

August 27, 2017

Fox Blackhorn  
Compliance Coordinator  
Public Disclosure Commission  
P. O. Box 40908  
Olympia, WA 98504

RE: 23826 Sharon Tomiko Santos Complaint

Dear Mr. Blackhorn:

I am writing to respond to the complaint listed above pursuant to your e-mail communication of August 15, 2017. Thank you for extending the time for me to review and respond to the specific allegations included in the complaint filed by Glen Morgan. Please find my responses below.

Allegation One: Alleged violation of RCW 42.17A.205 for failure to register as a candidate within 2 weeks of expectation of receiving contributions or making expenditures.

*I wrongly assumed that I had filed as a candidate earlier in the year. I additionally erred in not double-checking this assumption before accepting campaign contributions in December 2015. I accept responsibility for this failure to register as a candidate as required.*

Allegation Two: Alleged violation of RCW 42.17A.235 for failure to timely report starting expenditures and contributions on date of candidate registration.

*I had lost the services of my volunteer Campaign Treasurer in 2015 and accept responsibility for this failure to report contributions received in December 2015 as required. I recruited a new volunteer Campaign Treasurer on May 22, 2016 who reported these contributions as soon as he learned how to operate ORCA.*

Allegation Three: Alleged violations of RCW 42.17A.235 for failure to timely and accurately report contributions and expenditures.

*As expressed above, I accept responsibility for the failure to report contributions in December 2015. Additionally, while the volunteer Campaign Treasurer received information about the requirement to timely report contributions as required, I did not adequately oversee that this occurred. I accept responsibility for this failure as well.*

*With respect to expenditures, I note that the first three items listed (Constant Contact, Washington State Labor & Industries, and the U. S. Post Office) are expenses associated with the 2014 campaign. The late filing of expenditures made between March 2, 2015 and May 23, 2016 are related to the absence of a Campaign Treasurer. I accept responsibility for the failure to report these expenses.*

Allegation Four: Alleged violations of RCW 42.17A.240 for failure to timely and accurately report debts and obligations.

1. *This expenditure represents the bi-monthly salary of the Campaign Manager for the period between June 1 and June 15, 2016, which was reported on July 11, 2016. I do not understand why this is debt that should be reported in May 2016.*
2. *This expenditure represents the bi-monthly salary of the Campaign Manager for the period between June 16 and June 30, 2016, which was reported on July 11, 2016. I do not understand why this is debt that should be reported in May 2016.*
3. *This expenditure represents the pro rata bi-monthly salary of the Campaign Manager for the period between May 22 and May 31, 2016, which was paid on June 15, 2016 and reported on July 11, 2016. Derek Ishihara was hired on May 22, 2016 and the amount of the pro rata salary was unknown to me at the time. I agree that this expense should have been reported on June 10, 2016. The failure to do so is related to the late recruitment of a volunteer Campaign Treasurer on May 23, 2016. I accept responsibility for this failure to report this obligation.*
4. *This expenditure represents a printing order that was placed, filled, and paid in June 2016. I do not understand why this is debt that should be reported in May 2016.*
5. *This expenditure is for a General Election campaign ad, not a Primary Election campaign ad. The invoice is dated August 23, 2016. I disagree that this expense should have been reported on the 7-day pre-primary C4.*
6. *This expenditure represents a rental deposit for a campaign fundraising event. The reservation was made on July 2, 2016, not in June 2016. I disagree that this expense should have been reported in June.*
7. *This expenditure represents the annual rental fee for a U. S. Post Office box, which is paid in advance. The rental period is from October 1, 2016 to September 30, 2017. I disagree that this expense should have been reported on the 7-day pre-primary C4.*
8. *This expenditure represents the annual rental fee for a U. S. Post Office box, which is paid in advance. The rental period is from October 1, 2015 to September 30, 2016. This expense should have been reported on a C4 filed on October 10, 2015. The failure to do so is related to the absence of a volunteer Campaign Treasurer. I accept responsibility for the failure to report this expense.*
9. *This expenditure represents the employer liability for federal payroll taxes for the pay period between May 22 and June 15, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*
10. *This expenditure represents the cost of final payroll reporting from the previous year to state and federal agencies. The invoice is dated February 26, 2015 and the automatic payment was deducted from the campaign checking account on March 2, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
11. *This expenditure represents the employer liability for federal payroll taxes for the pay period between June 16 and June 30, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*

