

October 1, 2017

From: Matt Loschen, Treasurer, Shelley Kloba for State House

To: Tony Perkins, Investigator, Campaign Finance Unit, ATG

Re: Citizen Action Notice Complaint against Shelley Kloba 2016 campaign

Thank you for the opportunity to respond to this complaint. I'm a volunteer, not a professional, but I take pride in my work and I take the law very seriously. I have made every effort to follow all Washington State laws and PDC rules. If the PDC, wishes that I change how I submitted these reports, or change how I do my job in the future I will of course do so. Like any effort of this size and complexity my results were not perfect, so I spent many hours double-checking my entries to improve my accuracy and thoroughness. When I found mistakes I corrected them. Ironically it's often these amendments that Mr. Morgan is complaining about. Let's discuss the details.

1) Late Reporting of Donations (Exhibit A) I make a habit of reporting donations BEFORE I'm required to by law, usually within 48 hours of receiving the donation. This was particularly true with the Kloba campaign. As a first time candidate for the seat in a contested primary Kloba needed to show her viability. In other words, we wanted to report every donation quickly not just because we wanted to follow the law, but because it was to our advantage to do so: hiding donations wouldn't have made strategic or logical sense. In fact in the one instance when we didn't report correctly it was because of technical error.

1	9/18/2016	9/18/2016	0	9/19/2016	1/10/2017	113	\$200.00	WALEN AMY MS.
2	3/17/2015	3/25/2015	1	4/10/2015	5/26/2015	46	\$50.00	KELLER SUE
3	3/20/2015	3/25/2015	0	4/10/2015	5/26/2015	46	\$900.00	MORRIS SCOTT
4	4/27/2015	4/30/2015	0	5/11/2015	5/28/2015	17	\$52.00	PERNISCO NICK
5	11/6/2016	11/6/2016	0	11/7/2016	11/12/2016	5	\$250.00	MORRIS SCOTT
6	10/25/2016	10/30/2016	0	10/31/2016	11/1/2016	1	\$50.00	COLE RICHARD
7	7/3/2015	7/12/2015	2	7/13/2015	7/13/2015	0	\$150.00	HITTER JIM A

Complaint Line 1) Ms. Walen's donation entered our NGP system, but because a parameter had been incorrectly set in the donation page it didn't show up on my list of donations to process. In other words, it was lost in the database. I didn't find this problem until my audit at the end of the campaign. I reported this donation as soon as I discovered the error.

2, 3, 4 and 7) These were not donations to Shelley Kloba for State House 2016.

5 and 6) Even using Mr. Morgan's data these are within 5 business days of receipt, and so are in compliance.

The one error in line 1 does not reflect a disregard for the law, or an attempt to circumvent the law for political gain, but simply an honest mistake that was corrected in good faith.

2) Late Reporting of Expenditures (Exhibit B) When a treasurer discovers a mistake made early in a campaign, no matter how minor, s/he is required by the PDC to resubmit (amend) all of the C4s created from the date of the mistake to the present. This is so the all of the old C4s are as accurate as possible (reflecting corrected cash on hand amounts for each month, etc). I followed the PDC rules, and

amended Kloba's C4s several times, (fixing the missed donation mentioned above, for example). This does NOT mean that the vast majority of the C4s content was submitted late, just the amended item. Claiming that 244 entries were submitted late so by listing ALL C4 content as "late" ignores the fact that the original C4 containing all but the amended item was submitted and available to the public on time (in fact early), and is intentionally misleading. For example, 1) I amended Kloba's 4/11-4/30 C4 to include an In-kind donation of \$709.11 made in April. This resulted in complaint lines 236-239, making it appear that there was a rash of misreporting, although only line 239 was actually added later. (In that case I was simply notified of the In-Kind donation late). 2) On 1/10/2017, after my own audit of the books, I submitted a corrected C4 because I had neglected to list the item in line 111, a \$25 payment for unemployment insurance tax. This resulted in complaint lines 1-207. 3) Then on 1/17/2017 I filed the third amended C4 showing that I had removed a duplicate payment to Callfire of \$55 (which of course doesn't show up on the post-audit list, but had been reported in error earlier). This resulted in complaint lines 208-235 and 240-244.

