



# STATE OF RHODE ISLAND BOARD OF ELECTIONS

CAMPAIGN FINANCE AUDIT

STEVE B. MEROLLA

**CAMPAIGN FINANCE AUDIT**



Audit Conducted By: Richard E. Thornton, Director of Campaign Finance

**STATE OF RHODE ISLAND  
BOARD OF ELECTIONS**

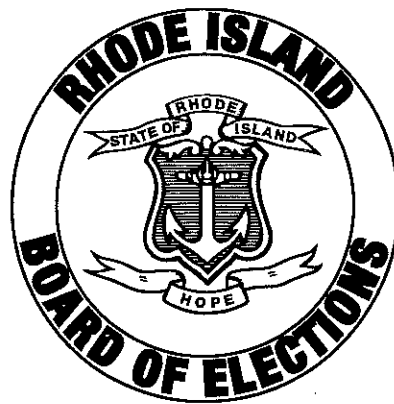
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# Steve B. Merolla

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# **Steve B. Merolla**

## **INTRODUCTION**

### **Audit Authority**

Pursuant to Rhode Island General Law §17-25-5(a)(8), the Board of Elections is authorized to perform any duties that are necessary to implement the provisions of Chapter 25 of Title 17. Without limiting the generality of this provision, the Board is authorized and empowered to: Conduct compliance reviews and audits of campaign accounts as necessary, and in a manner consistent with the provisions of Chapter 25, Title 17.

### **Audit Purpose**

Campaign Finance audits assist the Board of Elections with enforcement of campaign finance laws, provides a tool to evaluate the effectiveness of those laws and the campaign finance reporting process, verifies the accuracy and propriety of campaign finance receipts and validity and legality of campaign finance expenses and helps provide timely and accurate information to the public.

Campaign Finance audits assist and encourage candidate compliance with campaign finance reporting laws and promotes candidate accountability and integrity.

# Steve B. Merolla

**Scope:** Review campaign finance reports and supporting documentation for the period July 1, 2016 through July 1, 2020.

**Methodology:** Review Contributions:

- Compare contributions received to bank statement deposits
- Compare contributions received to contributions reported on campaign finance reports
- Verify there are no prohibited contributions
- Verify contributions do not exceed aggregate annual limit

Review Expenditures:

- Compare expenditures made to bank statement checks/debits
- Compare expenditures made to expenditures reported on campaign finance reports
- Verify there are no prohibited uses of campaign funds
- Verify campaign expenditures are valid and legal.

**History:** In August 2020, the Board of Elections (“Board”) initiated an audit of the campaign account of Steve B. Merolla (“Merolla”) pursuant to R.I.G.L. §17-25-5(a), due to an allegation, supported by evidence, that Merolla used campaign funds for personal use in violation of R.I.G.L. §17-25-7.2.

Specifically, campaign funds were used to pay for twelve (12) ads in a church bulletin from 2014 through 2019 which promoted his law firm.

On August 13, 2020, the Board requested Merolla produce campaign depository account bank statements, bank deposits, and checks/money orders deposited into and checks written from the account, for the period July 1, 2016 through July 1, 2020. Merolla voluntarily produced the requested documentation.

**Findings:** The following are Findings of campaign finance violations discovered during the Audit Review of Merolla’s campaign account and supporting documentation:

# Steve B. Merolla

## Contributions:

- Three (3) instances when a contribution received was reported on a campaign finance report as Aggregate-Individual instead of as Aggregate-PAC as required, in violation of R.I.G.L. §17-25-11(d)(2);
- Four (4) instances when a contribution received from an individual in excess of \$100.00 was reported on a campaign finance report as Aggregate-Individual instead of reporting the contributor's name, address and place of employment as required, in violation of R.I.G.L. §17-25-7;
- One (1) instance when a contribution was received from a business entity in violation of R.I.G.L. §17-25-10.1(h)(1);
- Two (2) instances when a cash contribution received from an individual exceeded the annual allowable limit in violation of R.I.G.L. §17-25-10.1(h)(1)(i);
- Two (2) instances when a cash contribution received from an individual did not identify the contributor's address as required, in violation of R.I.G.L. §17-25-10.1(h)(1)(i); and
- One (1) instance when a campaign finance report disclosed an inaccurate contribution total, in violation of R.I.G.L. §17-25-7.

## Expenditures:

- \$5,911.00 in campaign expenditures were for personal use in violation of R.I.G.L. §17-25-7.2.

**Summary:** The Audit Review of Merolla's campaign account and supporting documentation for the period July 1, 2016 through July 1, 2020 demonstrates:

- With one (1) exception, all campaign contributions received were from allowable sources.
- A total of eight (8) contributions were reported incorrectly on campaign finance reports.
- A total of four (4) cash contributions were received improperly.
- Personal expenditures totaling \$5,911.00 were made from the campaign account.

## Auditee Response:

- The auditee acknowledges the three (3) instances when a contribution received was reported on a campaign finance report as Aggregate-Individual instead of reported as Aggregate-PAC as was required, but indicates the inadvertent error did not affect the total deposited.

