

Citizens Clean Elections Commission Report Highlights

Year Ended June 30, 2001

The Citizens Clean Elections Commission was created to enforce the provisions of the Citizens Clean Elections Act, which voters passed in November 1998. The Act established a campaign financing system to provide public funding to qualified candidates running for legislative and statewide offices. The Commission is responsible for ensuring that both clean elections candidates and nonparticipating candidates comply with Act requirements. The 2000 election was the first to fall under the Act's provisions.

Our Conclusion:

The Commission did not properly calculate equalization payments made to clean elections candidates. In addition, the Commission did not sufficiently enforce the contribution limits, spending limits, debate requirements, and reporting requirements that the Act imposed. Further, the Commission did not collect unspent monies.

Clean elections candidates obtain a predetermined number of \$5 contributions from constituents in order to qualify for funding. Once qualified, they are required to follow strict contribution and spending limits, as well as reporting requirements, and participate in primary and general election debates.

Nonparticipating candidates choose to fund their campaigns with private donations and, therefore, receive no public funding. They must adhere to specified contribution limits and reporting requirements.

2000 Election Cycle



58 clean elections
candidates



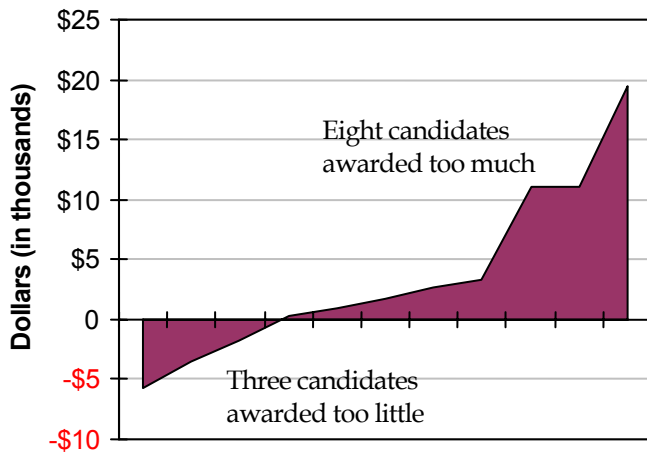
\$1.9 million awarded
to conduct campaigns

***The Commission Should Properly
Calculate Equalization Payments***

To "level the playing field," the Act requires that clean elections candidates receive equalization payments. The Commission calculates equalization payments based on nonparticipating candidates' campaign finance reports. However, the Commission did not properly calculate equalization payments for the primary and general elections during 2000. There were two reasons for this:

- While statute requires that equalization calculations be based only on campaign contributions received during the current election cycle, the Commission included transfers of surplus monies from previous elections when calculating equalization.
- The Commission did not adequately analyze campaign finance reports from nonparticipating candidates, which resulted in incorrect equalization payments being made.

Inaccurate Equalization Monies Awarded from 25 Candidates Sampled 2000 Election Cycle



The Commission should:

- ✓ Calculate equalization payments using only campaign contributions received in the current election cycle.
- ✓ Develop written instructions for calculating equalization payments and have calculations verified by a second employee.

The Commission Should Enforce Spending Limits and Collect Unspent Monies

The Commission is responsible for ensuring that clean elections candidates properly spend the public monies they receive and for recovering unspent monies. It relies on the candidates' campaign finance reports to fulfill this responsibility. However, when reports showed that candidates failed to comply with spending limits or had not returned unspent money, the Commission did not act. In fact, in a sample of 25 campaign finance reports, auditors found that 21 clean elections candidates failed to demonstrate compliance with spending limits and requirements to return unspent money. In every case, the Commission had not taken enforcement action. The lack of enforcement was due to the following:

- The Commission had not adopted administrative rules detailing enforcement procedures when candidates failed to return unspent monies.
- Information related to the qualifying period was not properly separated from information related to the primary election period.
- The Commission lacked an adequate process for analyzing campaign finance reports to identify instances of noncompliance and determine if unspent money had been returned.

Qualifying Period—Begins the first day of August in a year preceding a statewide office election, or the first day of January in an election year for the Legislature.

Primary Election Period—The 9-week period ending on primary election day.

The Commission should:

- ✓ Adopt administrative rules detailing enforcement procedures when candidates fail to return unspent monies.
- ✓ Develop a separate report for the qualifying period.
- ✓ Establish policies and procedures to ensure that employees can adequately analyze campaign finance reports.

The Commission Should Enforce Contribution Limits and Debate Requirements

The Act requires clean elections candidates to limit the amount of early contributions accepted and to participate in candidate debates. However, the Commission failed to ensure that candidates complied with these requirements. In the same sample of 25 campaign finance reports, auditors found that 6 candidates exceeded early contribution limits and 8 submitted reports with insufficient detail to determine compliance. In a review of all 58 clean elections candidates, auditors found that 4 did not participate in the required debates. The Commission excused 2 of the candidates from participation and did not assess penalties against the other 2 candidates.

The Commission should:

- ✓ Establish procedures to sufficiently analyze reports on contributions.
- ✓ Establish and enforce penalties against clean elections candidates who do not participate in required debates.

The Commission Should Ensure Nonparticipating Candidate Compliance

The Commission is responsible for ensuring that nonparticipating candidates comply with reporting deadlines and contribution limits. Because nonparticipating candidates' campaign finance reports are used to determine equalization payments, timely reporting is essential. Any violation of reporting deadlines or contribution limits could result in a financial disadvantage for the clean elections candidate. However, due to an insufficient evaluation process, the Commission did not detect violations and, therefore, did not assess statutorily designated penalties.

The Commission should:

- ✓ Ensure that nonparticipating candidates file reports by statutory deadlines and assess penalties for non-compliance.
- ✓ Review contribution reports and inform the Secretary of State of any nonparticipating candidates who exceed contribution limits.

To Obtain More Information

- A copy of the full report can be obtained by calling (602) 553-0333 or by visiting our Web site at:

www.auditorgen.state.az.us

- The contact person for this report is *Jay Zsorey*.