

BEFORE THE ALASKA PUBLIC OFFICES COMMISSION

STEVEN MCCOY, )  
 )  
 Complainant, )  
 )  
 v. ) Case No. 16-06-CD  
 )  
 LIZ VAZQUEZ, )  
 )  
 Respondent. )  
 \_\_\_\_\_ )

FINAL ORDER

Complainant Steven McCoy alleges that Liz Vazquez’s 2014 campaign for State House failed to disclose expenditures, failed to timely disburse leftover funds, and failed to pay debts before repaying a personal loan to the campaign. For the following reasons, the Commission finds several violations and imposes a civil penalty of \$8,500.

**I. Background**

As a candidate for State House District 22 in the 2014 State Election, Liz Vazquez was subject to campaign disclosure reporting requirements. After the end of the 2014 election cycle, staff audited the campaign’s disclosure reports and identified numerous problems. Staff summarized these problems in an audit letter on March 20, 2015, which it later reissued on June 16, 2015. Because the campaign’s 2014 Year End Report had indicated a surplus balance, the campaign’s reporting obligations continued and a 2015 Year End Report was required. On the due date, February 17, 2016, the campaign amended the 2014 Year End Report to disclose a candidate loan repayment in the same amount as the surplus, bringing the report to a zero balance. The campaign also filed the

2015 Year End Report, which disclosed no activity and indicated it was the final report, thus concluding the filing requirements for the 2014 campaign. The campaign did not address the debt activity and other problems detailed in staff's audit letters.

On November 2, 2016, Steven McCoy filed a complaint against Ms. Vazquez's campaign. Commission staff investigated and issued a report on December 30, 2016, recommending civil penalties. Staff found that the campaign violated various provisions of AS 15.13 by failing to accurately report contributions and expenditures; failing to return prohibited corporate contributions; and failing to timely disburse leftover funds. Staff rejected one allegation of the complaint, finding that the campaign did not violate AS 15.13.116 by repaying a candidate loan before paying its outstanding debts. Using the date of the complaint to toll the penalty accrual period, staff calculated the maximum civil penalty for all of the violations to be \$1,205,800, and proposed a 99 percent reduction of the penalty to \$12,058. Ms. Vazquez filed a response to the staff report.

On February 22, 2017, the matter came before the Commission. Mr. McCoy did not appear; Ms. Vazquez appeared through counsel. Ms. Vazquez did not present any testimony or other evidence and did not significantly dispute the substance of the violations found by staff. Instead, she argued in favor of a penalty reduction.

## **II. Violations**

The Commission finds there is sufficient evidence to conclude that the Vazquez campaign committed the following violations, as found by staff.

**A. The campaign failed to completely and accurately report campaign activity in each of its reports for the 2014 election.**

The Vazquez campaign violated AS 15.13.040 by failing to file complete and accurate reports disclosing financial activity for the 2014 election. A total of \$2,869.76 in contributions and \$3,830.64 in expenditures were not properly disclosed. Inaccurately reported contributions included a personal post-election \$1,900 contribution from Ms. Vazquez that should have been reported on the 2015 Year End Report; a \$250 contribution from the Webb Chiropractic Wellness Center, Inc., that should have been reported on the 2014 Year End Report; and \$719.76 in unidentified unreported contributions. Inaccurately reported expenditures included payments to Custom Design Signs; payments to Holmes Weddle & Barcott; and monthly bank fees and credits from First National Bank that went unreported during the entire 2014 campaign.

The campaign also inaccurately reported Ms. Vazquez's use and reimbursement of her personal money. Ms. Vazquez made purchases with personal funds, repaid herself, and then instead of disclosing the expenditures as reimbursements, disclosed them as payments directly to the vendors. These reimbursements should have been reported as expenditures to Ms. Vazquez with enough detail to determine if repayment was within three days of the original purchase in accordance with regulation.<sup>1</sup>

**B. The campaign failed to return prohibited corporate contributions.**

The Vazquez campaign violated AS 15.13.074(f) and AS 15.13.114(a) by failing to accurately report and immediately return prohibited corporate contributions. Alaska

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<sup>1</sup> 2 AAC 50.990(7)(C)(x) (use of personal funds is a contribution unless repaid within three days).

Statute 15.13.074(f) prohibits corporate contributions in candidate campaigns. The campaign received six contributions totaling \$1,699 from four separate businesses. These contributions should have been immediately returned and their true sources disclosed to the public to reveal their prohibited nature. Instead, most of these funds were disclosed as contributions from individuals and spent to successfully elect Ms. Vazquez to office.

**C. The campaign failed to timely disburse leftover campaign funds.**

The Vazquez campaign violated AS 15.13.116 by failing to timely disburse leftover campaign funds. Candidates for a general election are required to disburse any unused campaign funds by February 1 through any of the methods detailed in AS 15.13.116. The campaign's amendment to the 2014 Year End Report, filed on February 17, 2016, indicated \$3,025.81 in leftover funds were disbursed by a loan repayment on March 25, 2016, but this transaction never occurred. Instead, the bank records show a balance of \$1,566.12 at the close of the year-end reporting period, and a series of unreported expenditures bringing the balance to \$120.58 on February 18, 2015. Next, there was an undisclosed deposit of \$1,900 on March 2, 2015, and a \$2,000 expenditure to Holmes Weddle & Barcott which brought the balance of the account to \$12.23 on March 4, 2015. Monthly fees continued to occur until these funds were depleted and the account was closed on July 11, 2015.

**III. Mitigation**

The Commission has considered mitigation criteria and agrees with staff and Ms. Vazquez that imposing the statutory maximum penalty of over \$1 million for these violations would be excessive. Deposits to Ms. Vazquez's entire 2014 campaign totaled

less than \$43,000, so the Commission finds that a penalty of over \$1 million would be significantly out of proportion to the harm to the public. This mitigation criterion allows the Commission to reduce the penalty by more than 50 percent, up to a complete waiver.<sup>2</sup> Staff recommends a civil penalty of \$12,058, which is a 99 percent reduction. Ms. Vazquez requests a further reduction.

The Commission finds that a civil penalty of \$8,500 is appropriate under the circumstances. As Ms. Vazquez points out, the \$12,058 penalty recommended by staff would represent nearly a third of the total deposits to her 2014 campaign. Moreover, she has taken corrective action and is not currently a candidate or legislator. But as staff points out, a significant penalty is warranted given the campaign's pattern of inaccurate reporting and failure to act promptly after staff identified issues in its audit letters.

#### **IV. Penalty**

The Commission therefore imposes a civil penalty of \$8,500. Additionally, the Commission directs Ms. Vazquez (to the extent that she has not already done so) to return all prohibited contributions, amend her 2014 campaign report to accurately reflect its activity, reconcile her 2016 campaign's reports, and attend a candidate training before running for office in the future.

This is a final Commission order. It may be appealed to the superior court within 30 days from the date of this order under AS 44.62. A request for the Commission to reconsider this order must be filed within 15 days from the date this order is delivered or mailed under 2 AAC 50.891(g).

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<sup>2</sup> 2 AAC 50.865(b)(6).

Dated: February 28, 2017

BY ORDER OF THE ALASKA PUBLIC OFFICES COMMISSION<sup>3</sup>

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<sup>3</sup> Commissioners Irene Catalone, Ronald King, Tom Temple, and Robert Clift participated in this matter. The decision was made on a 4-0 vote.

