

CITIZENS CLEAN ELECTIONS COMMISSION

Report on Agreed-Upon Procedures

**Bill Mundell
Participating Candidate for
Corporation Commissioner
Primary Election 2016**

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

Chairman and Members of the Commission
Citizens Clean Elections Commission
Phoenix, Arizona

We (the Contractor) have performed the procedures enumerated below, which were specified and agreed to by the State of Arizona Citizens Clean Elections Commission (the Commission), solely to assist the Commission in evaluating whether Bill Mundell for Corporation Commission (the Candidate) Campaign Finance Reports for both the Pre-Primary (June 1, 2016 to August 18, 2016) and the Post-Primary (August 19, 2016 to September 19, 2016) reporting periods were prepared in compliance with Title 16, Articles 1 and 2 of the Arizona Revised Statutes, Campaign Contributions and Expenses, and the Citizens Clean Elections Act, and whether the reports complied with the rules of the Citizens Clean Elections Commission. The Candidate's management is responsible for the Pre-Primary and Post-Primary Campaign Finance Reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Preliminary Procedures
 - a) Commission Staff will obtain a copy of the candidate's campaign finance report for the reporting period and provide the records to the Contractor.

Finding

We obtained both the Pre-Primary (June 1, 2016 to August 18, 2016) and Post-Primary (August 19, 2016 to September 19, 2016) Campaign Finance Reports from the Arizona Secretary of State's website.

b) Perform a desk review of the receipts reported in the candidate's campaign finance report as follows:

- (i) Determine whether the candidate accepted contributions only from individuals.

Finding

The contributions received during the periods reviewed appeared to be only from individuals.

- (ii) Determine whether any contributions received from individuals exceed the early contribution limit.

Finding

Contributions received from individuals during the periods reviewed did not exceed the \$160 early contribution limit.

- (iii) Check compliance with the maximum early contribution limits.

Finding

Early contributions received during the periods reviewed did not exceed the \$25,678 limit for a corporation commission candidate.

- (iv) Check compliance with the maximum personal contribution limits.

Finding

Personal contributions received during the periods reviewed did not exceed the \$1,420 limit for a corporation commission candidate.

c) Perform a desk review of the disbursements reported in the candidate's campaign finance report to identify any unusual items requiring follow-up during fieldwork.

Finding

We noted no unusual disbursements during our review.

- d) Contact the candidate or the campaign treasurer, as appropriate, to schedule a date to perform fieldwork. Discuss the nature of the documentation, which will be needed to perform the engagement and ascertain the location of the necessary documentation.

Finding

We contacted the Candidate to discuss the agreed-upon procedures, the timing of our procedures, and the documentation needed.

2. Fieldwork Procedures

- a) Commission staff will contact the candidate to request the records for an agreed-upon procedures attest engagement. Candidates chosen for a Primary Election Audit shall provide records from the Pre-Primary Election Report and the Post-Primary Election Report. Candidates chosen for a General Election Audit shall provide records from the Pre-General Election Report and the Post-General Election Report.

Finding

Commission staff sent an initial notice of primary random audit selection to the Candidate and informed the Candidate that we would be contacting him. We then communicated to the Candidate in a written request, the purpose of the engagement, agreed-upon procedures to be performed, documentation needed and potential future requirements of the Candidate.

- b) Commission staff will provide the records to the Contractor upon receipt. The Contractor shall contact the candidate and/or his or her representative(s) to discuss the purpose of the engagement, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

Finding

See comment in a) above.

- c) The Contractor shall contact or conduct an interview with the candidate and/or his or her representative(s) to discuss the bookkeeping policies and procedures utilized by the campaign committee.

Finding

The Candidate provided written bookkeeping policies and procedures utilized by the campaign committee.

- (i) Review the names of the candidate's family members. Family members include parents, grandparents, spouse, children, siblings and a parent or spouse of any of those persons.

Finding

We obtained and reviewed the names of the Candidate's family members.

- (ii) Review bank statements for each of the months in the reporting period and perform the following:
 - Select a sample of deposits and withdrawals from the bank statements and determine that the transaction is properly reflected in the candidate's records and campaign finance report.

Finding

We selected five deposits and five withdrawals from the bank statements for the periods reviewed and determined that they appeared to be properly recorded in the Candidate's campaign finance reports.

- Perform a proof of receipts and disbursements for the reporting period.

Finding

After performing proof of cash procedures, we calculated a Post-Primary ending cash balance of \$80,367.29, however the Amended Post-Primary campaign finance report reflected an ending balance of \$80,382.58. The Amended Post-Primary campaign finance report did not reflect the unspent amount of \$154.56 indicated in the Primary Recap Report, and therefore a variance of \$139.27 was determined to be additional unspent monies due to the Commission. Per the Clean Elections Act & Rule Manual rule R2-20-190(E), if the campaign finance report shows any amount of unspent monies, the Candidate is required to remit all unspent contributions to the fund. The Campaign had initially remitted \$1,788.00 in unspent monies to the Commission, in an untimely manner, which was in excess of the calculated total of unspent funds of \$293.83. Therefore, due to the Candidate remitting more funds than required, it was determined to not be necessary to remit the \$139.27 variance described above.

- d) Judgmentally select a sample of early contributions reported in the candidate's campaign finance report and agree to supporting documentation, which reflects the name of the contributor (for all contributions) and for individuals who contributed greater than \$50, which reflects the contributor's address, occupation and employer.

