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Citizens Clean Elections Commission

Report on Agreed-Upon Procedures

Peggy Toomey Hammann
Participating Candidate for
State Representative - District 3

Post-Primary

August 2005

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Independent Accountant's Report on
Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Citizens Clean Elections Commission (Commission), solely to assist you in evaluating whether the Post-Primary - Campaign Finance Report of the Committee to Elect Peggy Toomey Hammann (Committee) for the period from August 19, 2004 to September 27, 2004 is 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 complies with the rules of the Citizens Clean Elections Commission. The Committee's management is responsible for the Post-Primary Campaign Finance Report. 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. Obtain a copy of the candidate's campaign finance report for the reporting period.

   Finding

   We obtained the Post-Primary – Campaign Finance Report of the Committee to Elect Peggy Toomey Hammann for the reporting period of August 19, 2004 to September 27, 2004. In addition, we reviewed this report for mathematical accuracy and noted no exceptions.

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

   a. Determine whether the candidate accepted contributions only from individuals.

      Finding

      Based on our review of the Committee's Post-Primary – Campaign Finance Report the Committee did not report any contributions other than the CCEC participating candidate funding.

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b. Determine whether any contributions received from individuals exceed the early contribution limit of $110 per person.

Finding

Based on our review of the Committee's Post-Primary – Campaign Finance Report the Committee did not report any contributions other than the CCEC participating candidate funding.

c. Check compliance with the maximum early contribution limit of $2,830.

Finding

Based on our review of the Committee's Post-Primary – Campaign Finance Report the Committee did not report any contributions other than the CCEC participating candidate funding.

d. Check compliance with the maximum personal contribution limit of $550.

Finding

Based on our review of the Committee's Post-Primary – Campaign Finance Report the Committee did not report any contributions other than the CCEC participating candidate funding.

3. 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

During our desk review of the disbursements reported in the candidate's campaign finance report we noted the following unusual items:

1) Two expense reimbursements were made to the candidate for the same amount and date (Margaret Toomey Hammann, 9/8/04, $451.88).

2) During the period of August 19, 2004 to September 27, 2004, six mileage reimbursements were made to the candidate totaling $2,550.00 (10,200 miles @ .25¢ per mile).

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

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Finding

We contacted candidate Peggy Toomey Hammann and scheduled the audit fieldwork date to commence on February 17, 2005. In addition, we discussed the nature of the documentation which will be needed to perform our review.

5. Conduct an entrance conference with the candidate and/or his or her representative(s) to discuss the purpose of the audit, the general procedures to be performed and potential future requirements of the candidate, such as possible repayments to the Fund.

Finding

An entrance conference was conducted with the candidate on February 17, 2005. We discussed the purpose of the audit, the general procedures to be performed and potential future requirements of the candidate.

6. 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

An interview was conducted with Peggy Toomey Hammann on February 17, 2005. Our review of the Committee's bookkeeping policies and procedures disclosed that the "cash on hand" activity is not being reconciled to the bank statements in a timely manner. This created a situation whereby inaccurate financial information was recorded on the campaign finance report.

7. Obtain 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 a listing of the candidate's family members. The listing included all the applicable family members, as by definition.

8. Obtain bank statements for each of the months in the reporting period and perform the following:

   a. 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

      <u>Deposits</u>

      For one of three deposits selected for testing the deposit amount was not recorded in the campaign finance report. The following is a recap of the relevant information:

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Date	Payor	Description/ Purpose	Amount
08/23/04	Clean Elections	Primary participating	$ 1,100.00

Withdrawals

For two of six disbursements selected for testing, no supporting documentation was provided by the Committee. Therefore, we were unable to determine if these withdrawals were properly reflected in the candidate's records and campaign finance report. The following is a recap of the relevant information:

Check Number	Date	Purpose	Payee	Amount
516	09/10/04	Mileage	Peggy Toomey Hammann	$ 250.00
524	09/14/04	Mileage	Peggy Toomey Hammann	500.00

The above items relate to mileage reimbursements to the candidate. The Committee was also unable to provide supporting documentation for mileage reimbursements at Step 12a. It should also be noted that during our desk review (Step 3) it was discovered that the candidate was reimbursed approximately $2,550 for mileage (10,200 miles @ .25¢ per mile) in a period of five weeks.

