



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 21, 2019

Kory Langhofer
649 North 4th Avenue
First Floor
Phoenix, AZ 85003

Re: ADR 877
Arizona Republican Party and Bob Lettieri, Treasurer

Dear Kory Langhofer:

Enclosed is the signed copy of the Negotiated Settlement resolving the above-shown matter. The Negotiated Settlement was approved by the Commission on February 11, 2019 – the effective date of the agreement.

Note the specific time frames for compliance detailed in the agreement. Please forward to this office, a statement confirming Respondent's compliance with each term. The letter should note the dates on which Respondents satisfied each of the terms and contain the ADR case number. For your convenience, a compliance chart is attached.

Under the terms of the agreement, full payment of a civil penalty in the amount of \$45,000 is due by October 13, 2019, with the first monthly installment of \$5,000 due on March 13, 2019. Kindly review the attached payment instructions for details on payment methods and the collection of unpaid debts.

As you are aware, the Negotiated Settlement 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 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 Records Office.

This agreement resolves this matter. I appreciate your assistance in effectively resolving this matter and bringing the case to a mutually acceptable conclusion.

Sincerely,

Krista J. Roche

Krista J. Roche
Director
Alternative Dispute Resolution Office

Enc: Payment Instructions
Compliance Chart
Negotiated Settlement

cc: Gwendolyn Holmes, Finance and Accounting Office

ADRO Civil Penalty Payment Instructions

You may remit payment by credit card, debit card, or ACH withdrawal from your bank account through Pay.gov, the federal government's secure portal for online collections. Visit www.fec.gov/adrpayment to be directed to Pay.gov's FEC ADR Payment form.

This penalty may also be paid by check or money order made payable to the Federal Election Commission. It should be sent by mail to:

Federal Election Commission
Attn: Finance Office
1050 First Street, NE
Washington, DC 20463

Unpaid Civil Penalties

Unpaid civil money penalties will be subject to the Debt Collection Act of 1982 ("DCA") as amended by the Debt Collection Improvement Act of 1996 ("DCIA"), 31 U.S.C. § 3701 et seq. If you do not pay this debt within 30 days (or file a written petition to a federal district court - see below), the Commission will transfer the debt to the U.S. Department of the Treasury ("Treasury") for collection. Within 5 days of the transfer to Treasury, Treasury will contact you to request payment. Treasury currently charges a fee of 30% of the civil money penalty amount for its collection services. If the age of the debt is greater than or equal to two years old, Treasury will charge a fee of 32% of the civil money penalty amount for its collection services. The fee will be added to the amount of the civil money penalty that you owe. Should Treasury's attempts fail, Treasury will refer the debt to a private collection agency ("PCA"). If the debt remains unpaid, Treasury may recommend that the Commission refer the matter to the Department of Justice for litigation.

Actions which may be taken to enforce recovery of a delinquent debt by Treasury may also include: (1) offset of any payments, which the debtor is due, including tax refunds and salary; (2) referral of the debt to agency counsel for litigation; (3) reporting of the debt to a credit bureau; (4) administrative wage garnishment; and (5) reporting of the debt, if discharged, to the IRS as potential taxable income. In addition, under the provisions of DCIA and other statutes applicable to the FEC, the debtor may be subject to the assessment of other statutory interest, penalties, and administrative costs.

In accordance with the DCIA, at your request, the agency will offer you the opportunity to inspect and copy records relating to the debt, the opportunity for a review of the debt, and the opportunity to enter into a written repayment agreement.

ADR 877 Compliance Chart

Type	Due Date
Perform required corrective action in accordance with the Corrective Action Plan	5/13/2019
Complete training in accordance with the Training Plan	5/13/2019



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Case Number: ADR 877
Source: AR 2-750
Case Name: Arizona Republican Party

