

OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued March 31, 2023

State Election Campaign Fund— Office of Campaign and Political Finance

For the period January 1, 2022 through December 31, 2022



OFFICE OF THE STATE AUDITOR
DIANA DIZOGLIO

March 31, 2023

William C. Campbell, Director
Office of Campaign and Political Finance
One Ashburton Place, Room 411
Boston, MA 02108

Dear Mr. Campbell:

I am pleased to provide to you the results of the enclosed performance audit of the State Election Campaign Fund—Office of Campaign and Political Finance. As is typically the case, this report details the audit objectives, scope, and methodology for the audit period, January 1, 2022 through December 31, 2022. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at the Office of Campaign and Political Finance. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team.

Sincerely,

A handwritten signature in dark ink that reads "Diana DiZoglio". The signature is written in a cursive, flowing style.

Diana DiZoglio
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CTR	Office of the Comptroller of the Commonwealth
DOR	Department of Revenue
MMARS	Massachusetts Management Accounting and Reporting System
MMDT	Massachusetts Municipal Deposit Trust
OCPF	Office of Campaign and Political Finance
OST	Office of the State Treasurer and Receiver General
SECF	State Election Campaign Fund

EXECUTIVE SUMMARY

In accordance with Section 42C of Chapter 10 of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the State Election Campaign Fund (SECF) accounts and transactions for the 2022 statewide election.¹ The SECF provides limited public financing to eligible candidates seeking statewide elective offices.² Its main funding source is voluntary taxpayer check-off contributions on state income tax returns. The Office of Campaign and Political Finance is responsible for certifying qualifying candidates and disbursing amounts from the SECF based on state laws and regulations. The objectives of our audit were to determine the following:

- whether all disbursements from the SECF for the 2022 statewide election were made in compliance with Sections 1A through 8 of Chapter 55C of the General Laws,
- whether receipts and disbursements were recorded accurately in the Massachusetts Management Accounting and Reporting System and were in accordance with the Office of the Comptroller of the Commonwealth's policies, and
- whether any unused funds were refunded to the SECF in accordance with Section 9 of Chapter 55C of the General Laws.

Our audit revealed no significant issues that must be reported under generally accepted auditing standards.

1. Generally accepted government auditing standards require that audit organizations be free from organizational impairments to independence with respect to the entities they audit. For this reason, the accounts and transactions of candidates for State Auditor were not the subject of our review. However, in accordance with Section 42C of Chapter 10 of the General Laws, the Office of the Comptroller of the Commonwealth, an independent governing body, conducted an audit of those accounts and transactions. On March 15, 2023, the Office of the Comptroller of the Commonwealth issued a letter to the director of the Office of Campaign and Political Finance regarding its audit of activity in the SECF regarding six candidates for State Auditor for the 2022 primary and general elections (See [Appendix A](#)).

2. Chapter 55C of the General Laws states that candidates for statewide elective office who agree to abide by certain statutory expenditure limits and who submit qualified contributions in the minimum amounts established by law are eligible for limited public financing. This law also regulates the distribution; accounting; and, in certain cases, repayment of public funds by candidates. Section 4 of Title 970 of the Code of Massachusetts Regulations governs certain procedures a candidate must follow to have their name appear on the ballot and to qualify for public funds.

OVERVIEW OF AUDITED ENTITY

The State Election Campaign Fund (SECF), established by Chapter 774 of the Acts of 1975 and codified in Sections 42 through 45 of Chapter 10 of the Massachusetts General Laws, was created to provide limited public financing for candidates seeking statewide offices. Candidates may receive funding amounts based on the statewide offices they seek in accordance with Sections 4 through 7 of Chapter 55C of the General Laws. For the 2022 statewide election, the SECF distributed \$530,270 to qualifying candidates seeking the office of Lieutenant Governor or Attorney General, as detailed later in this section.

Section 42 of Chapter 10 of the General Laws states, “The State Election Campaign Fund [consists] of all revenues received under section 6C of chapter 62, and all other monies credited or transferred to the fund from any other fund or source pursuant to law.”

