

Aug. 15, 2019

Public Disclosure Commission

Sent via electronic mail - pdcc@pdcc.wa.gov

Dear Mx. Fox Blackhorn,

The Whatcom County Republican Party (WCRP) presents the following response to the complaint filed by Andrew Reding, Whatcom Democrats Chair, on July 29, 2019.

The WCRP states unequivocally that there was no misreporting or co-mingling of individual donations with auction purchases or auction item donations as alleged in the complaint. It seems the complainant doesn't understand how the reporting software works, is unfamiliar with how to read the reports, or didn't perform the simple addition that would have proven that the amounts reported on *Line d. Miscellaneous Receipts* were in fact the sum of the amounts reported on the affiliated Auction Reports.

The WCRP agrees that the public should have transparent access to campaign finance information, which is why the WCRP complied with all reporting requirements in a timely and proper manner. The only thing undermining the public's confidence in our election system is frivolous complaints such as this filed six days before an election.

The WCRP did identify two minor clerical mistakes during its review of and response to this complaint. Both were caused by the WCRP Treasurer using her 40+ years of experience as a cost accountant working under Generally Accepted Accounting Principles (GAAP) rather than following PDC reporting requirements; both have been rectified by the filing of amended reports. These were inconsequential mistakes made by a very experienced accountant who simply mixed up the numerous rules between the two systems under which she works. They were not intentional or egregious and certainly not meant to mislead the public in any way. The WCRP would like to thank Mr. Reding for pointing out these two clerical errors so we could correct them to provide the most clear information to the public as possible.

The WCRP has responded to the individual aspects of the complaint on the following pages. Should the PDC have further questions when rendering its decision, please contact me.

Sincerely,



Kathy Kershner
Whatcom County Republican Party Chair

Complaint Description

Andrew Reding, Chair, Whatcom Democrats (Mon, 29 Jul 2019 at 1:33 PM)
The Whatcom County Republican Party – Non-Exempt ('Party'), has violated the Public Disclosure Act and Regulations in its reporting of its "Miscellaneous Expenses" revolving around its fundraising event including an auction, and by failing to specify the vendors who were paid by its Chair, Kathleen Kershner, who is also a candidate for Whatcom County Council.

The Whatcom County Republican Party (WCRP) has not violated the Public Disclosure Act and Regulations in the reporting of its highly successful fundraising activities to date in 2019. The Party uses ISP compliance software to file all PDC-required reports and believes that this complaint results from a lack of ability by the complainant to accurately read the reports. Please see the WCRP's responses in red to the individual items in the complaint.

1. The reporting of its revenues from the auction is reported in a series of C-3s upon which its income is listed. The relevant forms are:

C-3 #100902534 – miscellaneous receipts listed at \$1,369 – all reported on Form AU

C-3 #100903104 – miscellaneous receipts listed at \$19,899 – a portion of which is reported on Form AU, the remainder is listed as individual contributions from named individuals

C-3 #100903115 – miscellaneous receipts listed at \$10,102 – a portion of which is reported on Form AU, the remainder is listed as individual contributions from named individuals

First, the complaint implies that the WCRP willfully attempted to mislead the public by reporting the results of its successful April 6, 2019, Lincoln Day Dinner and Auction on multiple C-3s. It should be noted that there is no rule against filing multiple C-3s to cover a filing period. Multiple reports were filed due to crashing problems with the compliance filing software. Because of the sheer number of entries in both individual donations and auction purchases, the software apparently had difficulty handling the data, and the WCRP Treasurer resorted to reporting the information the best way she could to meet required reporting deadlines – by filing multiple reports.

Each of the reports accurately follows reporting regulations, and when added together, provides the full amount raised by the April 6th event.

Second, the complaint calls into question the validity and accuracy of the amounts reported on *Line d. Miscellaneous Receipts* on multiple C-3 reports.

Line d. Miscellaneous Receipts specifies that it is to include “interest, refunds, auctions and other.” It further specifies that an “explanation be attached.” In the case of the Lincoln Day Dinner and Auction held April 6, 2019, that explanation takes the form of an attached “Auction Report.”

It should be noted that there isn’t a C-3 with the number 100903104 as specified in the complaint. The WCRP believes the complainant meant C-3 #100903105, which does list miscellaneous receipts of \$19,899.

