



**Federal Election Commission
Washington, DC 20463**

March 25, 2016

**Jason Torchinsky, Esq.
Holtzman Vogel Josefiak Torchinsky PLLC
45 North Hill Drive, Suite 100
Warrenton, VA 20186**

Re: ADR 784 (RR 15L-03)
McConnell Senate Committee '14 and Larry I. Steinberg, Treasurer

Dear Mr. Torchinsky:

Enclosed is the signed copy of the agreement resolving the referral initiated on **–November 4, 2015** – by the Federal Election Commission (“FEC/Commission”) involving the McConnell Senate Committee '14 and Larry I. Steinberg, Treasurer (“Respondents”). The agreement for **ADR 784 (RR15L-03)** was approved by the **Commission on March 23, 2016** – the effective date of the agreement.

Note the specific time frames for compliance in paragraph 6 of the agreement. Please forward to this office, a statement certifying Respondent's compliance with the terms listed in the aforementioned agreement. The letter should note the dates on which Respondents satisfied each of the terms listed in paragraph 6, and contain the ADR caption and case number.

As you are aware, the settlement agreement will be made part of the record that is released to the public. The Commission will also place on the record copies of the complaint/referral, correspondence exchanged between your office and this office prior to our entry into settlement negotiations and reports prepared for the Commission by this office to assist in its consideration of this matter. The Commission is obliged by Federal statute to place on the public record documents in closed enforcement and alternative dispute resolution cases; accordingly, copies of documents relative to this matter will be forwarded shortly to the FEC's Public Information Office.

This agreement resolves the matter that was initiated by the Commission pursuant to information ascertained in the normal course of carrying out its supervisory

161-00000458

responsibilities regarding violations of federal election campaign laws. I appreciate your assistance in effectively resolving this matter and bringing the case to a mutually acceptable conclusion.

Sincerely,

Lynn M. Fraser, Director
Alternative Dispute Resolution Office
202-694-1665

Enclosure: Agreement



**Federal Election Commission
Washington, DC 20463**

Case Number: ADR 784
Source: RR 15L-03
Case Name: McConnell Senate Committee '14

NEGOTIATED SETTLEMENT

This matter was initiated by the Federal Election Commission (Commission) pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. Following review of the matter, and in an effort to promote compliance with the Federal Election Campaign Act of 1971, as amended, (FECA) and resolve this matter, the Commission entered into negotiations with Jason Torchinsky, Esq., representing the McConnell Senate Committee '14 and Larry I. Steinberg, in his official capacity as Treasurer (the Committee or Respondents). It is understood that this agreement will have no precedential value relative to any other matters coming before the Commission.

Negotiations between the Commission and Respondents addressed the issues raised in this referral. The parties agree to resolve the matter according to the following terms:

1. The Commission entered into this agreement as part of its responsibility for administering the FECA, and in an effort to promote compliance on the part of Respondents. The Commission's use of alternative dispute resolution procedures (ADR) is guided by "The Administrative Dispute Resolution Act of 1996," 5 U.S.C. § 572 and is an extension of 52 U.S.C. § 30109.
2. Respondents voluntarily enter into this agreement with the Commission.
3. 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 inaccurate disclosure reports with the FEC.
4. Treasurers of political committees are required to report all financial activity, including all receipts, pursuant to the FECA. 52 U.S.C. §§ 30104(a)(1), 30104(b)(2), 11 C.F.R. §§ 104.1, 104.3(a).
5. 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.

6. Respondents, in an effort to avoid a similar situation in the future, agree to: (a) 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 (b) 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 within thirty (30) days of the effective date of this agreement.
7. Respondents agree that all information provided to resolve this matter is true and accurate to the best of their knowledge and that they sign this agreement under penalty of perjury pursuant to 28 U.S.C. § 1746.
8. The parties agree that if Respondents fail to comply with the terms of this settlement, the Commission may submit any unpaid civil penalty to the U.S. Treasury for collection or undertake civil action in the U.S. District Court for the District of Columbia to secure compliance.
9. This agreement shall become effective on the date signed by all parties and approved by the Commission. Respondents shall comply with the terms of this agreement as set out in paragraph 6 above, and shall certify compliance with the above settlement terms in writing to the Alternative Dispute Resolution Office on or before the date each term becomes due.
10. This Negotiated Settlement constitutes the entire agreement between the parties on ADR 784 (RR 15L-03), and resolves those issues identified in paragraph 3 above. No other statement, promise or agreement, either written or oral, made by either party, not included herein, shall be enforceable.

FOR THE COMMISSION;

Lynn M. Fraser, Director
Alternative Dispute Resolution Office

Date Signed

FOR THE RESPONDENTS:

Date Signed

Jason Torchinksy, Esq.
Representing the McConnell Senate Committee '14
and Larry I. Steinberg, Treasurer