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 Kory Langhofer, Esq. representing Arizona Republican Party and Bob Lettieri, 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 audit finding violations transferred to the ADR Office from the Audit Division in accordance with the certified vote of the Commission on June 26, 2018. 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. Audit fieldwork of the Committee's 2014 election cycle activity showed that Respondents misstated financial activity in the amount of \$942,594, incorrectly disclosed disbursements in the amount of \$1,926,995, did not maintain employee logs for payroll totaling \$196,606, failed to file 24/48-Hour Reports for apparent independent expenditures totaling \$440,735, received prohibited contributions totaling \$59,435, and received excessive contributions totaling \$86,000. In addition, audit fieldwork of the Committee's Levin Fund showed that financial activity was misstated in the amount of \$33,136, donations exceeded the limit by \$25,000, donations in the amount of \$140,000 were incorrectly disclosed, allocable expenditures totaling \$236,754 were not itemized, and transfers in the amount of \$236,754 were not properly disclosed.
4. Treasurers of political committees are required to report all financial activity, including all receipts, disbursements, and debts, pursuant to the FECA. 52 U.S.C. §§ 30104(b)(2), (4), and (8), 11 C.F.R. §§ 104.3(a), (b), and (d).

1
9
1
0
0
3
1
7
0

5. Each political committee shall itemize on their report payees that aggregate over \$200 in the calendar year and information should include the full name, mailing address, date, amount and purpose of such expenditure. The purpose means a brief statement or description as to the reason for the expenditure. 52 U.S.C. § 30104(b)(5), 11 CFR §§ 104.3(b)(3)(i)(A), 104.9.
6. Political party committees are required to keep a monthly log of the percentage of time each employee spends in connection with a federal election. Employees who spend 25 percent or less of their compensated time in a given month on federal election activities or on activities in connection with a federal election must either be paid only from the federal account or have their expenses allocated between federal and non-federal funds as administrative costs. Employees who spend more than 25 percent of their compensated time in a given month on federal election activities or on activities in connection with a federal election must be paid only from a federal account. Employees who spend none of their compensated time in a given month on federal election activities or on activities in connection with a federal election may be paid entirely with funds that comply with state law. 11 C.F.R. § 106.7(d)(1).
7. A person, including a political committee that makes or contracts to make independent expenditures aggregating \$1,000 or more after the 20th day, but more than 24 hours, before the date of an election shall file a report describing the expenditures within 24 hours. 52 U.S.C. § 30104(g)(1), 11 C.F.R. § 104.4(c). A person, including a political committee, that makes or contracts to make independent expenditures aggregating \$10,000 or more at any time up to and including the 20th day before the date of an election shall file a report describing the expenditures within 48 hours. 52 U.S.C. § 30104(g)(2), 11 C.F.R. § 104.4(b)(2).
8. It is unlawful for any national bank, or any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, and it is unlawful for any candidate or political committee to accept such contributions. 52 U.S.C. §§ 30116 (f), 30118(a), 11 C.F.R. §§ 114.2(a), 114.2(d). A contribution from an LLC is considered an unlawful corporate contribution if the LLC chooses to be treated as a corporation under IRS rules or if its shares are traded publicly. 11 C.F.R. § 110.1(g)(3).
9. A party committee may not receive more than a total of \$10,000 per year from any one contributor. 52 U.S.C. §30116(a)(1)(D), 11 C.F.R. § 110.9.
10. If a state, district or local party committee's combined annual receipts and disbursements for Federal Election Activity (FEA) are \$5,000 or more during the calendar year, then it must disclose receipts and disbursements of federal funds and Levin funds used for FEA. 11 C.F.R. § 300.36(b)(2). Each report must disclose the amount of cash-on-hand for Levin Funds at the beginning and end of the reporting period; the total amount of Levin Fund receipts and disbursements (including allocation transfers) for the reporting period and for the calendar year; and certain transactions that require itemization on Schedule L-A (Itemized Receipts of Levin Funds) or Schedule L-B (Itemized Disbursements of Levin Funds). 11 C.F.R. §300.36(b)(2). A state, district, or local committee of a political party may not solicit or accept from any person (including any entity established, financed, maintained, or controlled by such person) one or more donations of Levin Funds

1013001170

aggregating more than \$10,000 in a calendar year. 11 C.F.R. §300.31(d). When allocating FEA, committees must use a fixed minimum percentage of federal funds. 11 C.F.R. §300.33(b). Each reporting period, the committee must disclose transfers from the Levin account to the federal (or allocation) account to pay the allocated portion of the allocable FEA costs. 11 C.F.R. §300.33(e)(2).