In each case, had the complainant added up the amounts on each page of the Auction Report attached to the C-3, they would have seen that the total amount raised by auction items listed on the Auction Report was accurately reported on *Line d. Miscellaneous Receipts*. In all cases, the Fair Market Value and amount the item was bought for was included in the Auction Report as was the required name and address for both donors and buyers.

Amounts listed on the C-3 as donations by individuals were just that – donations by individuals, not purchases of items at auction. There was no misreporting or co-mingling of individual donations with auction purchases or auction item donations. In some instances, the same person made a direct contribution and purchased an auction item, which explains why an individual would be included in both Section 2 and on *Line d. Miscellaneous Receipts*.

C-3 #100903124 – miscellaneous receipts listed at – \$1,000 – all reported on Form AU. This C-3 reports \$4,002 in individual contributions. Auction receipts are reported as received on April 6, and individual contributions are also reported as received on April 6, but this C-3 reports the deposits made on April 17. Receipts are to be reported on a C-3 filed within 5 business days of receipt.

The WCRP used an outside Greater Giving software consultant to manage the financial transactions at the April 6, 2019, Lincoln Day Dinner and Auction. There were problems with the software at the event, and the consultant kept all funds until an item-by-item reconciliation was completed on April 12, 2019, turning over the funds to the WCRP Treasurer on that date.

When the WCRP Treasurer received the funds from the outside consultant on April 12, 2019, she rightly believed she had five days to file the C-3 and make the bank deposit given that the funds weren't in the possession of the WCRP until that date. She made a clerical error in recording April 6, 2019, as the date the contributions and auction receipts were received. The date should have been April 12, 2019, making the date of deposit within the five-day required period. An amended C-3 has been filed correcting the date the contributions and Auction receipts were received by the WCRP.

C-3 #100902550 – miscellaneous receipts listed at \$5.03 reported as interest

Line d. Miscellaneous Receipts clearly specifies that it is to include “interest, refunds, auctions and other.”

Therefore, the \$5.03 interest earned on the WCRP's interest-bearing checking account with Peoples Bank was reported correctly on this line.

C-3 #100902552 – miscellaneous receipts listed at \$1,395 with the auction date of April 30 and the receipt of the auction proceeds on April 30. This C-3 also reports \$50 in an individual contribution, received April 30

In addition to the in-person Lincoln Day Dinner on April 6, 2019, the WCRP held a Lincoln Day Dinner online fundraising auction that ended April 30, 2019. The WCRP reported the results of the online auction on C-3 #100902552, appropriately recording and accounting for the fair market value and subsequent sale of each item, as well as listing both contributor and buyer contact information as required by the PDC.

Again, the \$1,395 was the total cash receipts of the online auction items individually listed on the Auction Report attached to the C-3. These were reported correctly on *Line d. Miscellaneous Receipts*.

The \$50 amount listed for an individual donation was not associated with auction items and was reported correctly in Section 2 of the C-3 report.

There was no misreporting or co-mingling of individual donations with auction purchases or auction item donations.

C-3 #100903129 – miscellaneous receipts listed at \$50 with the auction date of April 30 and the receipt of the auction proceeds on April 30. This C-3 also reports \$450 in an individual contribution, received April 30. Note: total reported on C-3 is \$500

Once again, *Line d. Miscellaneous Receipts* accurately reports the final online auction item as shown on the Auction Report attached to the C-3.

The \$450 was an individual donation not associated with auction items and was reported correctly in Section 2 of the C-3 report.

There was no misreporting or co-mingling of individual donations with auction purchases or auction item donations.

C-3 #100906637 miscellaneous receipts listed at \$5.97 reported as interest

Line d. Miscellaneous Receipts clearly specifies that it is to include “interest, refunds, auctions and other.”

This transaction reported the \$5.97 interest earned on the WCRP’s interest-bearing checking account with Peoples Bank and was reported correctly on *Line d. Miscellaneous Receipts*.

The violations illustrated by these C-3s are:

(1) The reporting of individual contributions as ‘Miscellaneous receipts’ rather than as contributions from named individuals is improper.

