



**State of Washington
PUBLIC DISCLOSURE COMMISSION**

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February 7, 2020

Delivered electronically to "jeff@jeffsprung.com"

Subject: Complaint filed by Glen Morgan, PDC Case 27563

Dear Jeff Sprung:

Below is a copy of an electronic letter sent to Glen Morgan concerning a complaint filed with the Public Disclosure Commission (PDC).

As noted in the letter to Glen Morgan, the PDC has dismissed this matter in accordance with RCW 42.17A.755(1) and will not conduct a more formal investigation into these allegations or take further enforcement action in this matter.

However, pursuant to WAC 390-37-060(1)(d), this serves as a formal written warning concerning your failure to accurately and completely disclose committee officers on the Candidate Registration (C-1 report) and to accurately and completely report debts and obligations on Summary Full Campaign Contributions and Expenditures reports (C-4 report). The Commission will consider the formal written warning in deciding on further Commission action if there are future violations of PDC laws or rules. In addition, please be aware of the changes to the disclosure of debt and other reporting requirements as part of the passage of ESHB 2938 (2018).

Furthermore, PDC staff is reminding you about the importance of timely, accurately, and completely disclosing personal financial affairs on the Personal Financial Affairs Statement (F-1 report), including assets and customers of entities in which you hold an office, directorship, partnership interest, or ownership interest of ten percent or more. PDC staff expects timely, accurate, and complete disclosure of personal financial affairs in the future.

If you have questions, you may contact Fox Blackhorn at 1-360-753-1980 toll-free at 1-877-601-2828, or by e-mail at pdcc@pdcc.wa.gov.

Sincerely,

/s

Fox Blackhorn
Compliance Coordinator 2

Endorsed by,

/s

Peter Lavalley
Executive Director



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February 7, 2020

Delivered electronically to “glen@wethegoverned.com”

Subject: Complaint regarding Jeff Sprung, PDC Case 27563

Dear Glen Morgan:

The Public Disclosure Commission (PDC) has completed its review of the complaint you filed on November 10, 2017. The complaint alleged that Jeff Sprung, a 2016 candidate for the office of Washington State Auditor, may have violated several provisions of Chapter 42.17A RCW as detailed below.

PDC staff reviewed the allegations; the applicable statutes, rules, and reporting requirements; the responses provided by Mr. Sprung; queried the Respondent’s data in the PDC contribution and expenditure database; and reviewed the Candidate Registrations (C-1 reports), Monetary Contributions reports (C-3 reports), and Summary Full Campaign Contribution and Expenditure reports (C-4 reports) filed by the 2016 Friends of Jeff Sprung Campaign (Campaign) to determine whether the record supports a finding of one or more violations.

Based on staff’s review, we found the following:

- On December 11, 2015, Mr. Sprung filed a C-1 report with the PDC declaring candidacy for election to the office of Washington State Secretary of State in election year 2016, selecting the Full Reporting Option. The C-1 report listed Jason Bennett as the ministerial-only Treasurer for the Campaign. Mr. Sprung was defeated in the August 2, 2016 Primary Election.
- On November 10, 2017, you filed a complaint with the PDC and a 45-Day Citizens Action Notice (CAN) with the Washington State Attorney General’s Office, alleging that Mr. Sprung committed multiple violations of Chapter 42.17A RCW.
- On November 15, 2017, the Campaign Finance Unit (CFU) of the Attorney General’s Office requested that PDC staff review, and if appropriate, investigate the allegations as Mr. Sprung was an employee of the Attorney General’s Office “*handling litigation including campaign finance cases.*”
- For the 2016 election cycle, the Campaign disclosed receiving \$283,196 in total contributions received, and \$283,196 in total expenditures made, with a \$0 cash on hand balance as of September 5, 2016.
- The Campaign timely filed the January, February, March, April, and May 2016 C-4 reports, the 7-Day and 21-Day Pre-Primary Election C-4 reports, and the Post-Primary Election C-4

report. In addition, the Campaign timely filed its C-3 reports for the period January through August 8, 2016, with many of the C-3 reports filed early within a few days of the contributions having been received.

Allegations: Failure to timely disclose contribution and expenditure information on C-3 and C-4 reports

The complaint alleged violations of RCW 42.17A.235 by failing to timely disclose contribution and expenditure activities undertaken by the Campaign on C-3 and C-4 reports.

- Of the five reports allegedly filed by the Campaign beyond the statutory deadline listed for this section, all of the reports were either amendments to timely filed original reports or had been filed before the deadlines listed in RCW 42.17A.235. In addition, the amended reports disclosed additional information as it became available to the Campaign, and some of the original reports were timely filed on deadlines that had been extended by holidays.
- Of the amended reports identified by the complaint, only one C-4 report (#100678694) contained any material changes and that report disclosed an additional \$29,827 in contributions and an additional \$2,406.54, on February 11, 2016, one day beyond the statutory deadline of RCW 42.17A.235.

