

**PUBLIC DISCLOSURE COMMISSION  
PERFORMANCE AUDIT**

**REPORT 00-7**

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**REPORT DIGEST**

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## Public Disclosure Commission Performance Audit

Created by the public with the passage of Initiative 276 in 1972, the Public Disclosure Commission (PDC) is responsible for collecting and providing public access to campaign finance reports, lobbyist reports, and information on the financial affairs of public officials. The agency is also responsible for enforcing these disclosure laws.

For the 1999-01 Biennium, the Legislature provided the PDC with more than \$1 million earmarked for electronic filing of and enhanced public access to disclosure reports. The Legislature passed bills in the 1999 and 2000 Legislative Sessions requiring the PDC to meet a number of obligations such as offering electronic filing for campaign and lobbyist reports and providing more timely access to filed information. The 1999 legislation also directed the Joint Legislative Audit and Review Committee (JLARC) to conduct a performance audit of the duties and staffing of the PDC.

### Information Disclosure

The PDC spends more than half of its budget on its disclosure duty. With more than 35,000 filings per year, campaign reports dominate the PDC's disclosure workload; in fact, the PDC collects more campaign finance reports than any state other than California. Since the mid-1990s, the PDC has been moving toward electronic filing and web site access to campaign and lobbyist reports. The agency's first ventures into this arena involved well-intentioned but ultimately inadequate vendor contracts. The PDC has now invested in its own Information Technology staff and is making better progress, as demonstrated by the agency's development of a query system for campaign contribution and expenditure data summaries. However, inefficiencies remain in the disclosure system, and the agency still faces several technology challenges. These challenges include sustaining and expanding the agency's technical capacity to fulfill its remaining legislative mandates, namely, offering an electronic filing option for lobbyists and their employers by January 2002, and managing mandatory electronic filing of campaign reports beginning January 2002. Recommendation 1 (next page) specifies several changes for improving the disclosure operation.

### Enforcement

About 27 percent of PDC expenditures are devoted to its enforcement duty. The total enforcement caseload varies considerably from year to year. Much of this variation occurs in the failure-to-file cases, which are cases processed in batches to encourage the filing of annual financial affairs reports, campaign registration and candidate financial affairs reports, and annual reports from lobbyist employers. Some 88 percent of the failure-to-

file cases are directed against local government candidates and officials. Cases involving provisions of I-276 dominate the remaining, more substantive, enforcement caseload. The two most prevalent topics for complaints are problems with the reporting of campaign contributions and expenditures, and use of public offices or facilities in campaigns. Local government candidates, officials, and employees are the subjects of 42 percent of these more substantive enforcement cases. The filing of a certain type of citizen complaint via what is called a “45-day letter” has the potential to disrupt the PDC’s disclosure and enforcement operations. Recommendations 2 and 3 identify improvements for the operation of the enforcement function.

## Staffing Issues and Other Duties

The PDC relies on its Political Finance Specialists to carry out its disclosure and enforcement duties. The Specialists assign first priority to the disclosure duty, helping filers and others comply with the disclosure laws. A Director of Compliance helps direct the enforcement program. Recommendation 4 addresses specific staffing issues regarding these positions.

Like all state agencies, the PDC has a duty to report on its performance and to comply with statutory requirements. In 1999, the Legislature directed the PDC to adopt certain performance measures, and the agency has complied. An additional performance measure can help track the transition from paper to electronic filing of reports. The agency also has two statutory reporting requirements, one from I-276 and one from I-134. The agency has not been complying with these requirements. Recommendation 5 offers improvements for these other PDC duties.

## Recommendations

**1. To improve the operation of its disclosure function, the Public Disclosure Commission**

*should: (1-1) develop a more formal process to ensure that its answers to questions are accurate and consistent; (1-2) convene an on-going stakeholder group to provide input into and feedback on development of the electronic records system; and (1-3) make use of other agencies’ technology experience and expertise.*

**2. To improve the operation of its enforcement function, the Public Disclosure Commission should:** (2-1) further automate its failure-to-file process, and apply its current approach consistently for the failure-to-file enforcement cases; (2-2) include an automatic check for errors and omissions in its electronic filing alternatives; and (2-3) monitor the impact of receipt of 45-day letters on postponing other investigations and delaying answers to disclosure questions.

**3. To improve the operation of the Public Disclosure Commission’s enforcement function, the Legislature should make minor statutory changes regarding 45-day letters (3-1) to deliver the letters to the PDC directly and (3-2) to apply the 45-day time period to the Commission’s investigation of the complaint.**

**4. With regard to specific staffing issues, the Public Disclosure Commission should:** (4-1) request that the Department of Personnel review the minimum qualifications and the compensation level for the PDC’s Political Finance Specialist positions; and (4-2) modify the role of the Director of Compliance to include responsibility as an enforcement caseload manager.

**5. To improve the operation of its other duties, the Public Disclosure Commission should:** (5-1) incorporate into its performance measures a report on the number of filings and pages that are data-entered by hand and the accuracy of that data entry; and (5-2) comply with its statutory reporting requirements.

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