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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C.

**SENSITIVE****MEMORANDUM**

September 3, 2024

TO: The Commission

THROUGH: Alec Palmer *AP*  
Staff Director

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

Krista J. Roche *KJR*  
Director, ADR Office

Joshua A. Rebollozo *JAR*  
Assistant Director, ADR Office

SUBJECT: Recommendation to Approve Negotiated Settlement  
ADR 1168 - Steve Chabot For Congress and Natalie K.  
Baur, Treasurer (C00301838)

RESOLUTION TERMS: Upon the Commission's approval of the Committee's  
termination, the Committee will certify to the closure of the  
Committee's bank account within thirty (30) days.

Attached for your review is a signed Negotiated Settlement pertaining to ADR 1168 (Pre-MUR 630, RR 20L-04, and AR 19-01R). The ADR Office received this referral from the Commissioners on April 16, 2024.

**SUMMARY:** The Commission transferred [REDACTED] a referral from the Audit Division, and a referral from the Reports Analysis Division (RAD) to the Alternative Dispute Resolution Office (ADRO) arising out of an eight-year embezzlement scheme perpetrated against the Committee by James R. Schwartz II, the former campaign manager of and consultant to the Committee. [REDACTED]

Recommendation to Approve  
Negotiated Settlement

ADR 1168 (Pre-MUR 630, RR 20L-04, and AR 19-01R) Page

A criminal Information was filed by the United States against Schwartz on April 27, 2021, alleging, among other things, that Schwartz had “knowingly devised and intended to devise a continuing scheme and artifice to defraud [the Committee] of money and property by embezzling funds in excess of Schwartz’s authorized pay and compensation, through materially false or fraudulent pretenses, representations, and promises...” The Information alleged that Schwartz took substantial steps to conceal his scheme from the Committee and the Commission.

On May 27, 2021, Schwartz pleaded guilty to wire fraud and the falsification of records in connection with embezzling \$1.4 million from the Committee, including related misrepresentations made in reports he prepared and filed on behalf of the Committee and falsified documents provided to the Audit Division. He was sentenced to 24 months in prison.

It is estimated that the total misrepresentation of funds to the Commission, within the statute of limitations,<sup>1</sup> totals \$2,882,516.89, which includes inaccurate reporting of receipts and disbursements, mathematical discrepancies, the disclosure of inaccurate and negative cash-on-hand balances, the failure to properly itemize contributions from individuals, and missing 48-Hour Notices.

The Committee acknowledges it lacked effective internal controls in its accounting and financial operations. The Committee has since implemented procedures that satisfy the internal control recommendations in the Commission’s 2007 policy statement. Respondents contend that after discovery of Schwartz’s embezzlement scheme, the Committee made internal changes, including opening a new bank account and hiring a campaign reports and compliance specialist to take over as treasurer, Ms. Baur, who implemented the Commission’s recommendations of methods to prevent unauthorized withdrawals of committee funds.

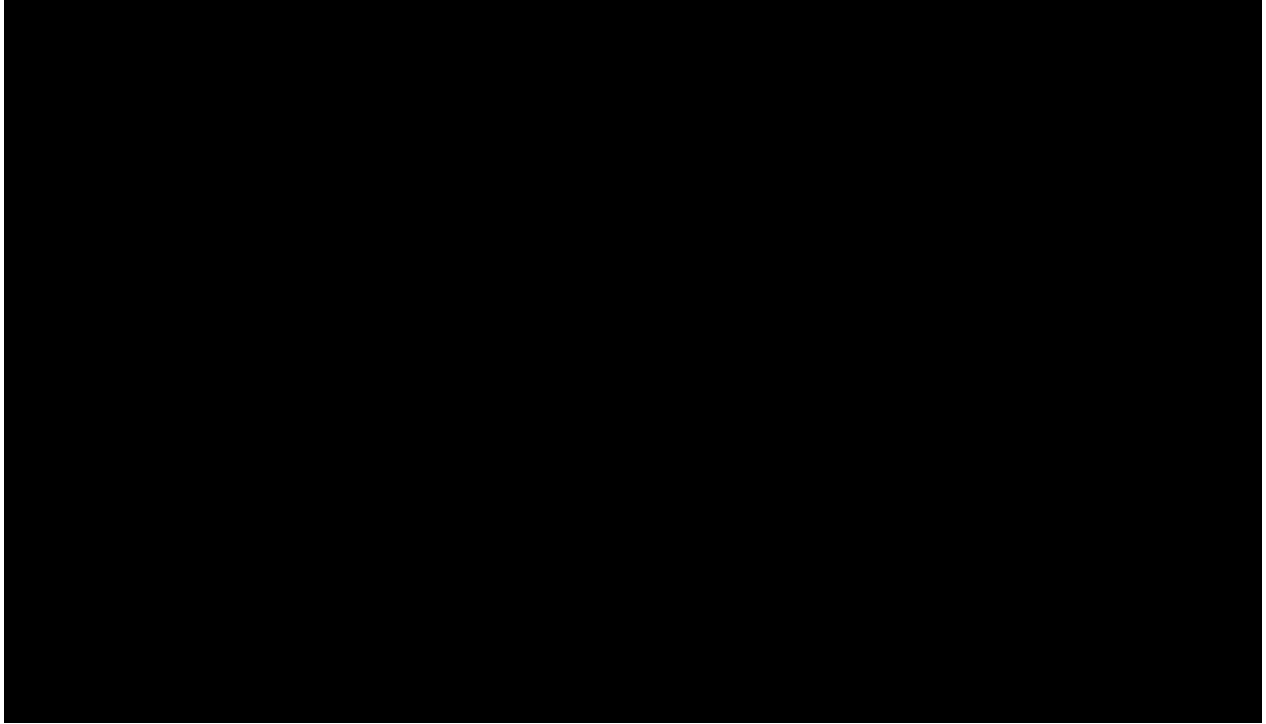
The Committee further represents that it worked cooperatively with federal investigators to assist in their investigation of Schwartz.

The Committee also voluntarily agreed to toll repeatedly the statute of limitations in various matters before the Commission during the course of the ongoing criminal investigation and as the Commission worked to assess the reporting issues resulting from Schwartz’s crimes. In total, the Committee voluntarily entered into at least 10 separate tolling agreements with the Commission.

Lastly, former Congressman Steve Chabot lost in the 2022 general election and has stated that he intends to retire and not run for federal office again. The Committee has informed the Commission that it has been in the process of winding down since November 2022. The Committee has filed four attempted termination reports with

[REDACTED]

the Commission looking to terminate its political committee status, including a termination report filed on July 23, 2024, presently pending before the Reports Analysis Division.



**RECOMMENDATIONS:**

1. Approve the attached Negotiated Settlement of Steve Chabot For Congress and Natalie K. Baur, Treasurer.
2. Approve the appropriate letters.
3. Close the file on this matter.