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OFFICE OF JUDGE
JAN WITOLD BARAN
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August 19, 2009

BY HAND

Ms. Thomasenia P. Duncan
General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

PRE-MUR # 490

Re: Sua Sponte Submission

Dear Ms. Duncan:

At the request of our client, the Verizon Communications Inc. Good Government Club, undersigned counsel is bringing a matter to the attention of the Federal Election Commission pursuant to its Policy Regarding Self-Reporting of Campaign Finance Violations (Sua Sponte Submissions), 72 Fed. Reg. 16695 (Apr. 5, 2007).

If the Commission determines that formal proceedings are necessary to resolve this matter, we request that the Commission's alternative dispute resolution process be utilized to do so. Otherwise, we respectfully request that the Commission take no action against the Verizon Communications Inc. Good Government Club and dismiss this matter.

Enclosed please find a Sua Sponte Submission summarizing the relevant facts as well as an executed Statement of Designation of Counsel form.

Sincerely,

Jan Witold Baran
Caleb P. Burns

Counsel to the Verizon Communications Inc. Good Government Club

Enclosures

cc: Mr. Jeff S. Jordan

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

Verizon Communications Inc.
Good Government Club

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PRE-MUR # 490

SUA SPONTE SUBMISSION

The Verizon Communications Inc. Good Government Club (Verizon PAC) hereby provides the following sua sponte submission pursuant to the Federal Election Commission's Statement of Policy Regarding Self-Reporting of Campaign Finance Violations, 72 Fed. Reg. 16695 (Apr. 5, 2007). As a result of a review of its bank records and FEC reports, the Verizon PAC discovered certain administrative errors in its FEC reports for the time period from 2003 through 2007. The administrative errors were corrected in a series of amendments filed with the FEC by the Verizon PAC on July 30, 2009. Verizon has also taken extensive actions to strengthen the administration of the PAC. Accordingly, the Verizon PAC respectfully requests that the FEC dismiss this matter with no further action.

I. Background on the Verizon Communications Inc. Good Government Club

Verizon Communications Inc. (Verizon) is a Delaware corporation headquartered in New York, New York, that was formed in 2000 through the merger of Bell Atlantic Corporation and GTE Corporation. For a number of years, Verizon and its predecessor companies have maintained separate segregated funds. In September 2000, the Bell Atlantic Corporation Political Action Committee was renamed the Verizon Communications Inc. Good Government Club.

From at least 1996 to 2007, the Bell Atlantic Corporation PAC and, then, the Verizon PAC were administered by Verizon employees in the Verizon Accounts Payable (AP) group. The AP group was responsible for all of the significant administrative responsibilities of the Verizon PAC during this time period, including: (1) issuing the Verizon PAC's disbursements; (2) depositing the Verizon PAC's receipts; (3) overseeing the processing of contributions made to the Verizon PAC through payroll deductions; and (4) preparing and filing reports with the FEC. In addition, during this time period, employees in the AP group served as the Treasurer and Assistant Treasurer of the Verizon PAC. The AP group used computer software provided by outside vendors to track and process Verizon PAC disbursements and receipts, and to prepare FEC reports. Until 2005, Verizon used software provided by MicroPAC, and between 2005 and 2007, it used software provided by Aristotle.

Administering the Verizon PAC was a unique assignment for the AP group which was otherwise tasked with simply processing accounts payable by Verizon, such as supplier bills and corporate credit cards. Over time, Verizon personnel recognized that the specialized reporting and other compliance needs of the Verizon PAC would be better served if the responsibilities for it were transferred to personnel more closely associated with the PAC.

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In 2007, Verizon moved the responsibility for the administrative management of the Verizon PAC from the AP group to the Public Affairs, Policy & Communications (PAP&C) group. As part of this reorganization, employees in the PAP&C group were named as Treasurer and Assistant Treasurer of the Verizon PAC. In addition, Verizon engaged a new vendor, Democracy Data & Communications (DD&C), to support the administration of the Verizon PAC. DD&C provides Verizon with the software needed to track the disbursements and receipts of the Verizon PAC. DD&C personnel, under the supervision of the Verizon PAC Treasurer and Assistant Treasurer, now perform certain functions that had been performed by the AP group, including: (1) issuing disbursements from the Verizon PAC; (2) depositing contributions to the Verizon PAC; (3) overseeing the processing of contributions made to the Verizon PAC through payroll deductions; and (4) preparing and filing reports with the FEC.

