDIDATES								
2014-HR015	Adams, Herbert C.	40	X					
2014-HR029	Amadon, Timothy S.	107	X					
2014-HR024	Brooks, Joseph E.	98	X					
2014-HR030	Brown, Paige K.	97	X					
2014-HR005	Burstein, Christine S.	96	X					
2014-HR020	Casas, Owen D.	94	X					
2014-HR037	Chandler, Samuel K.	36	X					
2014-HR033	Coombs, William H.	89	X					
2014-HR008	Daughtry, Matthea	49	X					
2014-HR022	David, Edward S.	113	X					
2014-HR018	Davidoff, Amy J.	10	X					
2014-HR021	DeAngelis, Rosemarie	33	X					
2014-HR012	DeChant, Jennifer	52	X					
2014-HR023	Denno, Dale	45	X					
2014-HR017	Dickerson, Elizabeth E.	93	X					

Exhibit III. 2012 Summary of Audit Examinations & Reports

Report No.	Candidate	District	No Audit Exceptions	Undocumented Expenditures / Missing Vendor Documentation	Commingling of Funds	Campaign Expenditures Reported in Error	Failure to Maintain Campaign Records	Failure to Reimburse a Campaign Expenditure
2014-HR031	Dingman, Charles F.	75	X					
2014-HR006	Doore, Donna R.	85	X					
2014-HR003	Dunphy, Larry C.	118	X					
2014-HR035	Elliott, Alice D.	55						X
2014-HR025	Emerson, Oscar F.	137	X					
2014-HR016	Gideon, Sara	48	X					
2014-HR007	Gilbert, Paul E.	74	X					
2014-HR013	Hickman, Craig V.	81	X					
2014-HR010	Hubbell, Brian L.	135	X					
2014-HR034	Iverson, Guy A.	114	X					
2014-HR026	Jones, Brian L.	99	X					
2014-HR002	Kirchherr, Robert	73	X					
2014-HR014	Long, Ricky D.	145	X					
2014-HR028	Pecunies, Callie W.	117	X					
2014-HR032	Reddy, Andrew F	33			X			
2014-HR004	Stearns, Paul A.	119	X					
2014-HR001	Thompson, Barbara J.	12	X					
2014-HR011	Tipping-Spitz, Ryan D.	123	X					
2014-HR036	Walsh, Susan M.	133	X					
2014-HR019	Werts, R. Wayne	63	X					
2014-HR027	Whitley, Dennise D.	71	X					
2014-HR009	Wood, Stephen J.	57	X					
SPECIAL PURPOSE								
2014-SP001	Watson, Byron D.				X		X	
2014-SP002	Willey, Lisa H.					X		

**SUMMARY REPORT
2014 MCEA CANDIDATE AUDITS**

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