## Steve B. Merolla

- The auditee acknowledges one (1) instance when a contribution received from an individual in excess of \$100.00 was reported on a campaign finance report as Aggregate-Individual instead of reporting the contributor's name, address and place of employment as required, but indicated the error did not affect the total deposited. The other three (3) instances involved an individual who collected smaller donations from other individuals and then wrote one check from his account to the campaign for the total collected.
- The auditee acknowledges one (1) instance when a contribution was received from a business entity and has refunded the business entity the amount of the contribution with evidence provided thereof.
- The auditee acknowledges two (2) instances when a cash contribution received from an individual exceeded the annual allowable limit and has refunded the individuals the amount which exceeded the annual allowable limit with evidence provide thereof.
- The auditee acknowledges two (2) instances when a cash contribution received from an individual did not identify the contributor's address as required and has obtained the missing addresses.
- The auditee acknowledges one (1) instance when a campaign finance report disclosed an inaccurate contribution total and has amended the report to correct the reported contribution total.
- The auditee acknowledges \$5,911.00 in campaign expenditures were for personal use, specifically for 12 advertisements placed in a church bulletin from 2014-2019 which promoted his law firm. The funds were accidentally paid out of the campaign account instead of the auditee's law firm account. The campaign account was reimbursed in full, with evidence provided thereof.

### Action:

Consent Order (to follow)

State of Rhode Island  
Board of Elections

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CONSENT ORDER

In Re: Steve B. Merolla

Steve B. Merolla ("Merolla") hereby agrees to the entry of this Order and to each term and condition set forth herein:

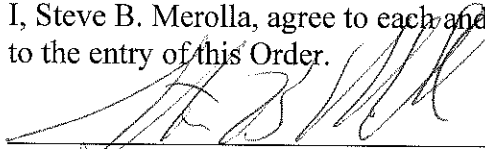
1. At all times relevant hereto, Mr. Merolla has been subject to the reporting requirements set forth in Title 17, Chapter 25 of the General Laws, pertaining to campaign contributions and expenditures.
2. In August 2020, the Board of Elections ("Board") initiated an audit of the campaign account of Mr. Merolla due to an allegation, supported by evidence, that he used campaign funds for personal use in violation of R.I.G.L. §17-25-7. Specifically, campaign funds were used to pay for twelve (12) ads in a church bulletin from 2014 through 2019 which promoted his law firm.
3. On August 13, 2020, the Board requested Merolla produce campaign depository account bank statements, bank deposits, and checks/money orders deposited into and checks written from the account, for the period July 1, 2016 through July 1, 2020. Merolla voluntarily produced the requested documentation and explained that the checks were made payable to his local Catholic church for an ad which ran in the church bulletin and that the campaign treasurer inadvertently wrote the checks from the Steve Merolla campaign account when they should have been written from the Steven B. Merolla account. There are two accounts with similar names—a business account under the name "Steven B. Merolla" and the campaign account under the name "Steve Merolla." The bill for the church bulletin came in under the name "Steve Merolla," resulting in the mix-up. When the error came to his attention, he immediately reimbursed the campaign account for the full amount. He did not notice that the ads were still running because he was attending a different church associated with the Catholic school his daughter attends. Mr. Merolla further stated that this is the only time in his 22 years of being an elected official that such a mix-up occurred.



4. The Board conducted a full review of campaign finance reports, supporting documentation and bank records to verify the accuracy and propriety of campaign receipts and expenditures. The review determined the following:
  - With one (1) exception, all campaign contributions received were from allowable sources.
  - A total of eight (8) contributions were reported incorrectly on campaign finance reports.
  - A total of four (4) cash contributions were received improperly.
  - Personal expenditures totaling \$5,911.00 were made from the campaign account.
5. Mr. Merolla hereby acknowledges that he violated several provisions of Title 17, Chapter 25; has refunded all contributions (\$100.00) received improperly; reimbursed his campaign account fully (\$5,911.00) for personal expenditures made and provided evidence thereof.
6. Mr. Merolla hereby waives his right to any further hearing before the Board, and his right to bring any legal challenge before any state or federal court and expressly consents to a finding by the Board that his actions, as more fully described above, violate the reporting and compliance requirements of Title 17, Chapter 25. Mr. Merolla states and the Board accepts that these actions were the result of mistake and inadvertence and that he has fully reimbursed his campaign account.
7. Mr. Merolla further consents to the entry of this Order and the imposition of a fine by the Board pursuant to R.I.G.L. §17-25-13(b), in the amount of \$1,000.00 to be paid personally by him; for violations of Title 17, Chapter 25.
8. Mr. Merolla hereby agrees to make the following payment of fine to the Board:
  - 1) \$1,000.00 fine to be paid personally by Steve B. Merolla within sixty (60) days of the date the Consent Order is so entered.
9. Mr. Merolla agrees to make the payment described above on or before the Due Date. In the event Mr. Merolla fails to make the payment by the corresponding Due Date, the Board shall notify Mr. Merolla both by U.S. Mail First Class and electronically at the residence and email address set forth below ("Delinquency Notice"). Mr. Merolla shall be afforded ten (10) calendar days from the date of the Delinquency Notice to make the overdue payment. In the event the aforesaid payment is not made within the ten (10) day notice period, Mr. Merolla agrees that the fine shall increase to \$2,000.00 which shall immediately become due and payable to the Board and that the Board shall refer the unpaid debt to the Department of Revenue-Central Collections Unit for collection. Mr. Merolla consents to the personal jurisdiction and entry of this Order as a final judgment and waives any and all defenses that he may have to its enforcement.

The fines contained herein relate only to the violations identified in this Order and do not cover any violations not listed.

I, Steve B. Merolla, agree to each and every term set forth above and further agree to the entry of this Order.



Steve B. Merolla

12-09-2020

Date

So entered this 14<sup>th</sup> day of January, 2021.



Diane Mederos, Chairwoman

RHODE ISLAND  
BOARD OF REGISTRATION  
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