Finding

We reviewed the supporting documentation for five early contributions reported in the Candidate's campaign finance report, and determined the name of the contributors for the contributions was included on the support.

For individuals who contributed greater than \$50, we determined that the contributor's address, occupation and employer were also included on the support, with two exceptions noted. The Campaign did not obtain the occupation and employer of two contributors tested. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-111(B)(1), the treasurer of a candidate's campaign committee is the custodian of the candidate's books and records of accounts and transactions, shall keep a record of all of the following: (b), the identification of any individual or political committee that makes any contribution together with the date and amount of each contribution and the date of deposit into the candidate's campaign bank account. The Citizens Clean Elections Act & Rule Manual definition 16-901 (13)(a) defines "identification" as, for an individual, his name, mailing address, his occupation and the name of his employer.

- (i) For other types of cash receipts reported in the candidate's campaign finance report, review supporting documentation and review for compliance with regulatory rules and laws and agree the receipt to inclusion in the campaign account bank statement.

Finding

Two cash receipts totaling \$390.94, received from another campaign committee for joint expenditures, were reported as transfers in the Candidate's campaign finance report. We agreed the receipts to the campaign account bank statement, however the expenditures were incurred on 4/7/16, whereas the reimbursements were not made until 8/11/16. Per the Citizens Clean Elections Act & Rule Manual rule R2-20-109(B)(4), a joint expenditure is made when two or more candidates agree to share the cost of goods or services. Candidates may make a joint expenditure on behalf of one or more other campaigns, but must be authorized in advance by the other candidates involved in the expenditure, and must be reimbursed within seven days. The two reimbursements tested were not made within seven days.

- (ii) For in-kind contributions, review the supporting documentation and determine the methodology utilized to value the contribution and assess the reasonableness.

Finding

No in-kind contributions were reported in the Candidate's campaign finance reports during the periods reviewed.

- e) Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and select 100% of Arizona Democratic Party, Maricopa Democratic Party, Pinal County Democratic, Yavapai County Democratic Party expenditures (Democratic Party expenditures) for selected candidates, and perform the following:
 - (i) Review supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

Finding

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to supporting invoices or other documentation and to the Candidate's finance report, with no exceptions noted, however, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The Campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- (ii) Determine that the name, address and nature of goods or services provided agree to the information reported in the candidate's campaign finance report.

Finding

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed the name, address and nature of goods or services provided to the information reported in the Candidate's campaign finance report with one exception noted. The Campaign finance report included a \$3,000.00 expenditure for consultants, however the invoice retained by the Campaign did not itemize or detail the services that were provided.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- Agree the amount of the expenditure to the campaign account bank statement.

Finding

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and agreed amounts to the campaign account bank statements without exception.

- (iii) Determine whether the expenditure was made for a direct campaign purpose. Direct campaign purpose includes, but is not limited to, materials, communications, transportation, supplies and expenses used toward the election of the candidate.

Finding

We reviewed seven expenditures and seven Democratic Party expenditures (total population) and determined that all appeared to have been made for direct campaign purposes with two exceptions. The Campaign finance report included a \$3,000.00 expenditure for consultants, and the invoice retained by the Campaign did not itemize or detail the services that were provided. Per the Citizens Clean Elections Act & Rules Manual rule R2-20-703(A)(1), all participating candidates shall have the burden of proving that expenditures made by the candidate were for direct campaign purposes.

In addition, the initial documentation maintained by the Campaign and provided for five Democratic Party expenditures was inadequate. The campaign subsequently provided additional documentation from the vendor that cleared the exceptions.

- If the expenditure is a joint expenditure made in conjunction with other candidates, determine that the amount paid represents the candidate's proportionate share of the total cost.

Finding

One of the five expenditures we tested was for a joint expenditure made in conjunction with another campaign. The amounts paid appear to represent the Candidate's proportionate share of the total cost.

- f) Determine whether any petty cash funds have been established and, if so, determine how expenditures from these funds have been reflected in the accounting records. Determine whether aggregate petty cash funds exceed the limit of \$1,420.

Finding

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- (i) If applicable, judgmentally select a sample of expenditures made from the Candidate's petty cash fund(s) and obtain supporting documentation for the expenditure. Determine whether the expenditure was for a direct campaign expense and whether the expenditure was in excess of the \$160 limit on petty cash expenditures.

Finding

Based on inquiry of the Candidate, the Candidate did not establish a petty cash fund during the periods reviewed.

- g) Determine whether a legal defense fund has been established.

Finding

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- (i) If a legal defense fund was established, how were these funds accounted for?

Finding

Based on inquiry of the Candidate, the campaign did not establish a legal defense fund.

- h) Contact the Candidate and/or his or her representative(s) to discuss the preliminary engagement findings and recommendations that the Contractor anticipates presenting to the CCEC. During this conference, the Contractor will advise the Candidate and/or his or her representative(s) of their right to respond to the preliminary findings and the projected timetable for the issuance of the final issuance of the report.

Finding

We discussed our findings with the Candidate and the Candidate did not provide responses to our findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Pre-Primary and Post-Primary Campaign Finance Reports of Bill Mundell for Corporation Commission. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Citizens Clean Elections Commission, and is not intended to be and should not be used by anyone other than this specified party.

Foster & Chapman P.C.

December 13, 2016