In absolutely no case was there reporting of individual donations on *Line d. Miscellaneous Receipts*. All individual contributions were reported with the required name, contact information and amount in Section 2 of each report specified. It should be noted that there were individuals who made cash, check or credit card contributions who also purchased auction items, but those transactions are listed in their appropriate category. As the WCRP has stated in all previous responses, there was no misreporting or co-mingling of individual donations with auction purchases or auction item donations. It seems the complainant is either unfamiliar with how to read these reports or didn't perform the simple addition that would have proven that the amounts reported on *Line d. Miscellaneous Receipts* were in fact the sum of the amounts reported on the affiliated Auction Reports.

(2) The reporting of individual contributions as 'Miscellaneous receipts' rather than as contributions from named individuals obscures and misrepresents the total contributions of the individuals to the party.

Given that the WCRP didn't report individual contributions as "Miscellaneous Receipts," the Party didn't obscure nor misrepresent the total contributions from individuals as alleged.

There was no misreporting or co-mingling of individual donations with auction purchases or auction item donations.

(3) The total amount of Miscellaneous receipts is inflated and improperly reported by including the individual contributions.

As required by the PDC, the WCRP accurately reported the donation and subsequent purchase of auction items on Auction Reports attached to each applicable C-3. The total receipts of each Auction Report were accurately included on *Line d. Miscellaneous Receipts* of the applicable C-3. There was no inflation or improper reporting of individual donations or Miscellaneous Receipts. There was no misreporting or co-mingling of individual donations with auction purchases or auction item donations.

(4) C-3 #100903124 was filed late.

Form C-3 #100903124 was filed within the allowable time requirements.

The WCRP used an outside Greater Giving software consultant to manage the transactions at the April 6, 2019, Lincoln Day Dinner and Auction. There were problems with the software at the event, and the consultant kept all funds until an item-by-item reconciliation was completed on April 12, 2019, and the consultant was certain that all payments were accounted for. The consultant turned over the funds to the WCRP Treasurer on April 12, 2019.

When the WCRP Treasurer received the funds from the outside consultant on April 12, 2019, she rightly believed she had five days to file the C-3 and make the bank deposit given that the funds weren't in the possession of the WCRP until that date. She simply made a clerical error in recording April 6, 2019, as the date the contributions and auction receipts were received. The date should have been April 12, 2019, making the date of deposit within the five-day required period. An amended C-3 has been filed correcting the date the contributions and Auction receipts were received by the WCRP.

(5) The auction was held on April 6, 2019, but C-3 #100902552 and #100903129 each report an auction date of April 30.

As stated previously, the WCRP held a second Lincoln Day Dinner fundraising auction online that ended on April 30, 2019. Reporting was done correctly and timely using the required Auction Report attached to the corresponding C-3.

2. The Party reimbursed its Chair, Kathleen Kershner, for auction expenses of \$15,123.82 without itemizing the vendors, or the goods/services provided.

C-4 #100903205 – covers period April 1-30, 2019. Schedule A, p.3 shows a reimbursement to Kathleen Kershner of \$15,123.82 for “reimb for hotel food/bar/rental”. The vendors that provided these services and goods for which reimbursement was made are required to be identified together with the goods/services provided and the costs of each. This violation is magnified because Ms. Kershner is the current Chair of the Whatcom

Republicans, is a candidate for Whatcom County Council District 4 and has previously been a member of the Whatcom County Council.

The WCRP did reimburse Chairwoman Kathleen Kershner without specifying the vendor and itemizing goods/services provided, which was allowed under WAC 390-16-205 until January 2019. This was an unintentional error caused by the fact that the WCRP Treasurer has 40+ years of cost accounting experience and followed Generally Accepted Accounting Principles (GAAP) rather than PDC reporting requirements. The WCRP has since amended the report referenced in the complaint to include the vendor and details and has made note that the Treasurer is to follow PDC rules rather than GAAP.

Kathleen Kershner was acting appropriately in her role as WCRP Chairwoman when she paid the April 6, 2019, Lincoln Day Dinner and Auction invoice from the Four Points By Sheraton hotel with her personal credit card. The Four Points By Sheraton required payment of its invoice in full the night of the event. Ms. Kershner stepped forward when the WCRP's debit card was declined because it was not authorized to handle a transaction of the amount owed. There was nothing nefarious or improper about the WCRP reimbursing its Chairwoman Kathy Kershner for WCRP expenses incurred on her personal credit card. The WCRP amended the C-4 to include "Four Points by Sheraton" as the vendor for this reimbursement as well as each subcategory outlined in the invoice from Four Points by Sheraton including food, bar, rentals, gratuity and tax.