The SECF’s principal source of revenue is voluntary contributions by individuals filing state income tax returns. Sections 46 and 47 of Chapter 43 of the Acts of 1994 amended prior legislation, as of the tax year that ended December 31, 1994, to state that these taxpayer contributions would no longer increase the amount of state tax owed or reduce tax refunds, a provision similar to those of the federal tax system.

The fund name and provisions have changed several times since its inception. The passage of a ballot question on November 3, 1998 enacted Chapter 395 of the Acts of 1998, changing the name of the SECF to the Massachusetts Clean Elections Fund and repealed Sections 43 through 45 of Chapter 10 of the General Laws. The 2002 statewide election financing was processed under the Massachusetts Clean Elections Fund laws with a new Section 42 of Chapter 10 of the General Laws, which implemented new responsibilities for the director of the Office of Campaign and Political Finance (OCPF), new public-funding requirements for candidates, and new guidelines for the distribution and use of the funds.

Chapter 26 of the Acts of 2003, effective July 1, 2003, repealed the Massachusetts Clean Elections Fund laws. The law rescinded the name change, repealed Chapter 55A of the General Laws, inserted a new Chapter 55C of the General Laws, and amended Chapter 10 of the General Laws to include Sections 42 and 42A through 42C.

Although the enabling legislation did not specify principal oversight and maintenance responsibilities for the fund, four agencies share responsibility for the SECF, as follows.

- **Department of Revenue (DOR):** Each month, this department reports to the Office of the Comptroller of the Commonwealth (CTR) the total taxpayer contributions through an interface in the Massachusetts Management Accounting and Reporting System (MMARS) so that the SECF is properly credited (see [Appendix B](#)).
- **CTR:** Section 42A of Chapter 10 of the General Laws requires CTR to certify the SECF balance available for disbursement to political candidates as of June 30 each statewide election year. The funds are then divided: 50% is allocated to the primary election account and 50% to the statewide election account. The funds are further subdivided into candidate accounts for candidates for statewide office who have been certified by the director of OCPF as qualified to receive public financing.
- **Office of the State Treasurer and Receiver General (OST):** As the custodian of funds, OST is required by Section 42 of Chapter 10 of the General Laws to deposit them as follows:

In accordance with sections 34 and 34A of chapter 29 in such manner as will secure the highest interest rate available consistent with safety of the fund and with the requirement that all amounts on deposit be available for immediate withdrawal at any time after June 30 in any year in which elections are held for statewide elective office.

OST also distributes amounts certified by the director of OCPF to the candidates.

- **OCPF:** Sections 3 and 4 of Chapter 55C of the General Laws establish specific responsibilities for the director of OCPF, including (1) reviewing and certifying candidates' eligibility, including their lists of qualifying contributions, statements of expenditure limits, bonds posted, and amounts of public financing to be received; (2) prescribing filing and eligibility requirements for candidates; (3) establishing guidelines for distributions to candidates; (4) establishing candidate expenditure limits and matching fund requirements; and (5) preparing and submitting a report related to fund matters on or before January 30 any year after a year in which elections are held for statewide office.

The SECF is processed in MMARS using DOR's monthly investment income information.

For the 2022 statewide election, as of June 30, 2022, SECF activity included the following:

Amount Certified by CTR as Available for Distribution	\$1,005,711
Net Amount Certified and Distributed by OCPF to Candidates	(530,270)
Remaining Amount Certified by CTR as Available / Not Distributed to Candidates	<u>\$ 475,441</u>

In accordance with Section 42A of Chapter 10 of the General Laws, because no candidates for Governor were certified by OCPF to receive public funding, candidates for other offices who chose to participate in the public finance program received public financing, candidates for Lieutenant Governor and Attorney General were eligible to receive funds from the SECF. The funds were distributed as follows.

Candidate	Election	Amount
Tami Gouveia ³	Lieutenant Governor, primary election	\$ 183,191
Quentin Palfrey	Attorney General, primary election	\$ 245,873
James McMahon	Attorney General, general election	\$ 101,206
Total Disbursed		<u>\$ 530,270</u>

As of December 31, 2022, the SECF had a balance of \$517,461 for use in the 2026 statewide election (see [Appendix C](#)).