Allegation: Failure to timely disclose debts and obligations

The complaint alleged 50 separate violations of RCW 42.17A.240 by failing to timely disclose debts, obligations, and promises to pay made by the Campaign on C-4 reports.

- In the response, the Campaign indicated that 23 of the allegedly late or unreported debts had been disclosed on C-4 reports as debts in prior reporting periods, while an additional 24 of the alleged late or unreported debts were for orders placed, the goods or services were received, and the vendor was paid all in the same reporting period.
- The Campaign acknowledged three of the invoices contained orders placed that “...one could argue should have been reported as debt. Two of these were for the fundraising work of the professional fundraiser we retained, Ms. Katherine Bobman. The last was the final partial payment of the retainer for our campaign consultant, Northwest Passages.”

Allegations: Failure to provide a breakdown of sub-vendors and/or detailed description of services provided

The complaint alleged violations of RCW 42.17A.235 and .240, as well as WAC 390-16-037 and WAC 390-16-205 for failing to: (1) provide a proper detailed breakdown for Campaign expenditures disclosed on C-4 reports, including sub-vendor information for work contracted out to a third party, (2) properly document reimbursements made to Campaign workers, volunteers, and individuals, including the candidate for out-of-pocket Campaign related expenditures; and (3) disclose the required description details for services provided to the Campaign by vendors, including the number of political advertisements printed or mailed.

Staff reviewed the allegations, which included 38 separate expenditures and in-kind contributions disclosed by the Campaign on C-4 reports as follows:

- Seven expenditures were made to Katherine Bobman Consulting totaling \$19,713 for Fundraising and Political Advertising.
- Fourteen expenditures were made to NW Passage Consulting, totaling \$191,600 for Political Advertising.
- Five expenditures were made to Mr. Sprung, and in-kind contributions received by the Campaign from Mr. Sprung, totaling \$612 for Travel, Events, and Political Advertising.
- The remaining twelve expenditures made, and in-kind contributions received, totaled \$8,411 for Travel and Political Advertising.

Staff noted the Campaign made expenditures either as reimbursements to individuals or volunteers, or payments made to a consultant or vendor for which it appears a more detailed description breakdown including sub-vendor information likely should have been provided. The response provided by the Campaign identified several items where the number of items printed should have been disclosed on the Schedule A to C-4 reports.

At the request of staff, the Campaign filed a number of amended reports disclosing additional detailed contribution and expenditure information to bring the 2016 Campaign into compliance with the reporting requirements. The amended information disclosed on the C-4 reports included the number of items printed for political advertising, and the breakdown of sub-vendors utilized by the Campaign and the amounts attributable to each. Staff has classified these issues as reporting discrepancies which are minor or technical in nature, and do not rise to the level of enforcement action.

Allegations: Failure to timely file a C-1 report disclosing Committee Officers and individuals authorized to make expenditures

The complaint alleged violations of RCW 42.17A.205 by failing to timely file a C-1 report within two weeks of becoming a candidate, disclosing Campaign officers and individuals authorized to make expenditures and deposit monetary contributions received into the Campaign bank account. The complaint further alleged violations of RCW 42.17A.425 by allowing persons other than committee officers to make or incur expenditures on behalf of the Campaign.

- Mr. Sprung stated that he made an expenditure of less than \$200 to purchase the domain name “www.JeffSprung.com” in October of 2015 and added “At the time I purchased the domain name, I had not decided to run for office. Mr. Morgan provided no evidence that I had announced my intention to run for office at the time I purchased the domain name.”
- Mr. Sprung stated his belief was that the C-1 reporting requirement was tied to a \$200 threshold of contributions received, expenditures made, or debts or obligations incurred, but that provision is tied to the candidate reporting requirements found in RCW 42.17A.235.
- The C-1 report was filed on December 11, 2015, disclosing Jason Bennett as the only officer other than the candidate, and that he was serving as a Ministerial-only Treasurer, and that NWP Consulting was permitted to authorize expenditures on behalf of the Campaign.
- The response stated: *This is false, and Mr. Morgan offers no evidence in support of his incorrect claim. Ms. Bobman was a fundraising consultant and did have permission to make expenditures. Ms. Brown was my campaign manager, and the same was true of her. Ms.*

Howell was an administrative assistant and likewise did not make contribution, spending, or policy decisions.”

Allegations: Failure to timely report contributions and expenditures on the day the C-1 report is filed, and the Treasurer is designated

The complaint alleged violations of RCW 42.17A.235 by failing to timely report contribution and expenditure activities on a C-4 report, on the day the C-1 report was required to have been filed designating the Campaign Treasurer.