11. Respondents contend that subsequent to the audit fieldwork the Committee retained a campaign finance vendor to remediate the issues identified by the Audit Division and to ensure compliance with all applicable federal campaign finance laws.
12. Respondents, in an effort to avoid similar errors in the future, agree to: (a) use its best efforts to perform required corrective action in accordance with the Corrective Action Plan (Exhibit A) within ninety (90) days of the effective date of this agreement; (b) complete training in accordance with the Training Plan (Exhibit B) within ninety (90) days of the effective date of this agreement; and (c) pay a civil penalty of \$45,000 payable in monthly installments of \$5,000, the first being due thirty (30) days after the effective date of this agreement. For purposes of this agreement, "best efforts" means that, for corrective action items requiring amendments to or supplementations of previously filed reports, the Respondents will conduct a reasonably diligent search of all documents and records within their possession, custody and control to locate and disclose the required information.
13. 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.
14. 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.
15. 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 12 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.
16. This Negotiated Settlement constitutes the entire agreement between the parties on ADR 877 (AR 2-750), 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:

Krista J. Roche, Director
Alternative Dispute Resolution Office

KJ Roche

2/11/19

Date Signed

FOR THE RESPONDENTS:

Kory Langhofer, Esq.
Representing Arizona Republican Party
and Bob Lettieri, Treasurer

1/14/18

Date Signed

10-1000M-117-02



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Training Plan
Arizona Republican Party (C00008227)
Exhibit B

Bob Lettieri, Treasurer
3501 North 24th Street
Phoenix, AZ 85016

Kory A. Langhofer, Counsel
649 North 4th Avenue, First Floor
Phoenix, Arizona 85003

Re: ADR 877: Arizona Republican Party and Bob Lettieri, Treasurer

Below is a general overview of the training that will be completed by the Arizona Republican Party per the Negotiated Settlement.

I. Fundraising for the federal account

- A. Permissible sources of contributions
- B. Prohibited sources of contributions
- C. Contribution Limits

II. Party Committee Disbursements

- A. Payroll Disclosure/Allocation
- B. Proper Disclosure of Disbursements

III. Supporting federal candidates

- A. Independent Expenditures

IV. Federal Election Activity (FEA)

- A. Types of FEA
- B. Allocating FEA Expenses
- C. Monthly Payroll Logs

V. Levin Account Activity

- A. Contribution Limits
- B. Proper Disclosure of Receipts and Disbursements

VI. Common Reporting Errors

VII. Best Practices for FEC Compliance

- A. Bank Reconciliation

It is estimated that the required training will take approximately six to ten hours. Please contact Rosa Marshall at (202) 694-1152 within ninety (90) days of the effective date of the Negotiated Settlement to provide attendee information and schedule a training date and time.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

191003-1794

**Corrective Action Plan
Arizona Republican Party (C00008227)
Exhibit A**

Bob Lettieri, Treasurer
3501 North 24th Street
Phoenix, AZ 85016

Kory A. Langhofer, Counsel
649 North 4th Avenue, First Floor
Phoenix, Arizona 85003

Re: ADR 877: Arizona Republican Party and Bob Lettieri, Treasurer

Below is the corrective action plan for the Arizona Republican Party per the Negotiated Settlement.

Finding/Issue	Corrective Action
Misstatement of Financial Activity	<p>File a Form 99 to include transaction information for receipts and disbursements misstated during the 2013-2014 election cycle:</p> <ol style="list-style-type: none">1. Receipts totaling \$20,486 on 2013 reports2. Receipts totaling \$643,962 and Disbursements totaling \$268,552 on 2014 reports3. State that the above changes are the result of prior period audit adjustments.4. Confirm the most recent disclosure report's cash balance is correct and does not need to be amended.
Disclosure of Disbursements	<p>Clarify expenditures with a Form 99 response:</p> <ol style="list-style-type: none">1. Inadequate purposes such as "voter registration" and "professional fees"