3. Generally accepted government auditing standards require that audit organizations be free from organizational impairments to independence with respect to the entities they audit. Therefore, the Office of the State Auditor requested that CTR conduct an audit of those accounts and transactions for one Lieutenant Governor candidate for the primary election who is now an employee at the Office of the State Auditor. (See the [“Work Performed by CTR”](#) section of this report.)

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the State Election Campaign Fund (SECF) for the period January 1, 2022 through December 31, 2022. For our second audit objective, regarding the receipts and disbursements recorded in the Massachusetts Management Accounting and Reporting System (MMARS), we extended the scope of the audit to January 1, 2019 through December 31, 2022.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Were all disbursements from the SECF for the 2022 statewide election made in compliance with Sections 1A through 8 of Chapter 55C of the General Laws?	Yes
2. Were receipts and disbursements recorded accurately in MMARS and in accordance with the Office of the Comptroller of the Commonwealth's (CTR's) policies?	Yes
3. Were any unused funds refunded to the SECF in accordance with Section 9 of Chapter 55C of the General Laws?	Yes

To accomplish our objectives, we gained an understanding of the Office of Campaign and Political Finance's (OCPF's) internal controls we deemed significant to our audit objectives by reviewing applicable agency policies and procedures, as well as conducting interviews with OCPF's management. We evaluated the design of controls over disbursements, recording of receipts and disbursements in MMARS, and candidate repayments to the fund. We tested the effectiveness of controls over disbursements from the SECF and candidate repayments. In addition, we performed the following procedures to obtain sufficient, appropriate audit evidence to address our audit objectives.

Disbursements from the SECF

To determine whether all disbursements from the SECF were made in compliance with Sections 1 through 8 of Chapter 55C of the General Laws, we performed the following procedures.

- For the 21 candidates for the primary and general elections for Governor, Lieutenant Governor, Attorney General, Treasurer, and Secretary of State, we reviewed the required OCPF forms (20, 20R, 21, 22, and 22T) to determine whether the candidates completed, filed, and signed the forms and that OCPF retained the forms in compliance with timelines established by Section 1A of Chapter 55C of the General Laws. (See [Appendix D](#) for a list of OCPF forms and their names.)
- We examined emails between OCPF, the Office of the State Treasurer and Receiver General (OST), CTR, and the Secretary of the Commonwealth to determine whether OCPF complied with date requirements regarding the availability of funds from the SECF, certification of candidates, and certification of the amounts of funds for candidates for the primary and statewide elections. We examined OCPF forms (8 and 7-P) for the Attorney General candidates to determine whether the candidates were eligible to receive funds and amounts of funds for candidates were certified in accordance with Sections 2 and 3 of Chapter 55C of the General Laws.
- We determined whether the two candidates for Attorney General who received funds from the SECF had filed the required OCPF forms (2, 3, 4-6). We reviewed these forms to determine whether they were signed by the candidates and filed with OCPF by the required date and whether each candidate had the required bonds on file to receive public financing in accordance with Sections 4 through 8 of Chapter 55C of the General Laws.

Recording of Receipts and Disbursements from the SECF

To determine whether OCPF ensured that receipts and disbursements from the SECF were accurately recorded in MMARS, we performed the following procedures.

- We reviewed all 48 months of taxpayer contribution balances and Department of Revenue (DOR) receipt records, and we determined whether OCPF notified OST by email to invest the funds and whether it was recorded in both the Massachusetts Municipal Deposit Trust (MMDT)—OCPF's bank account—and MMARS account balances.
- We traced interest earned in the MMDT to MMARS entries recorded for all 48 months.
- We completed a MMARS query of SECF activity, including receipts, interest, and disbursements, for the 48 months and obtained the prior starting balance (as of January 1, 2019). We used this information to recalculate the balance as of December 31, 2022.
- To determine the SECF balance in MMARS as of December 31, 2022, we recalculated OCPF's reconciliation of the 48 months of MMARS fund balance for the period January 1, 2019 through December 31, 2022. We verified the accuracy of DOR receipts of contributions, MMDT monthly investment statements, and interest accrued to determine whether MMARS reflected the interest accrued on investments. We verified that all six disbursements for Attorney General candidates

made during the audit period were accurately recorded in MMARS. We examined emails between OST, CTR, and OCPF regarding confirmation of the balances of MMARS and MMDT. We used the last reconciled balance (as of December 31, 2018) from our prior audit to determine the accurate December 31, 2022 balance.

