

To: Washington State Public Disclosure Commission
From: Andrew Biviano, Chair, Spokane County Democratic Central Committee
RE: Response to PDC Case No. 15599
Date: April 7, 2017

In response to PDC Case No: 15599, the Spokane County Democratic Central Committee (SCDCC) has reviewed its records and submits the following:

SCDCC Background Timeline

January 2013--2016-- Jim CastroLang served as SCDCC Chair

January 2014--July 2016—Justin Galloway served as SCDCC Treasurer.

September 2015—Jim CastroLang appointed as a SCDCC Executive Director (for Development), while remaining Chair. The Executive Director was a part-time paid position.

January 2016--NGP VAN database implemented by the SCDCC.

January-July 2016—No PCD reports were submitted. Staff not fully familiar with NGP VAN.

February 4, 2016—QuickBooks acquired, but not fully implemented

May 2016— Change over in volunteer office staff, losing office manager of ten years.

June 13, 2016—Volunteer assistant to the Treasurer appointed

January--July 2016 --Treasurer position was in a state of uncertainty.

July 2016-- Chair requests all PDC reports be submitted.

July 31, 2016—Treasurer resigns. (Actual SCDCC documents indicate three different dates of resignation: July 18, July 31, and August 8.)

August 2016—Volunteer assisting the Treasurer quits

August 2016-January 2017—SCDCC had no acting Treasurer.

August 2016--the former Treasurer completes some of the PDC reports, from January-July 2016.

August 2016--January 2017— Chair submitted PDC reports, in lieu of a Treasurer. Chair attempted to update NGP VAN with information that previously had not been included.

January 2017—Andrew Biviano elected SCDCC Chair

January 2017-- Jessica Anundson appointed SCDCC Treasurer

January 2017—Lorilee Gill appointed Director of Operations

February 2017—Chair Biviano appointed an Audit Committee. The audit is ongoing. Final report due in May 2017. The audit covers the 2016 calendar year.

March 2017—Chair Biviano appointed a Financial Oversight Committee. The first meeting was held April 3, 2017. The committee's first charge is to develop written financial procedures consistent with all PDC regulations, using NGP VAN, and QuickBooks (not currently in use), efficiently and effectively.

March 31, 2017—Executive Director CastroLang resigns effective April 30, 2017

April 2017— Volunteer appointed as assistant to the Treasurer

April 5&10, 2017—Former Chair removed from C1PCs as Deputy Treasurer.

April 2017—Created a new bank account at the Global Credit Union for exempt funds

April-May 2017—Treasurer and Director of Operations begin training on NGP VAN on April 11. Two additional sessions will follow.

Response to Allegations:

1. Allegations regarding salary payments to Executive Director

Some salary information regarding the Executive Director was belatedly entered into NGP VAN and it was discovered that the data had not been entered as expected. The belated filings appear to have been incorrectly coded when they were entered (memoed vs. non-memoed) as was discovered on April 5, 2017, with the result that the information when entered did not populate in the PDC forms. We now know how to search for and correct these entries. NGP VAN will assist us in making the needed corrections.

The party did not understand how it is that payroll taxes were properly reported while the payroll itself was not. This appears, again, to be a coding issue. But the fact that the taxes were reported— from which one can easily extrapolate that salary was paid—shows that there was no attempt or intent to hide the salary. Indeed, the party regularly publicized the fact that it had a paid Executive Director. Bank statements show that salary payments came from SCDCC's general checking account, and that there were no secret or "off-the-books" funds.

Please see attached **Exhibit 1** for audit trail of payments to the Executive Director, from the general checking account, as well as what appears to be the source of the error—a mistaken code when the salary payments were entered into NGP VAN.

2. Allegations regarding reporting of donations

First, we have discovered that staff members and volunteers were previously unaware of the PDC rule prohibiting the use of a single instrument to receive both exempt and non-exempt funds. Staff and volunteers made good faith efforts to comply with rules on non-exempt contribution limits, with declaration forms signed by contributors, allocating which funds were to be designated exempt and which non-exempt. The new Treasurer and other volunteers have been informed of the PDC rule and will no longer split funds received in a single instrument. This issue recurs throughout the responses below.