Disclosure of Disbursements	<p>2. Purposes incorrectly identified as "Payroll" that should be listed as "Reimbursements for Travel" and "Mileage" expenses.</p> <p>3. Expenditures with incomplete address information.</p>
Finding/Issue	Corrective Action
Recordkeeping of Employees	<p>I. For missing monthly payroll logs, provide evidence that the logs were maintained during the election cycle.</p> <p>II. Include the requested affidavit that verifies the Excel spreadsheet created by the committee has accurate payroll amounts.</p> <p>III. Implement and submit a plan to consistently maintain monthly payroll logs in the future.</p>
Finding/Issue	Corrective Action
Reporting of Apparent Independent Expenditures	<p>I. Provide documentation that expenditures totaling \$440,734 were not independent expenditures that may require additional 24/48 hour reporting.</p> <p>II. If documentation cannot be provided, amend 2013-2014 cycle reports to add memo entry transactions or narratives descriptions in a Form 99 disclosing the expenditures as independent expenditures on Schedule E.</p> <p>III. Implement and submit a plan that shows revised procedures for recognizing and reporting independent expenditures to allow for timely filing of 24/48 Hour Reports.</p>
Finding/Issue	Corrective Action
Prohibited Contributions	<p>I. Provide documentation that demonstrates that an apparent prohibited receipt totaling \$32,250 was made with permissible funds or was timely refunded.</p> <p>II. Provide documentation to support a vendor refund totaling \$14,185.</p> <p>III. Provide documentation for a contribution totaling \$3,000 to demonstrate that the entity is not incorporated or refund/transfer the contribution to the non-federal account.</p> <p>IV. Provide tax status for a contribution totaling \$10,000 or a refund/transfer to the non-federal account should be made.</p> <p>V. If documentation cannot be provided, Respondents will either (a) provide refunds to the original contributors, or (b) transfer an amount equal to the non-refunded prohibited contributions to the non-federal account. In addition, submit evidence of any refunds by providing the front and back of the refund check. If funds are not available to make the necessary refunds, report the entries as debts owed on Schedule D.</p>

Finding/Issue	Corrective Action
Contributions in Excess of the Limit	<p>I. Provide documentation that demonstrates that contributions totaling \$70,000 were not excessive, or were resolved through the timely receipt of reatribution documentation.</p> <p>II. If documentation cannot be provided, the Respondents will either (a) refund the excessive amounts back to the contributor or (b) transfer an amount equal to the non-refunded excessive contributions to the non-federal account.</p> <p>III. Submit evidence of any refunds by providing the front and back of the negotiated refund checks. If funds are not available to make the necessary refunds, report the contributions as debts owed on Schedule D.</p>
Misstatement of Levin Fund Activity	<p>File a Form 99 to include transaction information for receipts and disbursements misstated during the 2013-2014 election cycle:</p> <ol style="list-style-type: none"> 1. Receipts totaling \$15,003 and disbursements totaling \$15,030 on 2013 reports. 2. Receipts totaling \$25,803 and disbursements totaling \$15,095 on 2014 reports.
Excessive Levin Fund Donations	<p>I. Provide documentation demonstrating donations totaling \$25,000 were not excessive or refund/transfer to the non-federal account.</p> <p>II. If documentation cannot be provided, the Respondents will either (a) refund donations or disgorge the excessive amounts or (b) transfer an amount equal to the non-refunded excessive donations to its non-federal account. Submit evidence of any refunds by providing the front and back of the negotiated refund checks. If funds are not available to make the necessary refunds, report the contributions as debts owed on Schedule D.</p>
Disclosure of Levin Fund Donations	File a Form 99 to disclose the correct name, address, and missing occupation and employer information for donations totaling \$140,000 on Schedule L-A.
Levin Fund Activity Expenditures and Transfers	<p>I. Amend 2013-2014 cycle reports to correct the following Levin Fund activity:</p> <ol style="list-style-type: none"> a. Identify the full name of the Levin account for transfers totaling \$236,754 on Schedule H5. b. Itemize each disbursement, regardless of amount, on Schedule H6 supporting transfers totaling \$236,754 reported on Schedule H5. <p>These corrective actions may be effectuated by filing a Form 99 that identifies the date and amount of each transaction comprising the \$236,754 in transfers.</p>

How to respond to the required corrective action:

1. File an amendment – this is used when a committee needs to change, add, or delete information on the report (e.g., correcting year-to-date contribution totals).
2. File a Miscellaneous Text Submission (Form 99) – this is used to provide a narrative response (e.g., demonstrating best efforts for obtaining contributor information).

Please note, the Committee has ninety (90) days from the effective date of the Negotiated Settlement to provide the information. Please contact Rosa Marshall at (202) 694-1152 if you have any questions.

19-100001-17-97