Refund of Surplus Funds to the SECF

To determine whether OCPF ensured that the candidates' unused funds were refunded to the SECF, we performed the following procedures.

- We examined the required OCPF forms (10 and 11) for the two Attorney General candidates who received funds from the SECF to determine whether the candidates completed, filed, and signed the forms and that OCPF retained these forms in compliance with timelines established by Section 9 of Chapter 55C of the General Laws.
- To confirm the reversion of surplus funds to MMARS, we examined OCPF's MMARS Expenditure Refund Report and the OCPF form (M-98-02) to determine whether the funds were returned to the SECF in accordance with Section 9 of Chapter 55C of the General Laws.

Work Performed by CTR

CTR conducted an audit of the accounts and transactions involving activity in the SECF related to one candidate for Lieutenant Governor involved in the primary election held in 2022. We obtained and reviewed CTR's workpaper and noted that CTR performed the following audit procedures:

- Analyzed fund income and expenditures posted to MMARS for OCPF;
- Reviewed MMARS reports detailing the transactions posted, which included the beginning balance, transfer in and out balance, cash expenses, and refund (if applicable);
- Verified that funds were distributed to the candidate by reviewing OCPF's calculation of funds available for the primary election as well as limits allowed for candidates for Lieutenant Governor;
- Reviewed forms documenting candidate eligibility for matching campaign funds;
- Reviewed forms documenting agreement to statutory expenditure limits for the primary election;
- Reviewed forms documenting that the candidate applied for matching campaign funds;
- Verified that the bond for the candidate was posted;
- Reviewed statements of qualifying contributions;
- Verified the accuracy of public financing amounts received by the candidate; and
- Verified that any unspent public financing amounts were returned.

CTR noted that OCPF was in compliance with Sections 1A through 8 and 9 of Chapter 55C of the General Laws.

Data Reliability Assessment

In 2018 and 2022, the Office of the State Auditor performed data reliability assessments of MMARS that focused on testing selected system controls (access controls, configuration management, contingency planning, and segregation of duties). We reviewed OCPF's cybersecurity awareness policy and personnel screening policy and procedures and conducted tests regarding OCPF employees who had access to MMARS during the audit period to determine whether OCPF had completed the employee's background check and whether the employee had completed cybersecurity awareness training. To determine the completeness and accuracy of the data, we selected a sample of five months of monthly MMARS reports and traced them to the bank statements and DOR's blue book.⁴ Further, we selected a random sample of five deposit amounts from DOR's blue book and traced them to the bank statements and the monthly MMARS reports.

Based on the results from the data reliability procedures above, we determined that the data were sufficiently reliable for our audit.

Conclusion

Our audit revealed no significant instances of noncompliance that must be reported under generally accepted government auditing standards.

4. According to DOR's website, DOR's blue book is a "monthly [report] of state tax and other revenue collected by DOR."

APPENDIX A

Letter from the Office of the Comptroller of the Commonwealth



March 15, 2023

Mr. William C. Campbell, Director
Office of Campaign and Political Finance
One Ashburton Place, Rm 411
Boston, MA 02108

Re: State Election Campaign Fund Audit – Auditor Candidates

Dear Director Campbell:

In accordance with Chapter 10, Section 42C of the Massachusetts General Laws, this Office conducted a post-audit of the accounts and transactions involving activity in the State Election Campaign Fund relative to the candidates for State Auditor involved in the primary and general elections held in 2022.