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

Finding

We performed a proof of receipts and disbursements for the reporting period and determined that the Committee's "bank" activity did not agree to amounts reported on the campaign finance report. The following schedule will illustrate the results of this comparison:

	Campaign Finance Report	Bank Statements
Beginning balance	$ 113.35	$ 120.15
Total receipts/deposits during the reporting period	28,300.00	29,400.00
Total disbursements during the reporting period	(25,871.56)	(2,648.45)
Outstanding checks		(12,007.87)
Ending balance	$ 2,541.79	$ 14,863.83

As illustrated above, the "cash on hand" balance at the close of the reporting period differed between the campaign finance report and bank statements by $12,322.04. The following schedule will illustrate the various items which comprise the stated difference:

Ending balance – per bank statements	$ 14,863.83
1 NSF return check bank deposit, not reported on CFR	(50.00)
1 NSF expenditure clearing bank on 2nd attempt, not reported on CFR	50.00
1 expenditure clearing bank for different amount than reported on CFR	(5.15)
2 check expenditures cleared bank, not reported on CFR	1,244.74
Deposit for participate funding clearing bank statement , not reported on CFR	(1,100.00)
5 separate cash expenditures mistakenly listed on CFR, included in a check	(33.08)

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1 check expenditure mistakenly listed twice on CFR, cleared bank only once	(451.88)
Bank maintenance fee on bank statement, not included on CFR	10.00
NSF bank charge on bank statement, not included on CFR	28.00
Current period outstanding checks on CFR, clearing bank in subsequent period	(12,007.87)
Net prior reporting period difference	(6.80)
Ending balance – per campaign finance report	$ 2,541.79

Our review of the Committee's bookkeeping policies and procedures disclosed that the "cash on hand" activity is not being reconciled to the bank statements in a timely manner. This created a situation whereby inaccurate financial information was recorded on the campaign finance report.

9. 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 $25, which reflects the contributor's address, occupation and employer.

Finding

Based on our review of the Committee's Post-Primary – Campaign Finance Report the Committee did not report any contributions other than the CCEC participating candidate funding.

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

Finding

For two of two other cash receipts selected for testing, this procedure was performed without exception.

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

Finding

We noted no in-kind contributions during the reporting period.

12. Judgmentally select a sample of cash expenditures reported in the candidate's campaign finance report and perform the following:

    a. Obtain supporting invoice or other documentation and agree amount to the amount reported in the candidate's finance report.

    Finding

    For one of twelve check disbursements selected for testing, no supporting invoice or other documentation was presented for viewing to agree the amount to the amount reported in the candidate's finance report. The following is a recap of the relevant information:

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Check Number	Date	Purpose	Payee	Amount
514	09/08/04	Mileage	Peggy Toomey Hammann	$ 1,250.00

b. 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

For one of twelve check disbursements selected for testing, no supporting documentation was provided by the Committee. Therefore, we were unable to determine if the name, address, and nature of the goods or services provided agreed to the information reported in the candidate's campaign finance report. The following is a recap of the relevant information:

Check Number	Date	Purpose	Payee	Amount
514	09/08/04	Mileage	Peggy Toomey Hammann	$ 1,250.00

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

Finding

For twelve of twelve check disbursements selected for testing, this procedure was performed without exception.

d. Obtain the cancelled check and determine that the check was signed by an authorized individual and review the endorsement to determine the check was deposited or cashed by the payee.

Finding

For twelve of twelve check disbursements selected for testing, this procedure was performed without exception.

e. 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

For one of twelve check disbursements selected for testing, no supporting documentation was provided by the Committee. Therefore, we were unable to determine if the expenditure was made for a direct campaign purpose. The following is a recap of the relevant information:

Check Number	Date	Purpose	Payee	Amount
514	09/08/04	Mileage	Peggy Toomey Hammann	$ 1,250.00

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f. 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

We noted no joint expenditures during the reporting period.

g. For in-kind expenditures, review the supporting documentation and determine the methodology utilized to value the expenditure and assess the reasonableness.

Finding

We noted no in-kind expenditures during the reporting period.

13. 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 that aggregate petty cash funds did not exceed the limit of $1,100 and individual expenditures did not exceed $110.

Finding

The Committee did not maintain any petty cash funds during the reporting period.

14. Conduct an exit conference with the candidate and/or his or her representative(s) to discuss the preliminary audit findings and recommendations that the auditor anticipates presenting to the CCEC. During this conference, the auditor 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 audit report.

Finding

Due to the candidate being unresponsive and uncooperative upon the completion of the audit, we were unable to perform an exit conference to discuss the preliminary audit findings and recommendations that we anticipate presenting to the CCEC.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Post-Primary – Campaign Finance Report of the Committee to Elect Peggy Toomey Hammann. 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 these specified parties.

August 10, 2005