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Federal Election Commission  
Washington, DC 20463

**SENSITIVE**

**MEMORANDUM**

September 18, 2015

TO: The Commission

THROUGH: Alec Palmer *GW/H/jm*  
Staff Director

FROM: Patricia C. Orrock *AC/PCD*  
Chief Compliance Officer

Lynn M. Fraser *LMF*  
Director, ADR Office

SUBJECT: ADR 760 & ADR 764, Dewhurst for Texas and Dr. Carlos R. Hamilton, Jr., Treasurer, Recommendation to Approve Settlement Agreement

RESOLUTION TERMS: File a termination report with the Commission.

Attached for your review is a signed negotiated ADR Settlement Agreement pertaining to **ADR 760 (P-MUR 561) and ADR 764 (RR 13L-36)**. The ADR Office received these referrals on May 19, 2015 from the Office of General Counsel as directed by the Commission.

**SUMMARY:** In ADR 760, Dewhurst for Texas and Dr. Carlos R. Hamilton, Jr., Treasurer (Respondents or the Committee) filed a *sua sponte* submission indicating that Kenneth A. "Buddy" Barfield, while serving as Campaign Manager and Assistant Treasurer, misappropriated approximately \$1.1 million during the 2011-2012 election cycle. The misappropriation of these funds resulted in inaccurate reporting to the Commission. The Committee filed amended reports to correct the record.

In ADR 764, the Reports Analysis Division (RAD) referred Respondents for the unauthorized use of campaign funds and the failure to refund, redesignate, or reattribute excessive and prohibited 2012 Primary, Runoff, and General Election contributions totaling \$140,750 within the permissible timeframe.

Recommendation to Approve  
Settlement Agreement  
ADR 760 (P-MUR 561)  
ADR 764 (RR 13L-36)  
Page 1

Respondents contend that prior to discovering the embezzlement by Mr. Barfield, they had internal controls in place, such as limited check signing authority, disbursements requiring written approval, and regular reconciliation of bank statements and FEC reports. Upon discovering the financial irregularities, an internal audit and reconciliation was conducted, and the Committee implemented more stringent internal controls. The Committee filed amended reports to correct the record and as it wishes to terminate its political committee status, it will work with Commission staff to accomplish that.

Respondents acknowledge that the Committee inadvertently accepted a small number of excessive, prohibited and other impermissible contributions for the 2012 Primary, Runoff, and General Elections. Respondents worked with RAD to correct the record to reflect those contributions as refunded, redesignated, or reattributed.

**RECOMMENDATIONS:**

1. Approve the attached settlement agreement of Dewhurst for Texas and Dr. Carlos R. Hamilton, Jr., Treasurer.
2. Approve the appropriate letters.
3. Close the file on this matter.