



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

NOV 6 2006

Lindsey Echelbarger, Treasurer
Hague for Congress Committee

Bothell, Washington 98021

RE: MUR 5872

Dear Mr. Echelbarger:

On October 30, 2006, the Federal Election Commission found that there is reason to believe Hague for Congress and you, as treasurer, violated 2 U.S.C. §§ 432(c)(5), 434(b)(4)(G), and 434(b)(6)(A), provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"), and 11 C.F.R. § 104.3(b). These findings were based on information ascertained by the Commission in the normal course of carrying out its supervisory responsibilities. *See* 2 U.S.C. § 437g(a)(2). The Factual and Legal Analysis, which more fully explains the Commission's findings, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519.

If you are interested in pursuing pre-probable cause conciliation, you should so request in writing. *See* 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to the respondent.

28044190877

Lindsey Echelbarger

Page 2

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have attached a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Kate Belinski, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



Michael E. Toner
Chairman

Enclosures

Factual and Legal Analysis

Procedures

Designation of Counsel Form

cc: Candidate Jane Hague

28044190878

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Hague for Congress Committee and MUR: 5872
Lindsey Echelbarger, in his
official capacity as treasurer

I. INTRODUCTION

This matter was generated by the Federal Election Commission ("the Commission") pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. *See* 2 U.S.C. § 437g(a)(2). Based upon such information and the analysis below, there is reason to believe that the Hague for Congress Committee and Lindsey Echelbarger, in his official capacity as treasurer, violated 2 U.S.C. §§ 432(c)(5), 434(b)(4)(G), and 434(b)(6)(A), and 11 C.F.R. § 104.3(b), by failing to account for and report certain disbursements accurately.

II. FACTUAL AND LEGAL ANALYSIS

Jane Hague was a candidate in the 2004 Republican primary for Washington's 1st Congressional District, and Hague for Congress ("the Committee") was her principal campaign committee. Since 1994, and concurrent with her federal candidacy, Hague served as a local councilwoman on the King County Council, an office she continues to hold today. Jennifer Hildebrand, daughter of Hague's longtime family friend, worked on several of Hague's local campaigns as well as her 2004 federal campaign. Available information indicates that Hildebrand assisted with a variety of campaign tasks including bookkeeping and writing checks.

28044190879

28044190880

In February 2004, prior to the primary election, Hague dropped out of the congressional race. Thereafter, the Hague Committee reportedly began issuing refund checks to some larger contributors. Available information indicates that the Hague Committee was first put on notice of an embezzlement scheme when a campaign contributor reviewing the Hague Committee's filings on the FEC website saw his name listed as the recipient of a refund that he never actually received. In January 2005, the Hague Committee launched an internal investigation and uncovered Hildebrand's embezzlement scheme dating back to a 1997 county election and including Hague's federal campaign during the 2004 election cycle.

Hildebrand made 51 separate unauthorized disbursements of Committee funds totaling \$56,209.82 from October 2003 to November 2004. Fifty of the disbursements were made payable to "Jennifer Hildebrand" and one was payable to her childcare provider, "Montessori Children's House." The Committee's original disclosure reports described 24 of the 51 unauthorized disbursements as refunds to contributors, and the remaining 27 disbursements as operating expenditures. Of these 27 "operating expenditures," eight were originally disclosed as disbursements to Hildebrand as compensation for "consulting/fundraising."

Although the Committee reportedly discovered the embezzlement scheme and subsequent inaccurate reporting in January 2005, it did not bring it to the Commission's attention until November 2005. At that time, a consultant for the Committee, Brett Bader, sought guidance from RAD on what action, if any, the Committee needed to take to comply with the Federal Election Campaign Act of 1971, as amended ("the Act"). Bader informed the RAD analyst that Hildebrand had already (voluntarily) made full restitution to the Committee.

Pursuant to RAD's instructions, on February 7, 2006, the Hague Committee amended its quarterly filings for 2003, 2004 and 2005 to disclose the actual recipients of the embezzled

28044190881

funds: Hildebrand and the Montessori Children's House. On April 15, 2006, the Committee submitted its 2006 April Quarterly report reflecting the Committee's receipt of the restitution payment and subsequent reimbursements to campaign contributors. At that time, the Committee also filed a termination report.

Although the Hague Committee's failure to accurately report disbursements stems from Hildebrand's apparent embezzlement of campaign funds, it appears that the Committee violated the Act when it filed the resulting inaccurate reports. Under the Act, the Hague Committee, through its treasurer, was required to disclose disbursements accurately. *See* 2 U.S.C. §§ 432(c)(5), 434(b)(4)(G), 434(b)(6)(A); 11 C.F.R. § 104.3(b). Committee treasurers are responsible for the timely and complete filing of disclosure reports and for the accuracy of the information contained therein. *See* 11 C.F.R. § 104.14(d). The failure to implement adequate internal control procedures over Committee finances (*e.g.*, regular audits, control procedures over receipts and disbursements, segregated duties, or periodic review of finances) is a consideration when determining Committee liability.

In this matter, we have no specific information about the Committee's internal controls. Hildebrand was apparently in a position to draft checks and disguise them as operating expenditures and refunds. The 2004 October Quarterly report, signed electronically by Committee treasurer Lindsey Echelbarger, listed a contribution refund to Echelbarger (that he did not actually receive) and yet this apparently did not raise any red flags.

The embezzlement scheme was carried out over a period of 14 months. The Committee has admitted that Hildebrand made 51 unauthorized disbursements that may never have been discovered if not for the attentiveness of a contributor who reviewed the Committee's disclosures on the FEC website. Furthermore, the \$56,209.82 Hildebrand embezzled from the Committee

accounts for approximately 23% of the Committee's total operating budget of approximately \$246,000. There is no information indicating that the Committee segregated duties, regularly undertook audits, had control procedures over disbursements, conducted periodic review of its finances, or had any other internal controls in place.

Therefore, there is reason to believe that Hague for Congress Committee and Lindsey Echelbarger, in his official capacity as Treasurer, violated 2 U.S.C. §§ 432(c)(5), 434(b)(4)(G), and 434(b)(6)(A), and 11 C.F.R. § 104.3(b) by failing to accurately account for and report certain disbursements in its FEC disclosures.

28044190882