

## REPORTS ANALYSIS REFERRAL

TO

## OFFICE OF GENERAL COUNSEL

DATE: February 26, 2008

ANALYST: Laura Sinram

I. COMMITTEE: San Antonio Police Officers Association Political Action Committee  
C00396655  
Robert Grajeda, Treasurer (9/20/06 – present)  
Clifford Morgan, Treasurer (2/18/04 – 9/19/06)  
1939 NE Loop 410, Suite 300  
San Antonio, TX 78217

II. RELEVANT STATUTE: 2 U.S.C. §432  
2 U.S.C. §434(b)  
2 U.S.C. §439a(b)  
11 CFR §102.9  
11 CFR §102.15

## III. BACKGROUND:

**Other Violations of the Federal Election Campaign Act (Unauthorized Disbursement of Committee Funds)**

Clifford Morgan, the former treasurer of the San Antonio Police Officers Association Political Action Committee (“the Committee”), made unauthorized disbursements of Committee funds totaling approximately \$62,400.00 during the 2005-2006 election cycle.

On September 14, 2006, the Reports Analysis Division (“RAD”) Compliance Branch Chief spoke with Carmen Ruffin, a Committee representative, who explained that Clifford Morgan, the Committee’s treasurer, had resigned. According to Ms. Ruffin, Mr. Morgan had done “unethical” things. Ms. Ruffin stated that the new treasurer was Robert Grajeda, and the Committee was being reorganized. RAD Compliance Branch Chief advised Ms. Ruffin to have Mr. Grajeda call her and file an amended Statement of Organization (FEC FORM 1) to disclose himself as the new treasurer (Attachment 2).

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On September 15, 2006, Mr. Grajeda called the RAD Compliance Branch Chief. Among other issues, Mr. Grajeda stated that Mr. Morgan had been fired for embezzling \$100,000.00 from the San Antonio Police Officers Association ("the Association"). Mr. Grajeda stated that he believed the embezzled funds came from the Association and not Committee accounts (Attachment 2).

On September 19, 2006, Mr. Grajeda called the RAD Analyst to explain that Mr. Morgan was no longer with the Committee or the Association because Mr. Morgan embezzled \$100,000.00 from the Association. The Analyst asked if the embezzled funds involved Committee assets, and Mr. Grajeda said he did not think so but that an investigation was ongoing (Attachment 2).

On October 3, 2006, the Analyst called Mr. Grajeda and stated that the Commission needed to be informed if the Committee becomes subject to the investigation. Mr. Grajeda said that the investigation was taking longer than expected because Mr. Morgan had used credit cards as well as checks, and that there was no indication thus far that Committee funds were used (Attachment 2).

On October 17, 2006 and November 1, 2006, Mr. Grajeda called the Analyst to tell her, among other things, that the investigation showed that the bulk of the funds were embezzled using credit cards, and that the investigator will inform Mr. Grajeda of any findings involving Committee funds (Attachment 2).

On December 1, 2006, Mr. Grajeda called the Analyst and stated that the investigation uncovered five (5) charges made on a Committee credit card totaling approximately \$2,400.00 that appeared to be for personal items rather than Committee expenses (Attachment 2). Also on December 1, 2006, the Analyst called Mr. Grajeda back to ask if the embezzlement investigation was complete. Mr. Grajeda said that the investigation was still ongoing. The Analyst asked for a list of the charges. Mr. Grajeda stated that the credit card charges totaled \$2,400.00 and that the Committee had already paid the credit card bills. The Analyst asked if these disbursements were itemized on the reports the Committee filed with the Commission. Mr. Grajeda said these disbursements were on the IRS reports but not on the reports submitted to the Commission. The Analyst told Mr. Grajeda that he needed to amend his reports to disclose these disbursements and file a miscellaneous electronic submission (FEC FORM 99) to explain which charges were related to the embezzlement. Mr. Grajeda said that Mr. Morgan, the former treasurer, has admitted taking the money and that investigators have found about \$100,000.00 in embezzled funds, \$2,400.00 of which were with Committee assets. Mr. Grajeda said that Mr. Morgan has paid back some of the embezzled money and also said that some of the charges go back a couple of years and may have been before the Committee registered with the Commission (Attachment 2).

On January 4, 2007, Mr. Grajeda called the Analyst and stated that he wanted to terminate the Committee. In addition to explaining the termination requirements and other issues, the Analyst told Mr. Grajeda that the Committee would probably not be allowed to terminate at this time due to the embezzlement and other outstanding issues. The

Analyst also asked Mr. Grajeda if there was any new information regarding the embezzlement, to which Mr. Grajeda said no (Attachment 2).

On April 17, 2007, the Analyst called Mr. Grajeda to discuss the embezzlement, among other issues. Mr. Grajeda explained that the detective had finished the investigation regarding the embezzled funds and would sign a letter attesting to that effect. The Analyst also explained that the Commission would not let the Committee terminate at this time due to the embezzlement issue (Attachment 2).