The complainant conveniently filed the complaint on the afternoon of July 29, 2019, immediately sending a copy to *The Lynden Tribune*, a weekly newspaper published each Wednesday. The WCRP hadn't even received a copy of the complaint when it was sent to the newspaper and subsequently reported on in the July 31, 2019, issue of *The Lynden Tribune*.

The WCRP believes it wasn't the complainant's goal to stand up for the public's right to transparency in campaign reporting but, instead, to attempt to discredit the WCRP as a whole and to slander Kathy Kershner as an individual in an 11th hour Primary Election smear tactic against her and other WCRP candidates. There is absolutely no evidence of wrongdoing on the part of Kathy Kershner or the WCRP in this proper reimbursement. See attachments: Lynden Tribune article and Four Points by Sheraton invoice.

What impact does the alleged violation(s) have on the public?

Failure to timely, accurately and completely report campaign income and expenditures undermines public confidence in our election process and defeats the purpose of our campaign finance disclosure laws as set out in RCW 42.17A and RCW 42.17A.001, the implementing regulations and Agency Filings.

List of attached evidence or contact information where evidence may be found.

All evidence is contained in the Forms C-2, C-4 and AU referenced below, and in other similar official filings, as well as the internal books and records of the Respondent, to which the Complainant does not have access.

List of potential witnesses with contact information to reach them.

Signers of the attached Forms C-3, C-4 and AU, Kathleen Kershner and other volunteers, contractors and workers associated with the Respondent.

Complaint Certification:

I certify (or declare) under penalty of perjury under the laws of the State of Washington that information provided with this complaint is true and correct to the best of my knowledge and belief.

story or how they paid forward an act of kindness — whether they find a piggy

who enters the drawing at a branch office and completes an entry form will be

up, data from Northwestern Mutual's 2019 Planning & Progress Study reveals

campaign and full contest rules, go to <http://www.peoplesbank-wa.com/pigs>.

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Dems allege Kershner reporting violations

Complaint filed with state Public Disclosure Commission

By Calvin Bratt
editor@lyndentribune.com

BELLINGHAM — Whatcom Democrats on Tuesday, July 30, filed a complaint with the Washington State Public Disclosure Commission against Whatcom Republicans, alleging "substantial violations of the reporting rules, involving tens of thousands of dollars."

Andrew Reding, Democrats' Whatcom County chair, says his counterpart for the Republicans and also County Council candidate, Kathy Kershner, is

"front and center" in the claimed irregularities.

He says more than \$33,000 is "murky funds" and raises questions about the Republicans' required reporting compliance.

Political campaigns and candidates must report their receipts and expenditures periodically to the state Public Disclosure Commission.

Whatcom Democrats question whether Republicans' recent financial disclosures are complete and accurate.

"More than \$33,000 in funds appear to have been mismanaged and misreported. The details of the violations are outlined in a formal complaint sent to the PDC by Whatcom Democrats today," Reding said in a press release.

These issues are claimed:

- improper, incorrect

and misleading reporting of miscellaneous receipts.

- incomplete and misleading reporting of auction contributions, proceeds and aggregate totals from an April 2019 auction.

- failure to itemize reimbursements, including more than \$15,000 in payments to County Council candidate Kathy Kershner.

"The degree to which the Whatcom Republicans are playing fast and loose with public financial disclosures is frankly shocking," Reding said. "These laws exist to ensure transparency in our elections, and this shady bookkeeping does the opposite."

Alleged improper reimbursements involving Kershner are particularly troubling given her role as party chair, Reding said.

More than \$15,000 in non-itemized reimburse-

ments Kershner received for "hotel, food/bar/rental" calls into question whether she is improperly and illegally using party funds for her own campaign, Reding claims. At least these reimbursements must be itemized to the PDC. "The public has a right to know where this money came from, and how it is being used," he said.

Allegations are:

- reporting of individual contributions as "miscellaneous receipts."
- late filing of a C-3 form.
- that Kershner was reimbursed for party auction expenses without itemizing the vendors or the goods/services provided.