In addition, at the request of the Office of the State Auditor (OSA), to avoid the appearance of a potential conflict of interest, we reviewed the activity of one candidate for Lieutenant Governor, Tami Gouveia.

Purpose: To determine the accuracy and completeness of the State Election Fund activity of the candidates.

Scope: We looked at eligibility for, and allocation of, state funds for each State Auditor candidate, and the one Lieutenant Governor candidate, receiving or declining public financing.

Six auditor candidates and the Lt. Governor candidate were eligible for, and appropriately applied for, State Election Campaign funds. While eligible for campaign funds, only the Lt. Governor candidate received funds, and only for the primary election. We confirmed in MMARS the Lt. Governor candidate amounts paid, and the unspent amounts returned. We also confirmed in MMARS that no amounts were paid to any candidates for State Auditor.

Result: We found no areas of non-compliance.

Sincerely,

DocuSigned by:

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Peter J. Scavotto
Assistant Comptroller for Risk

cc: William J. McNamara, Comptroller of the Commonwealth
William J. Kaplita, Jr., Director of State Audits, Office of the State Auditor
The Honorable John F. Keenan, Senate Chair of Joint Committee on Election Laws
The Honorable Daniel J. Ryan, House Chair of Joint Committee on Election Laws

APPENDIX B

State Election Campaign Fund—Taxpayer Participation Amounts Collected

Tax Year	Amount Collected	Increase/(Decrease) From Prior Year
2019	\$224,350	\$(17,780)
2020	\$222,169	\$(2,181)
2021	\$214,340	\$(7,829)
2022	\$201,683	\$(12,657)

APPENDIX C

State Election Campaign Fund Revenue, Expenses, and Changes in Equity⁵ January 1, 2019 through December 31, 2022

Fund Equity Balance—January 1, 2019	<u>\$ 142,366</u>
Revenue	
Taxpayer Contributions—January 1, 2019 through December 31, 2022	<u>\$ 862,542</u>
Investment Income	
Investment Income—January 1, 2019 through December 31, 2022	\$ 22,300
Total Revenue, Investment Income, and Fund Equity	<u>\$1,027,208</u>
Expenses	
Distributions to Candidates – July 1, 2022 through October 31, 2022*	\$ 530,270
Less Repayments by Candidates	(20,523)
Total Expenses	<u>\$ 509,747</u>
Fund Equity Balance—December 31, 2022	<u>\$ 517,461</u>

* For the 2022 statewide election, the State Election Campaign Fund disbursed \$530,270 in limited public financing to qualifying candidates.

5. Our review was not intended to enable us to express, and we do not express, an opinion on the State Election Campaign Fund. These disclosures of revenue, expenditures, and changes in equity during the period January 1, 2019 through December 31, 2022 are solely for informational purposes.

APPENDIX D

Office of Campaign and Political Finance Forms

Form Number*	Form Name
CPFA 20	Statement on Campaign Expenditure Limits—Primary and General Campaign
CPFA 20R	Expenditure Statement Limit Receipt
CPFA 21	Statement of Maximum Expenditures—Primary Election Campaign
CPFA 22	Statement of Maximum Expenditures—General Election Campaign
CPFA 22T	Statement of Maximum Expenditures—Candidate Team
CPFA 4-6	Statement of Qualifying Contributions
CPFA 7-P	Receipt by State Treasurer of Form CPFA 8
CPFA 8	Certificate of Eligibility for Limited Public Financing and Amount of Public Financing Due
CPFA 2	Candidate's Request for Limited Public Financing
CPFA 3	Candidate Public Financing Bond
CPFA 10	Candidate's Post Primary Balance Statement
CPFA 11	Candidate's Post Election Balance Statement
M-98-02	Statewide Candidate Committees Participating in Limited Public Financing— Surplus Funds: Application of the Pay-Back Formula Memorandum

* According to an email from its financial investigator and public finance administrator on February 3, 2023, the Office of Campaign and Political Finance "has many forms that candidates and committees may need to file from time to time. All of our forms begin with the designation: 'CPF', the 'CPFA' signifies that the form is specific to the public finance program."