II. Identification of Reporting Errors by the Verizon PAC

After responsibility for the administration for the Verizon PAC was transferred to the PAP&C group, personnel from DD&C informed Verizon that they were not able to reconcile the cash on hand listed in the Verizon PAC's FEC reports with the balance indicated in the PAC's bank statement. Verizon immediately determined that it would conduct a review of the matter. Accordingly, Verizon in-house legal counsel retained the services of: (1) Koch & Hoos, a political accounting and compliance firm with extensive experience in conducting financial reviews of PACs, and (2) Wiley Rein LLP, outside legal counsel with extensive experience with federal campaign finance law, to assist Verizon in-house legal counsel in conducting the review.

III. Scope of Review

Koch & Hoos was directed to identify the total amount of the discrepancy between the balance reported to the FEC and the PAC's bank balance, as well as the source of the discrepancy. Accordingly, Koch & Hoos reviewed the Verizon PAC's bank records, internal PAC data, and available payroll deduction data for the 5-year time period between 2003 and 2007. Koch & Hoos then engaged in the following steps:

- Generated a ledger of all deposits as reflected in the Verizon PAC's bank statements;
- Prepared bank reconciliations for the time period 2003-07 and identified current deposits in transit and prior deposits in transit;
- Compared net deposits for 2003-07 against the summary receipt total disclosed in the Verizon PAC's FEC reports;
- Reviewed available payroll deduction information in order to identify the source of payroll deduction variances;
- Prepared a check register of all disbursements made between 2003-07;
- Compared the check register to bank statements, noting all cleared dates of disbursements;
- Generated and confirmed outstanding or uncleared checks list;
- Compared copies of signed and/or cleared checks with the check register;
- Compared the check register to the Verizon PAC's FEC reports; and
- Identified disbursement discrepancies in filed FEC reports.

IV. Findings of the Review

Koch & Hoos determined that as of December 31, 2007, the Verizon PAC's FEC reports overstated the PAC's cash on hand by \$72,821.76. The review determined that \$52,030.15 of this overstatement originated during the 2003-07 time period, and that \$20,791.61 of the overstatement originated prior to 2003.¹ The review found errors relating both to receipts and disbursements, which are described in more detail below. The vast majority of the errors were made several years ago, and accordingly, it has been difficult to determine their precise cause. However, it appears that the errors were all caused by inadvertent mistakes in the processing of PAC receipts and disbursements. These errors were then reflected on FEC reports. The errors were not contemporaneously detected due to the fact that Verizon AP personnel did not regularly reconcile the PAC's bank records to its FEC reports. All of the discrepancies described below have been corrected in a series of amendments filed by the Verizon PAC on July 30, 2009.

A. Receipts

The review determined that the Verizon PAC understated its receipts by \$4,998.77 between 2003 and 2007. As explained more fully below, this discrepancy was the result of three types of errors: (1) the PAC failed to report \$5,900 from checks it received and deposited in its bank account; (2) the PAC failed to report the fact that a \$1,000 refund check it had received and deposited was returned by the bank for insufficient funds; (3) there was a \$98.77 net discrepancy between the payroll deduction transfers received by the PAC and the amounts reported for those transfers to the FEC.

Sources of Receipts Variance	Amount
Contributions or Receipts Received & Deposited, Not Disclosed	\$5,900.00
Deposited Items Returned	\$(1,000.00)
Various Discrepancies in Payroll Transfers	\$98.77
Net Impact on Reported Cash-On-Hand	\$4,998.77

1. Receipts Deposited But Not Reported

The review determined that the PAC received seven contributions during the review period that totaled \$5,900 and were not disclosed on the PAC's FEC reports. The review did not determine the source of these errors. However, the facts suggest that the most likely cause was human error on the part of the Verizon AP personnel responsible for input of data into the PAC management software. Five of the seven checks were received on the same day, suggesting the mishandling of a batch of checks by Verizon personnel. All of these deposits have been disclosed on the relevant amendments filed by the Verizon PAC.

¹ The net overstatement of \$20,791.61 originating prior to 2003 has been addressed in the PAC's amendments through an accounting adjustment in the PAC's amended mid-year 2003 report.

