

REPORTS ANALYSIS DIVISION REFERRAL
TO
ALTERNATIVE DISPUTE RESOLUTION OFFICE

DATE: August 22, 2011

ANALYST: Robin Kelly

I. COMMITTEE: Lee Hawkins for Congress
C00465617
Chris Masters, Treasurer
4710 Jim Hood Road
Gainesville, GA 30506

II. RELEVANT STATUTES: 2 U.S.C. § 434(b)(4)
11 CFR § 104.3(b)

III. BACKGROUND:

Failure to Provide Supporting Schedules (Failure to Disclose All Financial Activity)

Lee Hawkins for Congress ("the Committee") amended its 2010 12 Day Pre-Runoff Report to disclose additional disbursements totaling \$140,804.86 and its 2010 October Quarterly Report to disclose additional disbursements totaling \$155,240.00, which were not disclosed in the original reports (Attachment 2).

2010 12 Day Pre-Runoff Report

On May 27, 2010, the Committee filed the original 2010 12 Day Pre-Runoff Report covering the period from April 22, 2010 through May 19, 2010. The report disclosed \$87,966.99 in disbursements on Line 17 (Operating Expenditures) of the Detailed Summary Page (Image 10930784960).

On October 27, 2010, the Committee filed an Amended 2010 12 Day Pre-Runoff Report. The report disclosed \$206,387.85 in disbursements on Line 17 of the Detailed Summary Page (Image 10931766513).

On January 26, 2011, Sharon Hawkins, a committee representative, called the Reports Analysis Division (RAD) Analyst. Ms. Hawkins said she found disbursements that should

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have been reported in earlier filings. The Analyst advised Ms. Hawkins to amend the reports covering the periods of the omitted activity (Attachment 3).

On the same day, the Committee filed another Amended 2010 12 Day Pre-Runoff Report. The report disclosed \$228,771.85 in disbursements on Line 17 of the Detailed Summary Page (Image 11930200508). The report included the following memo text: "This report was amended due to one missing invoice from a large check that was in payment of multiple invoices. One invoice was overlooked and this report has been amended to include that expenditure [*sic*], and reflect the correct total for expenditures" (Image 11930200505).

On June 1, 2011, a Request for Additional Information ("RFAI") was sent to the Committee referencing the Amended 2010 12 Day Pre-Runoff Report, received on January 26, 2011. Among other items, the RFAI requested clarification regarding the substantial increase in disbursements that were not disclosed in the original filing (Image 11330009950).

On June 6, 2011, Ms. Hawkins called the RAD Analyst to discuss the RFAIs she recently received from the Commission. Among other issues, the Analyst explained that the substantial increase in disbursements on the Amended 12 Day Pre-Runoff Report may be referred for further Commission action. Ms. Hawkins said she would review the report. Later that day, the Analyst called Ms. Hawkins and asked again about the increased disbursements. Ms. Hawkins stated that disbursements were generally made by check, but that one vendor required a debit, which was not noticed until after the original report was filed. Ms. Hawkins also attributed the Committee's reporting problems to their inexperienced staff and the multiple elections in which the candidate was involved (Attachment 3).

On June 20, 2011, Ms. Hawkins called the RAD Analyst for help in filing a Miscellaneous Electronic Submission (FEC Form 99). Additionally, she mentioned that the Committee would be filing an amendment and providing an explanation for the increased disbursements (Attachment 3).

On the same day, the Committee filed a FEC Form 99 in response to the RFAI. The Form 99 stated, in full:

"The Amended 12 Day Pre-Run-Off report disclosed a substantial amount for expenditures that were not on the original reports. The committee deeply apologizes that this oversight occurred, and immediately implemented corrective procedures. We offer the following explanation as to how this omission occurred. 1) Staff members were inexperienced with most working on a campaign for first time. They were new to all procedures and rules, and were undergoing constant training. Staff difficulties were compounded due to this committee being in 4 elections during this cycle -Special General, Special Run Off, Primary, Primary Run Off. A great deal of staff turnover occurred due to the outcome of these multiple elections. This regularly left the committee with staff who had not entered data for the previous disclosure, and had no recollection of the prior activity of the committee. 2) A primary

