



RE: ADR 595 (Bob Goodlatte for Congress Committee and Kenneth Lorenz Prickitt, Treasurer)

Maryellen Goodlatte

to:

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Krista,

In anticipation of our phone conversation this Thursday, I thought it would be helpful if I provided you with a summary of my findings.

As you are aware, the Goodlatte for Congress Committee (the Committee) has acknowledged initially filing an April Quarterly 2011 periodic FEC report (Form 3) with no receipt or disbursement data. The Committee discovered and rectified this error on its own within a brief period.

Background

The Committee has operated for 18 years with a nearly flawless filing record. The Committee employs a professional accounting firm and approved software to manage finances and prepare and file FEC reports. In accordance with the FEC's recommended internal controls for political committees, the Committee performs a monthly ~~bank reconciliation~~. The FEC report and bank reconciliation are reviewed by persons other than those who have access to Committee bank accounts.

Approximately one week before the due date for the 2011 April Quarterly report, the employee responsible for report preparation prepared a draft report and bank reconciliation. That report included

all financial activity for the quarter, exactly as eventually reported in the Committee's amended April Quarterly report. The draft report was circulated to the Treasurer on April 12, reviewed and approved for filing.

When the staff member responsible for report filing attempted to file the report on the due date (April 15), she encountered difficulty in uploading the report to the FEC electronic filing server. Ordinarily, with the Aristotle software the Committee uses, filers receive a near-immediate on screen confirmation that a report has been accepted or rejected by the FEC filing server. In this instance, the employee got no response either way.

Due to the filing difficulty the Committee employee contacted the Committee's software vendor, Aristotle International, to attempt to confirm that the report had been properly filed. The Aristotle employee checked the FEC web site, confirmed that an April Quarterly report had been posted to the FEC site, and pointed the filing out to the Committee employee. Distracted by the technical difficulties and concern over whether the report had been received by the FEC, neither employee reviewed the contents of the report once they had confirmed that the report had been received and posted by the FEC. See attached FogBugz Case Report 164802.

Shortly after this call the Committee received a filing confirmation showing that its April Quarterly report had been received. See attached filing confirmation. Having already confirmed that the report had been received by the FEC, the employee did not review the filing confirmation in detail, and therefore did not observe that the confirmation indicated the report had been filed with zero activity.

Approximately ten days after the Committee's incomplete April Quarterly report was filed, a Committee employee reviewing the Committee's reports on the FEC web site discovered that the report filed lacked receipt and disbursement information. The Committee promptly assessed the initial error, prepared a complete amended report, again reviewed the report against bank records, and filed an amended April Quarterly report on May 4, 2011. The Committee's corrective action was completed before the Commission's Reports Analysis Division reviewed the original report and before anyone other than agents of the Committee inquired about the missing information.

Discussion:

Approximately one week prior to the April 15 due date for the Quarterly report, the FEC implemented a new Version 7 of the FEC electronic filing standards, changing the format for all electronic filings. Specifications for the new format had been released only weeks prior to its implementation, a departure from the Commission's previous practice of giving software vendors and users several months to prepare changes required by FEC version updates.

Software vendors and filers encountered widespread difficulties in filing with the new format. Specifically, with FEC Version 7 the FEC filing servers often failed to communicate with commercial filing programs about whether a filing had been received by the FEC server or rejected. As a result, users of commercial software programs often failed to get a confirmation or rejection message through the software program, as they were used to seeing. Instead, programs would appear to freeze or hang during the filing process. An illustration of the quirks in Version 7 can be seen from the Committee's April Quarterly filing notice, which indicates in an e-mail with a 2:00 p.m. time stamp that a report had been received and accepted at 15:00:19 – on hour *after* the time on the e-mail (both Eastern Time).

Due to the acknowledged problems with Version 7, FEC released a new Version 8 by October 2011 which corrected the upload problems. FEC version updates typically occur on a multi-year cycle, so the release of a new version only 6 months after the release of Version 7 indicates the significance and unusual nature of the Version 7 problems.

Thus, the Committee's initial difficulty in filing its April Quarterly report was due in part to problems created by the Commission's Version 7 filing format. While the FEC errors did not directly cause the Committee's incomplete filing, the problems related to the new filing format created a chaotic filing environment which made the Committee's filing error more likely and excusable.

Aristotle software allows users to manage multiple bank accounts for multiple filing committees. This feature is useful for users who wish to manage Federal and non-federal accounts, joint

fundraising committees, and authorized committees and leadership PACs from a single database. When multiple committees or accounts are set up, Aristotle software users must select the appropriate filing committee and bank account(s) to generate an accurate report.

If a report is not filed when prepared (as in this instance, when the initial attempt to file failed due to technical issues outside the control of the Committee), Aristotle 360 users must regenerate the report, including re-selecting reporting parameters and bank account(s). In this case, it is possible that the Committee employee responsible for filing neglected to select the appropriate bank accounts on the filing interface during her efforts to file the report, facing time pressure and significant frustration due to filing difficulties. In analyzing the failure in this case, Aristotle points to this as the most reasonably likely explanation if operator error is the cause. However, the employee who filed the report believes strongly that she did not overlook this step.

Remediation

The Committee believes that difficulties created by FEC Version 7 and the committee's self-discovery, and prompt, voluntary correction of the filing error represent substantial mitigation for this one-time operational error. The Committee suggests in light of this mitigation and the nature of the error that additional post-submission report review procedures and staff training represent adequate remediation for this error.

Specifically, the Committee has altered its report submission procedures to require that the Treasurer, or a reviewer other than the staffer submitting reports on the treasurer's behalf, will review the FEC filing confirmation for each report to ensure that the confirmation reflects financial activity actually conducted. The Committee's review procedures already include: preparation of a draft report and bank reconciliation by an employee who does not have access to Committee bank accounts and review of the report, bank statement, and reconciliation by the Treasurer and an additional senior campaign official. The Committee has also taken steps to improve staff training to avoid similar errors in the future.

The Committee appreciates the opportunity to address this issue in the ADR process. I am looking forward to our discussion later this week. If there is anything else I can provide you before our call, just let me know.

Maryellen

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