2. Failure to Report the Return of a Deposited Refund Check

The review also determined that the Verizon PAC failed to disclose the return of a \$1,000 refund check originally issued to the PAC by a candidate committee which, upon deposit by the PAC, was returned for insufficient funds. While the Verizon PAC reported the receipt of the refund check, it did not report the fact that the check was returned.² The PAC's FEC report for the relevant time period has been amended to reflect this information. The review did not determine the cause of this error, but it appears that it was most likely due to human error in failing to reflect the fact of the return of the refund check in the PAC management software.

3. Variances Between Payroll Deduction Transfers and Information Reported for those Transfers

The review also determined that during the time period between 2003 and 2007, the PAC made aggregate payroll transfers that exceeded the amount of payroll transfers reported to the FEC by a net amount of \$98.77. The review determined that there were a total of 15 variances during the review period, none of which was larger than \$46.26. The amended reports filed by the PAC correct the aggregate understatement of payroll transfers reported to the FEC.

4. Other Receipt Reporting Issues

During the review, Verizon identified two instances where voids and refunds were mischaracterized as one rather than the other. The amendments filed by the PAC include the correct characterizations. The error did not affect the reported cash balances.

B. Disbursements

The review determined that the Verizon PAC understated its disbursements by \$57,028.92 between 2003 and 2007. The discrepancy was the result of three types of errors: (1) the Verizon PAC did not disclose \$24,580 in disbursements; (2) the PAC incorrectly reported a number of voided or returned contributions that resulted in an understatement of disbursements of \$32,500; and (3) the PAC misreported a number of bank fees that resulted in an overstatement of disbursements of \$51.08.

Sources of Disbursement Variance	Amount
Undisclosed Disbursements	\$(24,580.00)
Incorrectly Reported Voided/Returned Checks	\$(32,500.00)
Net Incorrect Reporting of Bank Fees	\$51.08
Net Impact on Reported Cash-On-Hand	\$(57,028.92)

² A replacement refund check was received by the PAC on February 19, 2003, and was disclosed correctly by the PAC.

1. Failure to Disclose Disbursements

The review determined that the Verizon PAC failed to report 13 disbursements. This resulted in an understatement of disbursements totaling \$24,580. As noted below, 10 of the 13 disbursements were issued on one day, October 21, 2004. It appears that the failure to disclose all of these contributions was due to human error in the processing of the disbursements, and in the preparation of the relevant FEC reports by Verizon personnel.

Recipient Committee	Date	Amount
Bob Goodlatte for Congress	6/23/2004	\$2,500
Hoeffel for Senate	10/15/2004	\$80
Kuhl for Congress	10/21/2004	\$1,000
John Sullivan for Congress	10/21/2004	\$1,000
Lucas for Congress	10/21/2004	\$1,000
Kay Granger Campaign Fund	10/21/2004	\$1,000
Fitzpatrick for Congress	10/21/2004	\$1,000
Friends of Joe Baca	10/21/2004	\$1,000
Crane for Congress	10/21/2004	\$1,000
Martinez for Senate	10/21/2004	\$5,000
Lisa Murkowski – US Senate	10/21/2004	\$2,500
2003-2004 Committee for Southwest Virginia	10/21/2004	\$5,000
America's Majority Trust	12/22/2004	\$2,500

All of the relevant PAC reports have been amended to reflect these disbursements.

2. Incorrect Reporting of Voided or Returned Contributions

The review also identified 27 instances between 2004 and 2007 in which the PAC over-reported voided or returned contributions and, in one instance, reported a voided contribution as a positive disbursement instead of a negative disbursement. This resulted in an understatement of disbursements of \$32,500. It appears that all of these errors were caused by human error, both in the failure to use the reporting software correctly, and in failing to detect the reporting errors through regular reconciliations of the PAC's bank records. All of the relevant PAC reports have been amended to correct these reporting errors.

Recipient Committee	Error	Date	Amount
Gallegly for Congress	Incorrect disclosure of a duplicate void	7/20/2004	\$(1,000)
Gallegly for Congress	Incorrect disclosure of a triplicate void	10/11/2004	\$(1,000)
Mike Thompson for Congress	Incorrect disclosure of a duplicate void	7/20/2004	\$(1,000)
Mike Thompson for Congress	Incorrect disclosure of a triplicate void	10/11/2004	\$(1,000)
Chet Edwards for Congress	Incorrect disclosure of a duplicate void	7/20/2004	\$(1,000)

