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June 24, 2005

VIA ELECTRONIC MAIL

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CLIENT/MATTER NUMBER  
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Ms. Lynn Fraser, Assistant Director  
 Alternative Dispute Resolution Office  
 Federal Election Commission  
 999 E Street, NW  
 Washington, DC 20463

Re: Freshmen PAC -- ADR 249

Dear Ms. Fraser:

Thank you for your assistance in resolving the issues related to the amendments to Freshmen PAC's 2d Quarterly 2004 FEC report.

As we have discussed, Freshmen PAC existed for a period of time from its inception in December, 2002 until late in the 2d quarter of 2004 with minimal activity either in terms of receipts or disbursements. Beginning late in the 2d quarter, Freshmen PAC contracted with a fundraising vendor who initiated a very successful fundraising program for Freshmen PAC. Immediately after the program began, I recommended to the PAC that it retain a professional compliance vendor to help insure compliance with applicable FEC regulations.

Freshmen PAC engaged Mr. Ted Koch, an expert in FEC compliance and reporting. Attached please find the chronology prepared by Mr. Koch which details the steps taken by all concerned (Ted Koch, Freshmen PAC's administrator and myself) to insure internal controls and compliance procedures are in place for processing receipts and disbursements. The procedures described in the attachments are in place at this time.

Further, both Mr. Koch and I monitor the activities of the PAC on an ongoing basis for signs of any additional steps or changes which may be needed in order to update or improve the PAC's compliance procedures.

Please let me know if you have any questions regarding the content(s) of these chronologies or if you need additional information.

Again, thank you for your assistance.

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Ms. Lynn Fraser  
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Sincerely,

*/s/ Cleta Mitchell*

Cleta Mitchell, Esq.  
Counsel to Freshmen PAC

Attachments (2)

cc: Mr. Ted Koch, Koch & Hoos  
Mr. Steve Ross, Freshmen PAC  
Mr. David Metzner, Treasurer, Freshmen PAC

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## **Chronology of Internal Controls and Procedures for Receipts for the Freshmen PAC**

Jun 04

- Freshmen PAC (the "Committee") contracts with a telemarketing fundraising firm in order to increase Committee receipts.
- The Committee establishes an additional bank depository for the purpose of processing contributions and making transfers to the Committee's primary banking account.
- 6/10/04: Committee amends Statement of Organization to include additional depository.
- Freshmen PAC retains a professional compliance firm (the "Compliance/FEC Reporting Consultant") to assist with FEC reporting.
- Telemarketing fundraising vendor to receive, vet, and deposit telemarketing program contributions and provide data file to compliance/FEC reporting consultant.
- Telemarketing fundraising vendor to reconcile telemarketing contributions to bank statement.
- Other receipts to be processed and deposited by the Committee's legal counsel personnel.
- Legal counsel personnel forward other receipt information and bank statements to Compliance/FEC reporting consultant for preparation of FEC reports.

Jul 04

- Compliance/FEC reporting consultant confirms reconciliation of receipts to monthly bank statement(s). In reconciling the Committee's receipts, the following actions are taken:
  - o Contributions are compared to the bank statement in order to verify deposits in transit.
  - o Deposits in transit are factored into the Committee's calculation of the actual cash-on-hand for the Committee at the end of the reporting period.
  - o The cash-on-hand of the bank account is reconciled to the cash-on-hand disclosed on the FEC report.
- 7/15/04: Committee changes filing frequency to monthly in order to improve its reporting process and ensure the timely receipt of information.