On June 19, 2007, Mr. Grajeda called the Analyst. In addition to other issues, the Analyst and Mr. Grajeda again discussed the embezzlement. Mr. Grajeda stated that the embezzlement investigation had been completed. According to an e-mail from the investigator, \$60,000.00 was moved between various accounts; however, Mr. Grajeda was unsure of the details. One of the accounts involved was the Committee's account.<sup>1</sup> The Analyst re-emphasized that since the embezzlement involved the Committee to a greater extent than was previously believed, the Commission would need to look at the issue before allowing the Committee to terminate. Mr. Grajeda asked about repercussions from the embezzlement. The Analyst explained that enforcement action is possible (Attachment 2).

On June 20, 2007, Mr. Grajeda called the Analyst to request additional time to submit a document further explaining the embezzlement. The Analyst gave him two weeks to submit the information (Attachment 2).

On July 6, 2007, the Committee filed a Miscellaneous Electronic Submission (FEC FORM 99) explaining the movement of funds involved in the embezzlement. The Committee stated that Mr. Morgan was the Committee's treasurer from February 2002 until February 2006.<sup>2</sup> Furthermore, the Committee stated in part:

"An investigation has been conducted by the Special Crimes Unit of the San Antonio Police Department as to Mr. Morgan's activities as treasurer of these entities. As a result of this investigation, the SAPOA PAC has been informed by Detective Gary McMaster of the San Antonio Police Department Special Crimes Unit of the following financial transactions by Mr. Morgan. According to Detective McMaster: 1. In December 2004, Mr. Morgan transferred \$60,000.00 from the [San Antonio Police Officers Association ("SAPOA") PAC Fund] to [SAPOA Police Benefit Fund/Store Operating Account]. 2. On July 14, 2005, Mr. Morgan transferred \$40,000.00 of the converted PAC Funds from [SAPOA Police Benefit Fund/Store Operating Account] to the [SAPOA Operating Account]. 3. Also on July 14, 2005, Mr. Morgan transferred an additional

<sup>1</sup> \$2,400.00 in unauthorized credit card transactions and \$60,000.00 in unauthorized transfers make up the total of \$62,400.00 in unauthorized disbursements cited in this referral.

<sup>2</sup> However, the Committee did not file the appropriate Statement of Organization (FEC FORM 1) acknowledging the change in treasurer until 9/20/06.

\$1000.00 of the converted PAC Funds from [SAPOA Police Benefit Fund/Store Operating Account] to a [Wells Fargo Money Service Business Account]. This \$1000.00 was withdrawn with an ATM card. 4. On July 20, 2005, Mr {sic} Morgan transferred an additional \$14,594.13 of the converted PAC Funds from [SAPOA Police Benefit Fund/Store Operating Account] to the [SAPOA Operating Account]. 5. On December 9, 2005, Mr. Morgan transferred an additional \$1,000.00 of the converted PAC Funds from [SAPOA Police Benefit Fund/Store Operating Account] to the SAPOA Operating Account. The Hanke group has been engaged to conduct an independent audit of these funds in an effort to verify the information received from Detective McMaster. As of this date, the final report from the audit has not been received. All of the above-described, alleged transactions by Clifford Morgan were made without the knowledge and/or authority of the SAPOA PAC Committee and/or the SAPOA Officers and Board of Directors. At this time, the SAPOA PAC Committee has no reason to believe that the alleged transfer of \$60,000.00 from [SAPOA PAC Fund] in December 2004 was related to any political contribution or PAC. Further, this transfer has not been disclosed on any previous SAPOA PAC report. At the time of the transfer described herein, [SAPOA Police Benefit Fund/Store Operating Account] was used by the SAPOA as a Police Benefit Fund. This fund was used to assist SAPOA members who {sic} experienced a financial hardship, such as a major illness or death in the member's family. In approximately April 2006, {sic} [SAPOA Police Benefit Fund/Store Operating Account] was changed to be the operating account for the SAPOA Store which sells Association related merchandise. Now that these alleged transactions have been made known to the SAPOA PAC Committee, it desires to correct any previous errors committed by its former treasurer. The SAPOA also desires to correct any previous errors committed by its former treasurer by refunding the \$60,000.00 transferred from the SAPOA PAC Fund to a SAPOA account in December 2004 [SAPOA Police Benefit Fund/Store Operating Account]. However, the SAPOA PAC and the SAPOA seek guidance in the appropriate manner in which to proceed. Please advise as to all steps necessary to correct the situation created by these alleged transactions" (Image 27990188615).

On August 22, 2007, Mr. Grajeda called the Analyst and asked, among other issues, about the status with the Commission of the Committee's embezzlement problem. The Analyst explained that it will take some time for the Office of General Counsel ("OGC") to review this case. The Analyst reminded Mr. Grajeda that the Committee is not allowed to terminate at this time (Attachment 2).