Recipient Committee	Error	Date	Amount
Chet Edwards for Congress	Incorrect disclosure of a triplicate void	10/11/2004	\$(1,000)
The Judd Gregg Committee	Incorrect disclosure of a void	7/20/2004	\$(500)
The Judd Gregg Committee	Incorrect disclosure of a duplicate void	10/11/2004	\$(500)
Marsha Blackburn for Congress, Inc.	Incorrect disclosure of a void	7/20/2004	\$(1,000)
Henry J. Hyde for Congress	Incorrect disclosure of a void	7/20/2004	\$(1,000)
Menendez for Senate	Incorrect disclosure of a void	7/20/2004	\$(1,000)
Pete Sessions for Congress 08	Incorrect disclosure of a void	4/20/2004	\$(1,000)
Goli Ameri for Congress 2004	Incorrect disclosure of a duplicate void	10/27/2004	\$(1,000)
Together for Our Majority PAC	Incorrect disclosure of a void	9/30/2006	\$(2,500)
Mark Pryor for U.S. Senate	Incorrect disclosure of a void	9/30/2006	\$(1,000)
Daniel K. Inouye for US Senate	Incorrect disclosure of a void	10/21/2005	\$(1,000)
Friends of George Allen	Incorrect disclosure of a void	12/19/2005	\$(1,000)
Pat Roberts for Senate	Incorrect disclosure of a void	12/19/2005	\$(1,000)
Republican Main Street Partnership	Disclosure of an incorrect amount for a void (+\$1,000, rather than - \$1,000)	12/11/2006	\$2,000
Florida Democratic Party	Incorrect disclosure of a void	12/12/2006	\$(2,500)
Nita Lowey for Congress	Incorrect disclosure of a void	12/21/2007	\$(1,000)
Sweeney for Congress	Incorrect disclosure of a void	12/21/2007	\$(3,000)
Keep Our Majority PAC	Incorrect disclosure of a void	12/21/2007	\$(2,500)
Keep Our Majority PAC	Incorrect disclosure of a void	12/21/2007	\$(2,500)
Coloradans for Rick O'Donnell	Incorrect disclosure of a void	12/21/2007	\$(1,000)
Steve Israel for Congress Committee	Incorrect disclosure of a void	12/21/2007	\$(1,000)

Recipient Committee	Error	Date	Amount
Butterfield for Congress	Incorrect disclosure of a void	12/21/2007	\$(2,500)

3. Incorrect Reporting of Bank Fees

The review identified 8 instances between 2004 and 2007 in which the PAC misreported bank fees that resulted in an overstatement of disbursements of \$51.08. The discrepancies are noted below. All of the relevant PAC reports have been amended to reflect the accurate bank fee information.

Error	Date	Amount
Incorrect disclosure of disbursement to Wachovia	1/30/2003	\$344.08
Failure to disclose debit to Wachovia	3/12/2003	\$(8.00)
Incorrect disclosure of debit to Wachovia	4/22/2003	\$8.00
Failure to disclose debit to Wachovia	11/9/2004	\$(256.00)
Failure to disclose debit to Wachovia	12/9/2004	\$(32.00)
Failure to disclose debit to Wachovia	5/10/2005	\$(5.00)
Incorrect disclosure of debit to Wachovia	7/22/2005	\$5.00
Failure to disclose debit to Wachovia	12/11/2007	\$(5.00)

4. Other Reporting Issues

The review also found a limited number of instances in which the PAC misidentified the recipient of a disbursement. It appears that most of the reporting errors in question were the result of data conversion issues associated with the Verizon PAC's software change in 2005. When the PAC filed reports for the time period pre-dating the conversion, it appears that recipient information for a limited number of contributions was inadvertently modified. These errors did not affect the reported cash balances or cause the Verizon PAC to exceed any contribution limit. The following disbursements have been corrected in the PAC's amendments.

Misidentified Recipient	Recipient Per Amendments	Date	Amount
America's Majority Trust	America's Foundation	2/20/2004	\$5,000
Committee to Re-Elect Susan Molinari	Michael Burgess for Congress	2/28/2005	\$1,000
Shelby for U.S. Senate	Jesse Jackson, Jr. For Congress	2/28/2005	\$1,000
Committee to Re-Elect Susan Molinari	Michael Burgess for Congress	4/25/2005	\$1,000
Sununu for Congress	Scott Garrett for Congress	7/5/2005	\$1,000
Battle Born PAC	Ensign for Senate	12/22/2005	\$2,000