12. *This expenditure represents employer liability for state industrial insurance for the quarter ending December 31, 2014. The statement prepared by the payroll services provider is dated January 2, 2015 describes this item as transfers “due to liability adjustments.” This expense should have been reported on a C4 filed on February 10, 2015. The failure to do so is related to the absence of a volunteer Campaign Treasurer. I accept responsibility for the failure to report this expense.*
13. *This expenditure represents the service fee of the payroll services provider. The invoice is dated June 13, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
14. *This expenditure represents the service fee of the payroll services provider. The invoice is dated June 28, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
15. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker’s compensation report for the period between April 1 and April 28, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
16. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker’s compensation report for the period between December 25, 2015 and January 28, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
17. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker’s compensation report for the period between June 26 and July 30, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
18. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker’s compensation report for the period between August 28 and October 1, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
19. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker’s compensation report for the period between March 27 and April 30, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
20. *This expenditure represents the service fee of the payroll services provider. The invoice is dated May 26, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
21. *This expenditure represents the service fee of the payroll services provider. The invoice is dated February 25, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
22. *This expenditure represents the service fee of the payroll services provider. The invoice is dated March 31, 2016. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
23. *This expenditure represents the service fee of the payroll services provider. The invoice is dated May 28, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*

24. *This expenditure represents the service fee of the payroll services provider. The invoice is dated June 25, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
25. *This expenditure represents the service fee of the payroll services provider. The invoice is dated October 29, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
26. *This expenditure represents the service fee of the payroll services provider. The invoice is dated November 26, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
27. *This expenditure represents the service fee of the payroll services provider. The invoice is dated December 24, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
28. *This expenditure represents the service fee of the payroll services provider. The invoice is dated August 27, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
29. *This expenditure represents the service fee of the payroll services provider. The invoice is dated March 26, 2015. This item was not reported as contractual debt because the campaign understood this expense as payment for services rendered.*
30. *This expenditure represents the employer liability for state unemployment taxes for the pay period between May 22 and June 15, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*
31. *This expenditure represents the employer liability for state unemployment taxes for the pay period between June 16 and June 30, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*
32. *This expenditure represents the employer liability for state industrial insurance for the pay period between May 22 and June 15, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*
33. *This expenditure represents the employer liability for state industrial insurance for the pay period between June 16 and June 30, 2016. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. I accept responsibility for the failure to report this item correctly.*
34. *This expenditure was reported incorrectly on the C4 report for the period between October 18 and October 31, 2016. The amount listed actually represents the employee portion of the state industrial insurance payment for the period between October 16 and October 31, 2016. The employer liability for state industrial insurance for this period was \$6.32. I agree that this item was, in fact, an encumbrance rather than an actual payment and, thus, should have been listed as an obligation rather than an expense. The date of this encumbrance should be listed as October 31, 2016. I accept responsibility for the failure to report this item correctly.*

Allegation Five: Alleged violations of RCW 42.17A.235 and WAC 390-16-205 for failure to provide detailed breakdowns of expenditures.

1. *This expenditure represented the cost for 1,000 remittance envelopes and 500 business cards, plus tax. I was not aware of the requirement to breakdown these expenses in detail. I accept responsibility for the failure to report this expense correctly.*
2. *This expenditure represents a cash stipend provided directly to the Campaign Manager to purchase individual health insurance. I do not know which health insurance plan was purchased nor was not aware of the requirement to specify a health insurance provider.*
3. *This expenditure represents federal payroll taxes for the period between May 22 and June 15, 2016 related to the employment of Derek Ishihara as the Campaign Manager. Mr. Ishihara was the sole employee of the campaign. I was not aware of the requirement to specify the name of the employee associated with these taxes. I accept responsibility for the failure to report this expense correctly.*
4. *This expenditure represents the cost of final payroll reporting from the previous year to state and federal agencies. Specifically, this expenditure covers the preparation and filing of the Worker's Compensation report and the W2 forms related to the employment of Toshiko Hasegawa as the Campaign Manager in 2014. Ms. Hasegawa was the sole employee of the 2014 campaign. I was not aware of the requirement to specify the name of the employee associated with these filings. I accept responsibility for the failure to report this expense correctly.*
5. *This expenditure represents federal payroll taxes for the period between June 16 and June 30, 2016 related to the employment of Derek Ishihara as the Campaign Manager. Mr. Ishihara was the sole employee of the campaign. I was not aware of the requirement to specify the name of the employee associated with these taxes. I accept responsibility for the failure to report this expense correctly.*
6. *This expenditure represents employer liability for state industrial insurance for the quarter ending December 31, 2014, the period in which Toshiko Hasegawa was the sole employee of the campaign. I was not aware of the requirement to specify the name of the employee associated with the state industrial insurance liability. I accept responsibility for the failure to report this expense correctly.*
7. *This expenditure represents the cost of processing payroll for the Friends of Santos campaign for the period between May 22 and June 15, 2016. Derek Ishihara was the sole employee of the campaign. I was not aware of the requirement to specify the name of the employee associated with these taxes. I accept responsibility for the failure to report this expense correctly.*
8. *This expenditure represents the cost of processing payroll for the Friends of Santos campaign for the period between June 16 and June 30, 2016. Derek Ishihara was the sole employee of the campaign. I was not aware of the requirement to specify the name of the employee associated with these taxes. I accept responsibility for the failure to report this expense correctly.*
9. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker's compensation report for the Friends of Santos for the period between April 1 and April 28, 2016. The campaign did not employ anyone during this period.*

10. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker's compensation report for the Friends of Santos for the period between December 25, 2015 and January 28, 2016. The campaign did not employ anyone during this period.*
11. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker's compensation report for the Friends of Santos for the period between June 26 and July 30, 2015. The campaign did not employ anyone during this period.*
12. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker's compensation report for the Friends of Santos for the period between August 28 and October 1, 2015. The campaign did not employ anyone during this period.*
13. *This expenditure represents the service fee of the payroll services provider and the cost of filing a worker's compensation report for the Friends of Santos for the period between March 27 and April 30, 2015. The campaign did not employ anyone during this period.*
14. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between April 29 and May 26, 2016. The invoice describes the charge as a "minimum monthly billing" which does not include processing payroll. Derek Ishihara was hired on May 22, 2016 as the sole employee of the campaign. However, his first pay period was May 22 to June 15, 2016.*
15. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between January 29 and February 25, 2016. The campaign did not employ anyone during this period.*
16. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between February 26 and March 31, 2016. The campaign did not employ anyone during this period.*
17. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between May 1 and May 28, 2015. The campaign did not employ anyone during this period.*
18. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between May 29 and June 25, 2015. The campaign did not employ anyone during this period.*
19. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between October 2 and October 29, 2015. The campaign did not employ anyone during this period.*
20. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between October 30 and November 26, 2015. The campaign did not employ anyone during this period.*
21. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between November 27 and December 24, 2015. The campaign did not employ anyone during this period.*
22. *This expenditure represents the service fee of the payroll services provider for the Friends of Santos for the period between July 31 and August 27, 2015. The campaign did not employ anyone during this period.*

Allegation Six: Alleged violation of RCW 42.17A.205 for failure to accurately list all committee officers on candidate registration form.

*I did not list the Campaign Manager, Derek Ishihara, as a Committee Officer on my C1 Candidate Registration form because I listed him as a person who would perform only ministerial functions for the campaign and not as a person who would independently authorize expenditures or make decisions for the campaign.*

*I interpreted “ministerial functions” to mean that Mr. Ishihara, because he had to previous campaign experience, would be implementing campaign activities and strategies only under my specific direction. I completely missed the implication of the “and” that is underscored in box 6 of the C1 form. For the record, Mr. Ishihara did not work on behalf of other candidates or political committees while in the employ of my campaign.*

*I understood the term “authorize” in box 7 of the C1 to mean the authority to make budget decisions, not simply the authority to purchase goods or services. Though I did not want Mr. Ishihara to make budget decisions, I agree that he should have been listed in box 7 as a person who could expend funds on behalf of the campaign under my direction. Therefore, I accept responsibility for the failure to properly list Derek Ishihara in box 7 of the C1.*

Allegation Seven: Alleged violation of RCW 42.17A.425 for allowing unlisted committee officers to make expenditures on behalf of the candidate’s committee.

*As described above and in practice during the campaign, Derek Ishihara did not make decisions on behalf of the campaign but, rather, carried out specific campaign activities and strategies as directed. While I certainly solicited his input and ideas, all campaign decisions were made solely by me. Mr. Ishihara did not make any expenditure of campaign funds nor incur any liability without specific direction from and authorization by me. As expressed above, I should have listed Derek Ishihara as a person who was authorized to expend funds, if not authorized to make expenditure decisions, on behalf of the campaign and under my direction. Therefore, I accept responsibility for the failure to properly list Derek Ishihara in box 7 of the C1, thereby allowing an unlisted person to make expenditures on behalf of the campaign.*

I hope that these responses will clarify that the specific allegations of wrongdoing filed by Mr. Morgan against me result from honest mistakes, misunderstandings, circumstances, and lax oversight rather than from an intent to evade public scrutiny and campaign finance disclosure. I am able to provide documentation in support of my responses above, if necessary. The lesson I have learned from this experience is that, sadly, I cannot continue to engage a volunteer to serve as my Campaign Treasurer, and I will be immediately seeking the services of a professional Campaign Treasurer to ensure that such irregularities are not repeated.

Please let me know what next steps I should expect and if you require anything further from me. Thank you, again, for your assistance.

Sincerely,

Sharon Tomiko Santos