On February 21, 2008, the Party/Non-Party Branch Chief (BC) left a telephone message for Mr. Grajeda asking him about the status of amending the reports to disclose unauthorized non-federal activity from the 2005-2006 election cycle, which had not been included in the original filings. The BC left another message for Mr. Grajeda on February

25, 2008. Later that day, Mr. Grajeda returned the BC's phone call and stated that the Committee did not have any records for the omitted 2005-2006 cycle activity "in-house," and that he would need to check the Committee's State reports to see if they include this activity and then transfer the information to the FEC reports. Mr. Grajeda added that if the activity was not reported on State reports, he would need to "start from scratch" and get the information from the transaction statements and records, which would take more time. Mr. Grajeda stated that he could not provide a time line for submitting the amendments; that his boss indicated this should be the top priority, and that he would follow up with the BC regarding the status of the amendments the following week. The BC emphasized that the amendments should be filed as soon as possible.

To date, no further communication has been received from the Committee regarding this matter.

FEDERAL ELECTION COMMISSION  
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SAN ANTONIO POLICE OFFICERS ASSOCIATION POLITICAL ACTION COMMITTEE  
ROBERT GRAJEDA  
FILING FREQUENCY: QUARTERLY

1939 NE LOOP 410 SUITE 300

SAN ANTONIO

NON-PARTY NON-QUALIFIED ID #C00396655  
TX 78217

FORM TYPE	RPT TYPE	AI	PGI	REC DATE	PGS	BEG IMAGE	COVERAGE DATES	BEG CASH	RECEIPTS	DISBURSE	END CASH	DEBTS BY
1			A	9/20/2006	5	26039190820						
MS			N	10/11/2006	2	26039203818						
RQ	Q1	2		7/15/2005	3	25038841160	1/01/2005 3/31/2005					
RQ	Q2	2		10/07/2005	3	25038903074	4/01/2005 6/30/2005					
RO	Q1	7		5/02/2006	2	26039064585	1/01/2006 3/31/2006					
RO	Q2	2		12/08/2006	3	26039301217	4/01/2006 6/30/2006					
RQ	Q2	7		8/01/2006	2	26039160646	4/01/2006 6/30/2006					
RO	Q3	2		12/08/2006	3	26039303054	7/01/2006 9/30/2006					
RO	30G	2		8/08/2007	4	27039451621	10/01/2006 11/27/2006					
RO	30G	2		7/11/2007	3	27039470633	10/01/2006 11/27/2006					
RO	YE	2		8/08/2007	3	27039451618	11/26/2006 12/31/2006					
3	Q1	N	P	4/15/2005	12	25990506093	1/01/2005 3/31/2005	197828	28524	20014	204338	0
3	Q2	N	P	7/30/2005	29	25870858801	4/01/2005 6/30/2005	204338	25324	124301	105361	0
3	Q2	A	P	11/09/2005	30	25871448877	4/01/2005 6/30/2005	204338	25324	124301	105361	0
3	YE	N	P	1/31/2006	16	26970040779	7/01/2005 12/31/2005	105361	47071	45253	107179	0
3	Q1	N	P	10/25/2006	16	26930510715	1/01/2006 3/31/2006	187179	25429	15089	117519	0
3	Q1	A	P	1/30/2007	15	27940102213	1/01/2006 3/31/2006	107179	25429	15089	117519	0
3	Q2	N	P	10/25/2006	12	28950873298	4/01/2006 6/30/2006	235038	23436	7819	250855	0
3	Q2	A	P	1/30/2007	12	27940102288	4/01/2006 6/30/2006	117519	23436	7819	133136	0
3	Q3	N	P	10/25/2006	11	28980584631	7/01/2006 9/30/2006	901311	01372	7310	515372	0
3	Q3	A	P	1/24/2007	11	27930071081	7/01/2006 9/30/2006	133136	21372	7310	147197	0
3	Q3	A	P	6/19/2007	11	27930828768	7/01/2006 9/30/2006	133136	21372	7310	147197	0
3	30G	N	P	12/07/2006	17	28940818219	10/01/2006 11/27/2006	250655	17201	49379	218477	0

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NON-PARTY NON-QUALIFIED ID #C00398655  
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3	30G	A	P	7/08/2007	17	27990187627	10/01/2006 11/27/2006	147197	17194	49349	115042	0
3	30G	A	P	7/20/2007	17	27930981128	10/01/2006 11/27/2006	147197	17194	49349	115042	0
3	YE	N	P	1/31/2007	11	27930115115	11/28/2006 12/31/2006	147197	18491	9400	156288	0
3	YE	A	P	7/08/2007	10	27990187683	11/28/2006 12/31/2006	115042	18491	9400	124132	0
3	YE	A	P	7/20/2007	10	27930981119	11/28/2006 12/31/2006	115042	18491	9400	124132	0
TOTAL									204841	278585		

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