A media spokesperson for the Public Disclosure Commission said on Tuesday that the complaint had been received, but not yet assigned for processing.

Lummis renew request for captive orca to be returned

Two with the tribe plan to sue the Miami

of indigenous people who were already gathered at the Lummi Stommish Grounds for the Paddle to Lummi canoe journey.

Miami Seaquarium, despite repeated requests by Lummi for a meeting and calls for the orca's release and repatriation

happens to qwe 'lhol 'mechen happens to us. When they're whole, we're whole. She needs her family and

E ✓
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WWW.
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STRAW
RASPB

Barbies
You-Pick
Stands open a



Dave Ohligsch
NMLS #422225
VP Real Estate Loan Officer
1800 Front Street, Lynden

FDIC LENDER

BANQUET FUNCTION GUEST CHECK

Date: 04/06/19

Name of Function: *Whatcom County Republicans Lincoln Day Dinner*

Folio#

S/M: *Leslie*

Payment *CC*

FOOD	QTY	ITEM	PRICE	TOTAL
Dinner	268	GF Flat Iron Steak	\$34.00	9,112.00
Dinner	54	GF Chicken Picata	\$34.00	1,836.00
Dinner	7	GF Four Cheese Ravioli	\$34.00	238.00
Appetizer	1	Chef's Choice Artisanal Cheese Display	\$150.00	150.00
Appetizer	1	Chicken Potstickers	\$130.00	130.00
Appetizer	1	Crostini (50 pieces)	\$150.00	150.00
Beverage	9	Sparkling Water (VIP Room)	\$2.50	22.50
				-
				-
			\$0.00	-
			Total Food:	\$11,638.50

RENTALS				
Room Rental		Ballroom		\$500.00
Room Rental		Terrace Room/Hallway		-
Room Rental		Library		-
Room Rental		Cascade		-
Audio/Visual	1	Screen and Projector	\$ 120.00	120.00
Audio/Visual	2	Wireless Mics	\$ 45.00	90.00
Audio/Visual			\$ -	-
Audio/Visual			\$ -	-
Audio/Visual			\$ -	-
Audio/Visual			\$ -	-
Misc. Charge			\$ -	-
Misc. Charge			\$ -	-
			Total Room and A/V rental:	\$ 710.00

Contact	<i>Kathy Kershner</i>	TOTAL SALES:	12,348.50
Billing Address	<i>2321 E Bakerview Rd.</i>	20% Service Charge	2,327.70
City/State/Zip	<i>Bellingham, WA 98226</i>	TOTAL SALES:	14,676.20
Tel:	<i>(360) 220-7535</i>	8.7% Sales Tax	1,276.83
Email	<i>advpcations@comcast.net</i>	GRAND TOTAL:	15,953.03
		<i>Less Deposit</i>	1,500.00
		BALANCE DUE:	\$14,453.03

I the undersigned, hereby agree to take full responsibility for the "BALANCE DUE" and to indemnify The Four Points by Sheraton Bellingham Hotel and Conference Center for that amount in full.

Thank you for your patronage!

Signature: _____

Date: _____

BANQUET FUNCTION GUEST CHECK

Date: 4/6/2019

Name of Function: Whatcom County Republicans- Lincoln Day Dinner

Folio#

HOSTED BAR SALES

	QTY	ITEM	PRICE	TOTAL
Spirits	6	Well	6.00	36.00
Spirits				-
Beer	21	Craft	6.00	126.00
Beer				-
Wine	51	House Wine - per glass	7.00	357.00
Wine				-
Wine	1	House Wine-Bottle	32.00	32.00
Wine				-
			Total Bar: \$	551.00

CORKAGE FEES

Total Fees: \$ -

BARTENDER FEE

Total Fees: \$ -

Contact	TOTAL SALES:	551.00
Billing Address	20% Grat. on Hosted Bev	110.20
	SUB TOTAL:	661.20
City/State/Zip	8.7% Sales Tax	9.59
Tel:	GRAND TOTAL:	670.79
Email	<i>Less Deposit</i>	
	BALANCE DUE:	\$ 670.79

I the undersigned, hereby agree to take full responsibility for the "BALANCE DUE" and to indemnify The Four Points by Sheraton Bellingham Hotel and Conference Center for that amount in full.

Thank you for your patronage!

Signature: _____

Date: _____