Aug 04

- Legal Counsel reviews Telemarketing fundraising vendor's contract for compliance.
- Compliance/FEC reporting consultant confirms best efforts procedures are in place with Telemarketing fundraising vendor

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May-Jun 05

- Committee engages direct mail fundraising vendor and direct mail processing vendor and opens second contributions bank account.
- 5/2/05: Committee amends Statement of Organization to include additional depository.
- Direct mail processing vendor receives, vets, and deposits direct mail program contributions and provides data file to compliance/FEC reporting consultant.
- Direct mail processing vendor makes best efforts follow-up communications to request and obtain any needed contributor information.
- Direct mail processing vendor to reconcile direct mail contributions to bank statement.
- Compliance/FEC Reporting consultant to confirm bank reconciliation, merge data, and prepare monthly FEC reports.
- Committee implements the following additional internal controls and procedures for accounting and reporting of receipts:
  - o Committee opens a new PO Box to serve as a primary address for receiving all Committee invoices and bank statements.
- 6/2/05: Committee amends its Statement of Organization changing the Committee's official address to the new PO Box.

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## **Chronology of Internal Controls and Procedures for Disbursements for the Freshmen PAC**

Jun 04

- Freshmen PAC (the "Committee") contracts with a fundraising/telemarketing firm in order to increase Committee receipts.
- The Committee establishes an additional bank depository for the purpose of processing contributions and making transfers to the Committee's primary banking account.
- 6/10/04: Committee amends Statement of Organization to include additional depository.
- Freshmen PAC retains a professional compliance firm to assist with FEC reporting.
- Legal Counsel's staff processes operating disbursements upon Committee request and approval.
- Initially, the professional compliance firm is to work through the legal counsel's office in order to obtain disbursement information and bank statements for preparing FEC reports as internal controls and procedures are established.

Jul 04

- In preparation for the 2Q FEC Report, compliance firm compares disbursement information with bank statements to reconcile activity, outstanding checks, and cash on hand.
- Professional compliance firm begins vetting disbursements from primary banking account and provides guidance regarding associated reporting requirements.
- 7/15/04: Committee changes filing frequency to monthly in order to improve its reporting process and ensure the timely receipt of information.

Aug 04

- In performing the monthly bank reconciliation for the August Monthly FEC report, the compliance firm notes that two disbursement checks dated at the end of June cleared the bank in July. Committee immediately amends the July Quarterly FEC report to include this information.
- The Committee establishes the following internal controls and procedures for disbursements:
  - o All invoices and checks are forwarded to the PAC manager for review by the PAC manager and signature by the Treasurer or Assistant Treasurer of the Committee.
  - o Two signatures are required on each check issued from the contributions banking account.
  - o PAC manager to forward copies of all checks and invoices to the professional compliance firm.

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- At the end of the reporting period, professional compliance firm to confirm with PAC manager that all checks and invoices have been forwarded.
  - As a double check, at the end of the reporting period, professional compliance firm to contact legal counsel's office to confirm the last check number issued from primary banking account.
  - As a double check, at the end of the reporting period, professional compliance firm to contact telemarketing fundraising firm to confirm payments made during the period.
- Professional compliance firm reconciles disbursements to monthly bank statement in preparing FEC reports. In reconciling the Committee's disbursements, the following actions are taken:
    - Checks that have been issued are compared to the bank statement in order to verify which checks have cleared the bank and which checks are still outstanding.
    - Outstanding checks are factored into the Committee's calculation of the actual cash-on-hand for the Committee at the end of the reporting period.
    - The cash-on-hand of the bank account is reconciled to the cash-on-hand disclosed on the FEC report.

#### May-Jun 05

- Committee implements the following additional internal controls and procedures for accounting of disbursements:
  - Committee opens a new PO Box to receive all committee invoices, or copies if original is sent directly to the PAC manager. Professional compliance firm will monitor PO Box and review correspondence received.
  - Committee to instruct vendors to send invoices to the new PO Box. The professional compliance firm will forward invoices received to the PAC manager for approval and the legal counsel's office for processing.
  - PAC manager to forward copies of all checks as they are made and invoices as they are received to the professional compliance firm.
  - PAC manager to maintain a running log of all checks and invoices that have been made or received.
  - Professional compliance firm reviews all payments made at the end of each reporting period with PAC Manager to ensure all disbursements are accurately reported.
- 6/2/05: Committee amends its Statement of Organization changing the Committee's official address to the new PO Box.

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