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PRE-MUR # 519

May 11, 2011

Submission by the National Right to Life PAC  
to the Federal Election Commission pursuant to the Commission's  
Policy Regarding Self-Reporting of Campaign Finance Violations

The Honorable Christopher Hughey  
Acting General Counsel  
Federal Election Commission  
999 E Street, NW  
Washington, DC 20463

Dear Mr. Hughey:

This is to report the discovery and correction of an inadvertent violation of the Federal Election Campaign Act pursuant to the Commission's Policy Regarding Self-Reporting of Campaign Finance Violations (Sua Sponte Policy). 72 FR 16695. National Right to Life PAC (NRL PAC) requests fast track resolution of this matter and suggests that referral to the Commission's Alternative Dispute Resolution (ADR) Office is appropriate given the nature of the violation and significant remedial action.

**Background and Omission**

During 2010 NRL PAC was reporting on a quarterly schedule. On May 27, NRL PAC filed a pre-primary report including activity through May 19, 2010. Thus, NRL PAC's July Quarterly report covered a more limited date range than otherwise would have been the case. Though the PAC was reporting on a quarterly schedule, its procedure was to batch and upload receipts into its compliance and reporting software on a monthly basis.

When the Aristotle International (AI or contractor) employee who was then responsible for preparing NRL PAC's FEC reports prepared the July Quarterly report, he neglected to upload June receipts into the compliance software. Thus, the report was prepared and filed omitting \$139,512.79 in receipts.

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## Discovery of the Violation

The National Right to Life Committee (NRLC) employee who is now responsible for preparing and filing FEC reports conducted a review of NRL PAC's 2010 cycle reports in order to ensure that the reports were accurate and correct. In the course of this review the employee reconciled NRL PAC's bank balance to its reported FEC cash on hand and discovered a discrepancy. The employee then reviewed previously filed reports back to the July 2010 report to uncover the source of the discrepancy.

## Investigation

Following discovery of this omission, former Commissioner Mason and NRLC Counsel Barry Bostrom conducted a thorough review of the circumstances. The investigation included interviews of NRLC and AI personnel, searches for and recovery of archived e-mail, review of financial records, and an assessment of NRL PAC recordkeeping and reporting procedures. On the basis of this investigation it is apparent that the omission was due to a simple one-time oversight by the AI employee. The employee did request and receive June receipt data from NRLC, he simply neglected to upload data for that month into the FEC reporting software.

Several factors apparently contributed to the oversight. First because NRL PAC had already filed a pre-primary report covering part of the second quarter, the AI employee had previously uploaded receipts for a portion of the normal quarterly reporting period. Second, July is an unusually busy month for campaign finance reporting, with most states requiring periodic reports in addition to FEC quarterly and monthly deadlines. Third, NRL PAC's pre-election fundraising was just ramping up during this period. Through its May pre-primary report, NRL PAC had raised \$145,558 year to date. May receipts for the period covered by the truncated July Quarterly report totaled \$61,721.50. Thus, the receipt total covering a partial quarter did not raise any red flags in the review process based on prior period receipts.

While these factors help explain the oversight, the underlying cause of the failure to detect this error was inadequate procedures in the report preparation and review process. In particular, at the time of the omission the AI employee was not regularly reconciling NRL PAC bank statements with financial records and FEC reports.

## Remedial Action

Concurrent with this submission NRL PAC is amending its 2010 July Quarterly report to include the previously omitted receipts. NRL is also amending its subsequent reports (2010 October Quarterly, Pre-General, Post-General, and Year End), including adjusting itemization totals where necessary. In addition, in the course of amending these reports, NRL PAC is including contributor occupation and employer information acquired since the reports were originally filed or last amended.

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To avoid similar errors and to improve its overall FECA reporting practices NRLC and NRL PAC have significantly revised recordkeeping and reporting procedures. In general, NRL PAC has now adopted procedures consistent with the Commission's recommended internal controls. 72 FR 16695. In addition, NRL PAC has retained Huekaby, Davis, Lisker as FEC compliance consultants. In particular:

- All NRL PAC bank accounts are opened in the name of the committee using the committee's EIN.
- Bank statements are reviewed for unauthorized transactions and reconciled to accounting records monthly and prior to report filing. Reconciliations are done by an employee who is neither a check signer nor responsible for committee accounting.
- Incoming receipts are handled by a commercial caging firm, with regular deposits bearing a restrictive endorsement directly into NRL PAC's bank account. An NRLC employee who does not have signature authority on the account receives receipt reports and uploads that information into a financial database.
- Disbursements in excess of \$3,000 and all wire transfers are authorized in writing by two individuals.
- The committee does not have a petty cash fund.

#### Request

As noted above, NRL PAC believes this matter qualifies for fast track resolution because the committee is seeking to disclose and correct a straightforward reporting violation. NRL PAC further requests referral of this matter to ADR. NRL PAC believes its discovery, investigation, report, and remediation of this inadvertent violation warrant waiver or maximum reduction of any penalty pursuant to the commission's Sua Sponte Policy.

- The violation was inadvertent.
- The violation was a one time event; only one low-level contractor employee was involved.
- The violation involved a relatively small percentage of committee activity (about 6% of election cycle receipts) and had no impact on an election because the funds were not spent during the cycle.
- The mistake was not intended to advance any personal or organizational interest and no high level officials at the committee were aware of the violation.
- The violation ceased upon discovery and the committee conducted a thorough review and has taken significant, timely, and appropriate corrective action

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- The conduct is unlikely to recur and the committee has strengthened internal controls to ensure that it does not.
- The committee is amending its reports to correct past errors.
- The violation was discovered as a result of an internal review and followed up by a thorough professional investigation of the circumstances.
- The committee is willing to cooperate fully with the Commission to ensure this submission is complete.

If you have questions about this submission, please contact David Mason at 202-543-8345, x 242 or Barry Bostrom at 812-232-2434.

Very Sincerely,

*Carl Tobias*

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For NRL PAC

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