



2016 MAR -7 PM 12: 22

SENSITIVE

Federal Election Commission
Washington, DC 20463

MEMORANDUM

March 7, 2016

TO: The Commission

THROUGH: Alec Palmer *AP*
Staff Director

FROM: Patricia C. Orrock *PO/NYC*
Chief Compliance Officer

Lynn M. Fraser *W*
Director, ADR Office

SUBJECT: ADR 784 McConnell Senate Committee '14 and Larry I. Steinberg, Treasurer, Recommendation to Approve Settlement Agreement

RESOLUTION: Certify that the Committee will include indemnification clauses in any and all future vendor contracts Respondents enter into where the vendors' responsibilities will involve the handling of any committee funds intended for deposit into the Committee's accounts; and develop and certify the implementation of a program whereby the Committee contacts the banking institution where it holds accounts to verify no accounts have been opened without the proper authorization.

Attached for your review is a signed negotiated ADR Settlement Agreement pertaining to ADR 784 (RR 15L-03). The ADR Office received this referral on November 4, 2015.

SUMMARY: In this case, the Reports Analysis Division referred Respondents for a failure to fully and accurately report all financial activity during the 2013-2014 election cycle. The Committee filed its 2014 30 Day Post-General Report which included contributions totaling \$100,634 that had been diverted by an outside vendor into a ghost account. The diversion of those funds resulted in the Committee filing

Recommendation to Approve
Settlement Agreement
ADR 784 (RR 15L-03)
Page 1

inaccurate disclosure reports with the FEC.

Respondents contend that the Committee maintained appropriate internal controls and safeguards ensuring its full compliance with Federal Election Commission reporting and record-keeping obligations. Despite these safeguards, however, an outside vendor of the Committee diverted direct mail contributions directly from the mail into a "ghost account" which the vendor was neither authorized to open nor to operate. The Committee was one of several entities from which funds were improperly diverted by the outside vendor. These unauthorized diversions of funds formed the basis of criminal charges, to which the outside vendor pleaded guilty.

RECOMMENDATIONS:

1. Approve the attached settlement agreement of McConnell Senate Committee '14 and Larry I. Steinberg, Treasurer.
2. Approve the appropriate letters.
3. Close the file on this matter.