V. Corrective Action Taken by Verizon and the Verizon PAC

As described above, Verizon devoted substantial time and resources in identifying and correcting the errors. Further, even prior to conducting the review, Verizon took extensive action to strengthen the administration of the PAC. The key actions taken by Verizon to strengthen the management of the PAC include the following:

- The responsibility for the administration of the PAC was moved from Accounts Payable to the Public Affairs, Policy & Communications organization, which is the Verizon group most familiar with the operation of PACs, and which handles the other key functions for the PAC, such as solicitations and the disbursement of PAC contributions.
- Verizon hired a new Treasurer and Assistant Treasurer for its PAC, both of whom had extensive prior experience with federal political party committees.
- Verizon retained a new vendor, DD&C, to more actively assist Verizon in the management of the PAC. Verizon personnel responsible for requesting PAC disbursements have been fully trained in the use of DD&C's software. In addition, Verizon personnel work closely with DD&C personnel on a number of key functions, including the preparation of FEC reports and the issuance of PAC disbursements. As noted above, DD&C personnel initially helped identify the discrepancies between the PAC's bank balance and reported FEC balance, leading to the review.
- DD&C prepares a regular reconciliation between Verizon's bank records and FEC reports. This reconciliation is provided to the PAC Treasurer and Assistant Treasurer for their review.

Verizon's current PAC management structure and procedures are consistent with the requirements of the FEC's Statement of Policy Regarding Treasurers' Best Efforts to Obtain, Maintain, and Submit Information as Required by the Federal Election Campaign Act, 72 Fed. Reg. 31438 (June 2, 2007). As part of Verizon's current PAC management efforts:

- The recordkeeping entries of the PAC are regularly doublechecked by the PAC Treasurer and Assistant Treasurer.
- The PAC's records are regularly reconciled with the PAC's bank statements. These reconciliations are performed by DD&C personnel, and are reviewed by the PAC Treasurer and Assistant Treasurer.
- The PAC's electronic files, both those residing on Verizon's computer system, and those on DD&C computer system, are regularly backed up.
- The Verizon employees responsible for obtaining, maintaining, and submitting campaign finance information for the Verizon PAC – the Treasurer and Assistant Treasurer – are trained in the relevant legal requirements, as well as the PAC's procedures, recordkeeping systems, and filing systems. In addition, it should be noted that the current

PAC Treasurer is an attorney, and both the Treasurer and Assistant Treasurer attended the 2009 FEC Conference for Corporations and their PACs.

VI. Conclusion

As this sua sponte submission demonstrates, the Verizon PAC took immediate action once it learned that the balance in its bank account and the balance disclosed on its FEC reports did not match. An outside accounting firm and legal counsel were retained to identify and remedy the reporting errors and the Verizon PAC filed comprehensive amendments for a 5-year period on July 30, 2009. The Verizon PAC also instituted new controls and procedures to ensure that the problems that led to the amended filings would not recur. Finally, the Verizon PAC initiated the preparation of this sua sponte submission to fully inform the Commission of the circumstances surrounding the PAC's July 30 amendments.

This submission is voluntary and the Verizon PAC is prepared to fully cooperate with the Commission to quickly and fairly resolve any outstanding issues in connection with this matter. Given the fact that the Verizon PAC has filed all necessary amendments to correct its FEC reports and strengthened the PAC's administration, the Verizon PAC requests that the Commission take no action and dismiss this matter. If formal proceedings are required to resolve this matter, the Verizon PAC requests the Commission's alternative dispute resolution process. *See, e.g.,* Notification to Brinker International, Inc. Political Action Committee and Charles M. Sonstebly, Treasurer, ADR 442 (Nov. 24, 2008) (dismissing matter involving similar reporting errors and remedial actions through the alternative dispute resolution process).

Respectfully submitted,



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STATEMENT OF DESIGNATION OF COUNSEL
Please use one form for each Respondent/Client.
FAX (202) 219-3923

MUR # Sua Sponte Submission

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FIRM: Wiley Rein LLP

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The above-named individual and/or firm is hereby designated as my
counsel and is authorized to receive any notifications and other communications
from the Commission and to act on my behalf before the Commission.

08/05/09
Date

Shyla K. Craig
Respondent/ Client Signature

Treasurer
Title

RESPONDENT/CLIENT Verizon Communications Inc. Good Government Club
(Please Print)

MAILING

ADDRESS: _____

TELEPHONE- HOME (_____) _____

BUSINESS (_____) _____

Information is being sought as part of an investigation being conducted by the Federal Election
Commission and the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section
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