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omission occurred because the usual and customary procedure for paying and tracking invoices was by check/checkbook, but this method was refused by the vendor. 3) This advertising vendor was producing a large number of mailers and phone calls, and required immediate payment before delivery could be made and would not accept a check. So, this payment was made by an unusual bank debit. One large debit was made that covered multiple invoices. 4) As this was not the usual and customary method of payment, the bank debit was missed by staff as of the date of the original report. 4) [sic] The debit was found upon doing bank account reconciliation, and was disclosed and itemized by invoice on the amended report. 5) Another disbursement omission occurred because it was necessary for the candidate to qualify for both a Special election and also the regular Primary election during the same month. Two identical checks were written, for the exact same amount, and to the same Secretary of State. The staff failed to recognize these as two transactions, and entered only one on the disclosure. This was discovered and disclosed on the amendment. The committee recognizes its responsibility for staff training and procedures and has worked diligently to correct these deficiencies following the discovery and understanding of what took place. We deeply regret these omissions and have made every effort to present an exact and accurate disclosure to the public" (Image 11931690111).

Also on June 20, 2011, the Committee filed another Amended 2010 12 Day Pre-Runoff Report. The report disclosed no change in disbursements from the previous amendment (Image 11931690258). The report also included the identical text notation as the previous amendment (Image 11931690255).

On July 28, 2011, the RAD Analyst called Ms. Hawkins to inform her that the Committee would be referred for further Commission action due to the substantial increases in disbursements. If Ms. Hawkins wanted to provide further clarification, the Analyst advised her to submit another response. Ms. Hawkins said she had nothing further to add, and that she hoped the response she already submitted would be acceptable (Attachment 3).

2010 October Quarterly Report

On October 15, 2010, the Committee filed the original 2010 October Quarterly Report covering the period from July 22, 2010 through September 30, 2010. The report disclosed \$33,433.59 in disbursements on Line 17 (Operating Expenditures) of the Detailed Summary Page (Image 10931533045).

On October 27, 2010, the Committee filed an Amended 2010 October Quarterly Report. The report disclosed \$188,673.59 in disbursements on Line 17 of the Detailed Summary Page (Image 10931766777).

On January 26, 2011, the Committee filed another Amended 2010 October Quarterly Report. The report disclosed no change in disbursements from the previous amendment (Image 11930200617).

On June 1, 2011, an RFAI was sent to the Committee referencing the Amended 2010 October Quarterly Report, received on January 26, 2011. Among other items, the RFAI requested clarification regarding the substantial increase in disbursements that were not disclosed in the original filing (Image 11330009962).

On June 6, 2011, Ms. Hawkins called the RAD Analyst to discuss the RFAIs she recently received from the Commission. Among other issues, the Analyst explained that the substantial increase in disbursements on the Amended October Quarterly Report may be referred for further Commission action. Ms. Hawkins said she would review the report. Later that day, the Analyst called Ms. Hawkins, and asked again about the increased disbursements. Ms. Hawkins stated that disbursements were generally made by check, but that one vendor required a debit, which was not noticed until after the original report was filed. Ms. Hawkins also attributed the Committee's reporting problems to their inexperienced staff and the multiple elections in which the candidate was involved (Attachment 3).

On June 20, 2011, Ms. Hawkins called the RAD Analyst and stated that the Committee would be filing an amendment to provide an explanation for the increased disbursements (Attachment 3).

On the same day, the Committee filed another Amended October Quarterly Report. The report disclosed no change in disbursements from the previous amendment (Image 11931690920). The report included the following memo text:

"This report disclosed a substantial increase in disbursements for TV advertising that was left off the original report. The committee deeply apologizes for this oversight, and would immediately instruct staff to prevent any future occurrences [sic]. The undisclosed disbursements occurred due to the following reasons: 1) Normal process for paying invoices was to use checks/checkbook. These were used to track expenditures for disclosure. 2) The vendor required immediate payment which was not usual and customary, and this was made by bank debit. 3) As this was not a customary disbursement, this bank debit was overlooked as off [sic] the date of the original report. 4) The debit was found upon doing bank account reconciliation [sic], and was disclosed on the next report. 5) Staff turnover was high as there were 4 elections and 4 losses for this committee. Most left following this 4th election in the cycle, so the staff entering data was not experienced or fully trained. The committee recognizes its responsibility for procedures and staff training, and worked to correct these deficiencies following the discovery and understanding of what took place" (Image 11931690917).

On July 28, 2011, the RAD Analyst called Ms. Hawkins to inform her that the Committee would be referred for further Commission action due to the substantial increases in disbursements. If Ms. Hawkins wanted to provide further clarification, the Analyst

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advised her to submit another response. Ms. Hawkins said she had nothing further to add, and that she hoped the response she already submitted would be acceptable (Attachment 3).

To date, no further communication has been received from the Committee regarding these matters.

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