

for compliance services, such as aggregation errors, late or incomplete reporting, failure to gather documentation for contributions and disbursements, and the inability to resolve common technical issues. As discussed more fully below, the Committee could not have foreseen the scope and depth of Ms. Durkee's malfeasance, particularly given her professional experience and prominent clientele

Beyond Ms. Durkee, the Committee had regular interactions with many of the employees of Durkee & Associates, all of whom appeared to be knowledgeable and equally professional. Ms. Durkee and her staff promptly responded to any Committee inquiries and adequately answered any questions raised by the Committee, whether they related to processing payments, contributions received, or other compliance or accounting issues.²

By hiring a professional treasurer and a vendor whose sole purpose was to provide professional compliance and reporting services, the Committee had every reason to believe that Ms. Durkee and Durkee & Associates complied with all applicable FECA requirements, policies and procedures, including the minimum internal controls for the embezzlement safe harbor. The bank accounts were opened by Ms. Durkee in the name of the Committee and using the Committee's Employer Identification Number. Ms. Durkee had a large and seemingly experienced staff, and the Committee believed that the various functions and responsibilities were sufficiently divided amongst them.

Contributions physically received by the Committee were mailed to Ms. Durkee's office and deposited by Ms. Durkee or her staff. In some situations, contributions to the Committee were sent directly to Ms. Durkee's address; such contributions were processed and deposited by Ms. Durkee or her staff. The Committee also monitored its receipts by directly accessing the Committee's database.

Authorized Committee disbursements were also handled almost exclusively by Ms. Durkee. Durkee & Associates directly received the majority of the Committee's bills, which were largely paid upon receipt. The Committee retained a credit card for other expenses; with very few exceptions, all expenses paid by check were done so by Ms. Durkee or her staff.

Further, Durkee & Associates provided the Committee with reports on its financial status. These reports were generally provided as requested by the Committee, typically in a "Balance Sheet" format that showed current assets (balances in the bank accounts) and any liabilities. Occasionally, Durkee & Associates would provide a detailed "Profit & Loss" analysis showing contributions by deposit and Committee expenses.³ The Committee closely monitored not only these reports but also specifically authorized payments, such as wire transfers for media buys.⁴ The Committee had no knowledge of any authorized disbursement that was paid late or not at all. The Committee also reviewed FEC reports, which were consistent with their internal records of authorized receipts and disbursements.

² See examples in Attachment B.

³ See examples in Attachment C.

⁴ See examples in Attachment B.

Misappropriation and Embezzlement

As noted above, the exact facts surrounding the embezzlement and malfeasance may never be known by the Committee. However, according to the plea agreement and allegations widely reported by the press, neither this Committee nor any of Ms. Durkee's clients could have imagined a misappropriation scheme that would total \$8.3 million.

Ms. Durkee has pled guilty to commingling funds belonging to her various clients and repeatedly making transfers, withdrawals and deposits between and amongst accounts on which Ms. Durkee had signing authority. A study of available Committee records, as described in detail below, shows the brazen use of the Committee's account and her signatory authorization to move hundreds of thousands of dollars in and out of the Committee's bank account. According to the plea agreement, Ms. Durkee regularly moved money between her client's accounts in an attempt to hide her embezzlement.

Committee Reporting

On the third quarter report of 2011, the Committee reported a lump sum adjustment of \$159,995.47, which represented the total amount of funds believed to have been embezzled from the Committee at that time. The Committee will file a final amendment that specifically identifies the unauthorized receipts and disbursements, based upon an internal review of available Committee records. This final amendment will show \$157,520 in misappropriated funds.

The Committee will show the following information on the final amendment:

	Questionable Receipts	Questionable Disbursements	
2009			
1 st Quarter	-	\$300,000	
2 nd Quarter	\$22,500	\$243,000	
3 rd Quarter	\$48,500	\$10,000	
4 th Quarter	\$25,000	-	
2010			
1 st Quarter	\$79,000	-	
2 nd Quarter	\$12,805	-	
3 rd Quarter	\$89,000	\$35,000	
4 th Quarter	\$88,335	\$5,000	
2011			
1 st Quarter	\$53,000	\$19,000	
2 nd Quarter	\$65,340	\$29,000	
3 rd Quarter	-	-	

			Difference in figures:
TOTALS:	\$483,480	\$641,000	(\$157,520)

Unless and until more information becomes available, or Ms. Durkee and/or Durkee & Associates are allowed and willing to provide more specifics to their clients, this is the most complete information that may be reported by the Committee at this time. The Committee is unable to identify the specific details of the discrepancies in receipts or the recipients of the unauthorized disbursements. Therefore, the Committee is treating these amendments as final unless new developments arise and the Committee receives further instruction from the Federal Election Commission.

Please let us know if you wish to set up a meeting or conference call to discuss any of this information further.

Sincerely,



Carolyn Utrecht
Karen Zeglis
Counsel
Susan Davis for Congress