In summary, the vast majority of "late" items are listed as 5/29/2016, 1/10/2017 and 1/17/2017 not because the items listed were actually late, but because PDC policy dictated that I amend its C4 to correct another line during my audit process. In other words the complaint lists 247 violations, when in fact it was only a handful. None of these errors gave Kloba some sort of political advantage or hid anything substantial. They were the result of understandable human error and were reported upon discovery in good faith.

3) Failure to Report Debt (Exhibit C)

Complaint lines 1 and 2 are not expenditures made by Kloba for State House 2016.

In situations where the Kloba campaign received an invoice, but for various reasons did not promptly (30 days, per law) pay the vendor, I reported this as debt. In situations where a "Victory Bonus" was negotiated I also entered this as a debt (based on PDC guidance). PDC recommendations are that recurring monthly campaign expenditures should be reported when paid and should not be reported as debts or obligations for the whole campaign cycle. For instance, I reported payroll taxes and salary (items 41-65) when they were paid and did not report them as debt. In situations where we had not yet been billed, or where goods/services had not yet been ordered or delivered I would have no way of saying with certainty what our obligation was going to be, or if we were going to incur an expense at all. In these instances I didn't report a debt. This was the situation in items 1-40 and 66-78. Clearly Mr. Morgan and I have a different interpretations of "debt", or perhaps he doesn't realize that my initial (pre-amended) C4s, which had the content he lists, were filed during the times he mentions (see above). I have made a good faith effort to report Kloba's debt correctly. If I have misinterpreted the law or the PDC's guidance I will of course amend the C4s in question and report accordingly in the future. In any case this is not a situation where the Kloba campaign is trying to hide something for political gain or because we didn't respect the law...it's simply a disagreement over how to enter data correctly.

4) Failure to report Subvendor (Exhibit D)

Of the four complaint areas mentioned this was the only that has any credence. These can be broken down into three categories:

a) In several instances (lines 1, 2 and 33) this accusation is without merit. One buys checks from a check vendor, not a bank...the check vendor is not a subcontractor. Savvy Communications sells direct calling services directly. These expenditures are broken down correctly.

b) In the great majority of instances when I'm trying to describe a large transaction (usually a mailing, lines 14-29) I have done the best I could in describing the transaction given the limitations of the reporting tool which only allows 90 characters for description. Per PDC rules I have separated postage costs from printing costs. I tried to give invoice numbers, print quantities, piece descriptors, etc. which is valuable information to the public. I often also included "Capitol City Press" (CCP) as the printer, and if anyone were to read my C4s they would quickly see that CCP is Northwest Passage Consulting's printer. But I admit that I didn't always make that explicit in every entry. This is usually due to space limitations. In many instances Northwest Passage Consulting (NWP) didn't list them on their invoice either, and never broke out how much I was paying NWP and how much I was paying CCP, so listing them separately would have been impossible. While I don't think anyone was misled by my entries, and probably learned more from what I did enter than what I didn't (echoing Capitol City Press over and over seems pointless), I'm willing to always say "Capitol City Press" in future entries, and amend lines 14-29 if the PDC feels this is the proper and legal thing to do.

c) In a few cases the dollar amount was so small and the item so trivial that I didn't always enter all the details (lines 3-13 and 30-32). While in most cases I did take the time, in these 11 cases I did not indicate which parking lot Representative Kloba used, for example, or where they got pizza. I retained all the receipts, and if the PDC feels this information is necessary for compliance I will certainly amend these 13 entries with more information. I will also attempt to enter this level of detail in 100% of cases in the future.

I will continue to do my level best to follow the law and inform the voting public. If there is any guidance or correction available so I can do a better job I will definitely use this information to improve my performance.