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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**SENSITIVE****MEMORANDUM**

May 17, 2022

TO: The Commission

THROUGH: Alec Palmer *AP*  
Staff Director

FROM: Patricia C. Orrock *PCO*  
Chief Compliance Officer

Krista J. Roche *KJR*  
Director, ADR Office

SUBJECT: Recommendation to Approve Negotiated Settlement  
ADR 1067 & ADR 1068 - Kern County Republican Central  
Committee (Fed) and Laurel Sheffield, Treasurer  
(C00265603)

RESOLUTION TERMS: Certify the implementation of internal control procedures  
consistent with those described in the Commission's  
advisory documents and as recommended to the Committee  
by the FEC's Audit Division; certify that a representative of  
the Committee participated in an FEC training; file a Form  
99 to clarify the public record; and pay a civil penalty of  
\$3,400.

Attached for your review is a signed Negotiated Settlement pertaining to ADR 1067 (P-MUR 646) and ADR 1068 (RR 20L-13). The ADR Office received this referral on December 28, 2021, from the Office of General Counsel.

**SUMMARY:** The Reports Analysis Division (RAD) referred Kern County Republican Central Committee (Fed) and Laurel Sheffield, Treasurer (Respondents or the Committee) after the Committee disclosed the refund of unauthorized disbursements totaling \$218,546.39 on their 2019 Mid-Year Report, filed on July 31, 2019. Respondents filed a *sua sponte* submission on October 23, 2020, acknowledging that their 2019 Mid-Year Report reflected two refunds from their

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former treasurer<sup>1</sup> comprising the partial restitution of embezzled funds. From 2013 to 2019, the former treasurer made approximately \$272,000 in unauthorized disbursements, which he failed to accurately disclose on the Committee's reports resulting in the Committee filing inaccurate disclosure reports with the Commission.<sup>2</sup>

The Committee acknowledges that at the time of the unauthorized disbursements, it did not qualify for safe harbor under the Commission's policy.<sup>3</sup> Regarding internal controls, it failed to complete monthly reviews of bank statements or reconciliations of accounting records, disbursements over \$1,000 were not authorized by two persons, and an individual who does not handle the Committee's accounting or have banking authority did not monitor incoming receipts. At the time the embezzlement occurred, bank accounts were in the Committee's name and there was no petty cash system. Thus, the Committee failed to satisfy three of the five internal controls detailed in the safe harbor policy.

The Committee states that upon the discovery of unauthorized disbursements, it undertook an investigation; appointed a new treasurer; and implemented internal controls in accordance with the Commission's best practices for internal controls. Further, the Committee sought and obtained partial restitution from the embezzler. The Committee reported the matter to law enforcement authorities and disclosed two restitution checks on the 2019 Mid-Year Report, thus notifying the Commission of the misappropriation. The Committee states that due to difficulties obtaining records, it did not promptly file amended reports to correct reporting errors. As such, the Committee completed two of the three post-discovery steps detailed in the safe harbor policy.

**RECOMMENDATIONS:**

1. Approve the attached Negotiated Settlement of Kern County Republican Central Committee (Fed) and Laurel Sheffield, Treasurer.
2. Approve the appropriate letters.
3. Close the file on these matters.

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