(Section 1.) The Washington Education Association PAC donation of \$5,000 was received in January 2016 and was entered into NGP VAN as exempt. It was deposited into the SCDCC bank account on January 13, 2016 into our savings account (exempt). The donation was entered into NGP VAN but did not populate in the C3 or C4 PDC reports, due to the fact that no deposit date was entered and no exempt C4 account was set up. This error was not caught in time, but there was no willfulness or malice. Please see **Exhibit 2**.

(Section 2.) Bookkeeping error: The SCDCC deposited a check on March 19, 2015 for \$5,000 from the Spokane Firefighters Union PAC. SCDCC also deposited a check from the Firefighters on November 25, 2015. SCDCC records indicate that the first check of \$5,000 was to be deposited into savings (exempt). However, the bank records show that the check was deposited in error into checking (non-exempt). The \$2,000 donation was also deposited to checking (non-exempt) account. Had the first check been deposited as directed and correctly reported to the PDC, there would have been no issue with the Firefighters 2015 donation exceeding PDC donation amounts. There was no intent to deceive. Please see **Exhibit 3**.

(Section 3.) The Spokane Firefighters Union PAC made two donations in 2016. One was for \$6,900, deposited on January 11, 2016, and entered into NGP VAN on February 26, 2016. \$3,900 was deposited into checking (non-exempt) and \$3,000 was deposited into savings, which was designated as exempt. (Again, the Chair and volunteers did not know at the time that splitting the donation was against the PDC rules.) Although \$6,900 was entered into NGP VAN, only \$3,900 populated on the PDC form (unbeknownst to volunteers) because an exempt NPG VAN account had not been set up.

The second check for \$1,029 was deposited on September 27, 2016 in our checking account (non-exempt) and entered into NGP VAN on the same date. The donation did not exceed the PDC limit and there was no willfulness or malice.

Please see **Exhibit 4**.

(Section 4.) In January 2016, the Spokane Tribe of Indians donated \$5,000, which was deposited on January 19, 2016. The entire \$5,000 was entered into NGP VAN. The confusion on this donation stems from the fact that a volunteer attempted to classify it as partly exempt (\$3,000) and partly non-exempt (\$2,000). Although coded as exempt, the exempt portion could not populate a report. The party's internal records, however, show the full \$5,000 was entered into the system. The complainant's speculation about a secret slush account is unfounded.

To address these concerns, we are now establishing a new exempt account in a separate bank. We are also requiring separate instruments for exempt and non-exempt donations. These steps will ensure that contributions will be made and deposited appropriately and such mistakes will not recur.

Please see **Exhibit 5**.

3. Allegations regarding the Drumheller Fund

The Drumheller Scholarship Fund refers to a portion of the monies given to the SCDCC by the estate of Helen Elizabeth "Betty" Drumheller after her death in 2000. The monies were given for general party building. Some years ago, the Executive Board chose to use part of the Drumheller funds to establish a student scholarship fund. The Drumheller funds are set aside in Certificates of Deposit at the Spokane Teachers Credit Union; one for general party building and one for scholarships. The Executive Board used \$7,000 in the Scholarship Fund for general party building. The Executive Board subsequently determined that \$6,000 should be returned to the scholarship fund, as finances permitted, with \$1,000 replaced by a transfer from the "general" Drumheller funds. Thus, the funds in question were considered an SCDCC internal transfer, and not funds borrowed from an external entity.

4. Allegations Regarding C3 forms

When the then Chair realized that PDC reports were not filed from January-July 2016, he immediately asked the Treasurer to catch up on the PDC filing.

Unfortunately, this did not occur for nearly two months. Between August 22 and September 27, 2016, C3s for January 1-July 29, 2016 were filed. The Chair, as manager, filed the C3s beginning with the week of August 2, 2016 and continued until the reorganization meeting, held January 14, 2017, when a new Chair was elected. A new Treasurer was appointed in late January 2017.

5. Allegations Regarding C4 forms

The events described above also delayed the filing of C4 forms. Once made aware of the fact that the Treasurer had not been filing these forms, the Chair filed all the C4s for 2016, beginning on September 16, 2016 and continuing the reorganization meeting, held January 14, 2017, when a new Chair was elected. A new Treasurer was appointed in late January 2017.

6. Allegation regarding the digital signature on forms filed after Treasurer's resignation

From the time that the Treasurer resigned until January 2017, the party had no Treasurer despite repeated attempts to find one. Once a new Treasurer was appointed, the proper paperwork naming the new Treasurer was filed with the PDC. Prior to this, it was unclear whether an amended filing was required or necessary, as there was no treasurer to list.