- On December 11, 2015, the Campaign filed the initial C-3 and C-4 reports disclosing the contributions received and expenditures made prior to the date of the C-1 being filed.

Allegations: Making a prohibited transfer of candidate funds to a political committee

The complaint alleged violations of RCW 42.17A.430 by making a prohibited transfer of candidate funds to a political committee.

- The Campaign disclosed on making on C-4 reports a \$250 expenditure to the 34th Legislative District Democrats on July 16, 2016, and a \$250 expenditure to the 46th District Democrats on August 1, 2016. The C-4 reports filed by the Campaign disclosed the purpose for the two expenditures as “Political Advertising.”
- RCW 42.17A.430 prohibits the transfer of candidate funds to another candidate or political committee; however, candidates are permitted to purchase goods and services from committees or political parties for their fair market value, with any excess amount constituting a prohibited contribution and transfer of candidate funds.
- Mr. Sprung, as a candidate for Democratic candidate Statewide Officer, made expenditures to other democratic party organizations for advertising in support of his candidacy. No evidence was provided to support the allegation that \$250 was more than the fair market value for the advertising.

Allegations: Personal use of Campaign funds to reimburse the candidate and Kevin Schilling for travel expenses without proper documentation

The complaint alleged violations of RCW 42.17A.445 and WAC 390-16-238 for reimbursements for travel and meals to Jeff Sprung and Kevin Schilling, without maintaining the requisite documentation of mileage.

- The Campaign disclosed making a \$316 expenditure to Jeff Sprung, reimbursing him for the cost of travel in support of his candidacy. The response stated the expenditure was for air travel in support of his candidacy, so no mileage log was maintained for this expenditure in accordance with WAC 390-16-238. The two remaining allegations concerning Kevin Schilling receiving two reimbursement payments from the Campaign totaling \$114, and the response stated the Campaign maintained the required documentation.
- The allegations were based on “information and belief” and you provided no evidence to support the allegation that mileage documentation was not sufficiently kept.

Allegations: Receipt of loans to the Campaign made without written instrument

The complaint alleged violations of RCW 42.17A.465 for loans of the candidate's funds to the Campaign was not made by written instrument.

- The statute does not require all loans to be made by written instrument, since in-kind loans/contributions can be for goods or services provided to the Campaign by the candidate. However, the Campaign does need to execute and maintain a written agreement concerning any loans or loan agreements entered into between the candidate and the Campaign.
- These allegations were based on "information and belief" and you provided no evidence to support the allegation. The Campaign stated that the candidate loans from Mr. Sprung, both monetary and in-kind loans were properly made, and the written loan agreement maintained by the Campaign.

Allegations: Failure to preserve books of account, bills, receipts, and all other financial records of the Campaign for five years following the year during which the transaction occurred.

The complaint alleged violations of RCW 42.17A.235 for failure to preserve books of account, bills, receipts, and all other financial records of the Campaign for five years following the year during which the transaction occurred.

- These allegations were based on "information and belief" and you provided no evidence that the Campaign failed to properly maintain its books of account, bills, receipts, and all other financial records for five years as required by statute. The Campaign response asserted that all of the required records were preserved and maintained.

Allegations: Failure to timely file a Personal Financial Affairs Statement (F-1 report)

The complaint alleged violations of RCW 42.17A.700 by failing to timely file an F-1 report within two weeks of becoming a candidate, disclosing financial activities for twelve calendar months prior to becoming a candidate, due within two weeks of becoming a candidate.

- Mr. Sprung stated that he made an expenditure of less than \$200 to purchase the domain name "www.JeffSprung.com" in October of 2015 and added "At the time I purchased the domain name, I had not decided to run for office. Mr. Morgan provided no evidence that I had announced my intention to run for office at the time I purchased the domain name."
- The response provided by the Campaign indicates a belief that the F-1 reporting requirement is tied to a \$200 threshold of contributions received, expenditures made, or debts obligated, but this is a monetary threshold tied to reporting under RCW 42.17A.235, not .700.
- On December 11, 2015, Mr. Sprung filed a C-1 report declaring his candidacy for State Auditor, and he filed an F-1 report on December 24, 2015. The F-1 report was filed at least 13 days beyond the statutory deadline listed in RCW 42.17A.700.

Allegations: Failure to disclose financial payments to entities in which the candidate or their immediate family held any office, directorship, or general partnership interest, or ownership

interest of ten percent or more, and failure to disclose real estate in which said entities held an ownership interest of ten percent or more

The complaint alleged violations of RCW 42.17A.710 for failure to disclose financial payments on the F-1 Supplement by entities in which the candidate or their immediate family held any office, directorship, or general partnership interest, or ownership interest of ten percent or more, and failure to disclose real estate in which said entities held an ownership interest of ten percent or more.