During the interim period in which the party had no treasurer, the Chair filed reports as SCDCC's manager, as was listed on the January 14, 2016, Signature Authorization for Electronic Filing of Campaign Finance Reports form. The former Chair indicated that the signature lines auto-populated the name of the previous treasurer. He advised us that he spoke to the PDC about how the signature fields populated. These circumstances do not indicate any fraud, intent to deceive, or malice as expressed in RCW 42.17A.005.

7. Allegation regarding updating C1PC form

The former Chair apparently was of the understanding that an amended C1PC was not necessary until a new treasurer was appointed. The SCDCC is still unclear regarding the proper protocol when there is no treasurer and would appreciate guidance on this question. Again, there was no malice, only confusion.

8. Allegation regarding all members on C1PC form

As indicated in **Exhibit 6**, in 2015 and 2016 the SCDCC Treasurer filed the non-exempt C1PCs listing the Manager (i.e. Chair) and Treasurer, with no other officers or ministerial persons. In 2015 the Treasurer filed an exempt C1PC listing the Spokane County officers, which includes the manager (i.e. Chair), the Vice Chair, the State Committeewoman and State Committeeman. In 2016 the Treasurer filed an exempt C1PC which listed the manager (i.e., Chair), the Treasurer and no other officers. We do not know why the Treasurer filed these as he did, but they have been corrected with the new SCDCC filings in 2017.

However, on the SCDCC checking account, at least two people were authorized signers. One of those persons was David Koch, State Committeeman, who was responsible for writing and

signing the Executive Director's checks. At no time did the Executive Director write and sign his own checks.

9--10. Allegations regarding untimely and inaccurate C3 and C4 reports

These allegations regarding 2015 and 2016 revisit many of the previous allegations regarding timeliness and inaccuracies that have already been made as these relate to 2016. The 2015 filings were done on another accounting system, DataBank, and the records are not readily available in digital form because that database was not renewed when we transitioned to NGP VAN. The digital records on the laptop used by the former treasurer are incomplete. We will need to inventory our paper records to ascertain the completeness of the 2015 records. As the allegations relates to 2015, the records that we have will need more explication. With that said, all the extant 2015 records are available for inspection. We note that the complainant acknowledges that the majority of errors he identifies have been corrected. Indeed, he is only able to identify many errors based on their later correction in amended filings. The SCDCC showed a willingness and desire to provide accurate reports and correct errors when identified.

The SCDCC is conducting a full internal review to identify and correct any errors that might not have been caught in 2016 and this review should assist any inspection. The Treasurer and staff will do what is possible, with the records we have, to refile any remaining corrections to the 2015.

In addition to this review of past filings and records, we are conducting a full review of our processes to implement accurate, complete and reliable processes. We strive for full transparency and welcome suggestions for improvement.

Summary

We do not believe that any officer, employee or volunteer acted with willfulness or malice. There were no nefarious actions. The SCDCC issues regarding PDC compliance resulted from a number of factors:

- 1) The PDC filings were erratic or not timely filed in 2015 and 2016.
- 2) A new financial system (NGP VAN) was implemented but the volunteers using the system did not fully understand how to use it, with resulting inaccuracies in coding and reporting. These were not timely recognized or corrected.
- 3) An updated copy of QuickBooks was acquired by the SCDCC, but was never fully implemented. Its use would have resulted in Treasurer's reports that were more detailed and easier to read and would have illustrated financial issues for the Executive Board much sooner.

4) Training regarding compliance and knowledge of the system was not sufficient. Volunteers did not have a clear understanding of the financial processes, specifically involving rules on accepting exempt and non-exempt funds.

The SCDCC began remedying these issues when they were first recognized in 2016, and is in process of addressing them further. The SCDCC is incorporating these changes into written financial procedures. We have enlisted NGP VAN Technical Support to help the SCDCC volunteers to re-code those items that were "memoed" and change other coding issues as well. They are assisting us in setting up proper exempt reporting. Once these efforts are completed, the revised PDC forms can be run and corrected PDC forms can be filed, as directed by the PDC.

We welcome any and all inspection and review, as well as suggestions for improvement and best practices.

Sincerely,

A handwritten signature in cursive script that reads "Andrew Biviano".

Andrew Biviano
Chair, Spokane County Democrats