- The F-1 report filed by Mr. Sprung disclosed Mr. Sprung's position on the board for Planned Parenthood Votes Northwest and Hawaii on an F-1 Supplement page, but did not list any payments were received from government agencies or business customers, nor Washington real estate in which the entity held an ownership interest of ten percent or more.
- The Campaign confirmed that no reportable payments were made during the reporting period by government agencies or business customers, and that Planned Parenthood Votes Northwest and Hawaii did not hold an ownership interest of ten percent or more in Washington real estate during the reporting period.
- The F-1 report disclosed Mr. Sprung's spouse's 100% ownership of H&L Designs on an F-1 Supplement page but did not list any payments were received from government agencies or business customers, nor Washington real estate in which the entity held an ownership interest of ten percent or more.
- The Campaign confirmed that there were no payments received during the reporting period by government agencies or business customers, and that H&L Designs did not hold an ownership interest of ten percent or more in Washington real estate during the reporting period.
- The F-1 report disclosed Mr. Sprung's partnership interest in Hagens Berman Sobol Shapiro on an F-1 Supplement, but only stated "*I am getting advice from a*" under payments from government agencies and business customers of \$12,000 or more. The response to the complaint stated, "*I consulted with counsel, Perkins Coie, to advise me, and we made proper disclosures.*"
- PDC staff contacted Mr. Sprung informing him that it appeared additional information needed to be provided for the law firm and requested if necessary, to file amendments to the F-1 report disclosing payments the law firm received from governmental and business customers paying \$12,000 or more in the 12 month period dating back to December of 2014. In addition, if not customers were required, to indicate why no customers needed to be disclosed, or to submit a valid application for report modification to the F-1 reporting requirements in accordance with RCW 42.17A.120 and Chapter 390-28 WAC.
- Mr. Sprung failed to correct the F-1 report or to seek a modification to reporting requirements to not disclose government and business customers of Hagens Berman Sobol Shapiro during the reporting period.

- These allegations were based on “information and belief” and you provided no evidence that Mr. Sprung had additional disclosure requirements on the F-1 Supplement for the entities listed above.

Allegations: Failure to disclose ownership of a retirement account as an asset on the F-1 report

The complaint alleged violations of RCW 42.17A.710 for failure to report the cash surrender value of a FERS retirement account on the F-1 report.

- The complaint provided no evidence to support the allegation that loans were made without written agreements, and the response asserts that the FERS account from 1994 was no longer in existence during the reporting period.

Allegations: Failure to disclose entity in which the candidate held an office, directorship, or general partnership interest, or ownership interest of ten percent or more

The complaint alleged violations of RCW 42.17A.710 for failure to disclose a board directorship for the Hanford Challenge.

- The response to the complaint indicated that Mr. Sprung held an informal advisory position with the Hanford Challenge, which was not a reportable directorship, and thus not required to have been listed on an F-1 Supplement.

Allegations: Failure to accurately and completely disclose assets and investments on the F-1 report

The complaint alleged violations of RCW 42.17A.710 for failure to accurately and completely disclose assets and investments on the F-1 report.

- The complaint provided no evidence to support the allegation that assets and investments were inaccurately or incompletely disclosed on the F-1 report.

Jeff Sprung was a first-time candidate for public office in 2016, seeking election to a high-profile Statewide Office in which his Campaign disclosed receiving \$283,196 in total contributions received and expenditures made.

PDC staff found no evidence of a violation that would require conducting a more formal investigation into the complaint or pursuing enforcement action in this instance.

Pursuant to WAC 390-37-060(1)(d), Jeff Sprung will receive a formal written warning concerning failure to accurately and completely disclose committee officers on the Candidate Registration (C-1) and to accurately and completely report debts and obligations on Summary Full Campaign Contributions and Expenditures reports (C-4 reports). The Commission will consider the formal written warning in deciding on further Commission action if there are future violations of PDC laws or rules. In addition, Jeff Sprung will be made aware of the changes to the disclosure of debt and other reporting requirements as part of the passage of ESHB 2938 (2018).

Furthermore, PDC staff is reminding Jeff Sprung about the importance of timely, accurately, and completely disclosing personal financial affairs on the Personal Financial Affairs Statement (F-1 report), including assets and customers of entities in which he holds an office, directorship,

partnership interest, or ownership interest of ten percent or more. PDC staff expects timely, accurate, and complete disclosure of personal financial affairs in the future.

Based on this information, the PDC finds that no further action is warranted and has dismissed this matter in accordance with RCW 42.17A.755(1).

If you have questions, you may contact Fox Blackhorn at 1-360-753-1980 toll-free at 1-877-601-2828, or by e-mail at pdcc@pdc.wa.gov.

Sincerely,

/s

Fox Blackhorn
Compliance Coordinator 2

Endorsed by,

/s

Peter Lavalley
Executive Director

cc: Jeff Sprung Campaign