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August 5, 2011

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OFFICE OF GENERAL
COUNSEL

BY HAND DELIVERY

Mr. Stephen Gura
Deputy Associate General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

PRE-MUR # 526

Re: Sua Sponte Submissions from Geoff Davis for Congress

Dear Mr. Gura:

As you requested, we write on behalf of our client, Geoff Davis for Congress (the "Committee"), to memorialize sua sponte submissions that we previously conveyed to the Commission by phone and during an in-person meeting.

I. Background

After the Committee retained Kevin Broghamer to serve as its new compliance officer, he was reviewing the Committee's June 2010 bank statement in early July 2010 and noticed a payment to Joe Green, the Committee's treasurer at the time. After further investigation by Mr. Broghamer, it appeared that this and other unreported payments were unauthorized.

The Committee retained Covington & Burling LLP as counsel, terminated Mr. Green as treasurer, and notified both local law enforcement in Kentucky and the Commission about the unauthorized payments to Mr. Green. I made a sua sponte report to the Commission on behalf of the Committee, by telephone call on July 27, 2010 to Michael Columbo of the Office of General Counsel. In that telephonic sua sponte, I informed Mr. Columbo that the Committee believed that at least \$5,900 in unauthorized payments had been made by the Committee's treasurer to himself, and that he had been terminated as treasurer. I further informed Mr. Columbo that the Committee intended to retain an accountant to conduct an audit of the Committee's books and records, and that in due course the Committee would report to the Commission on the audit findings, and make any necessary amendments to the Committee's reports.

Mr. Green subsequently refunded to the Committee \$5,900, which was the amount of unauthorized payments that had been identified by the Committee at that time. This refund was reported to the Commission on the Committee's next scheduled disclosure report.

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After initial work was performed by a local accountant in Kentucky, the Committee retained Michael J. Erler, CPA, to perform an audit of the Committee's books and records. Mr. Erler completed this work and described his findings to the Committee on February 27, 2011. The Committee performed additional due diligence to follow up on those findings. In addition to identifying several unreported or misreported payments to Mr. Green, the audit revealed various reporting errors in the Committee's past FEC filings, though Mr. Erler found no indication that those reporting errors were connected to Mr. Green's unauthorized payments to himself. Those reporting errors appear to have cropped up over a long period of time during which the Committee's bank statements were not being regularly reconciled with accounting records and FEC reports.

Keith Davis of Huckaby Davis Lisker and I met with you and your Commission colleagues on June 1, 2011, to discuss the results of the audit. Mr. Davis was retained by the Committee to assist in overseeing the audit and the preparation of any required amendments. With regard to the reporting issues, RAD agreed that the Committee could file a consolidated Form 99 listing the various items discovered during the audit. This Form 99 would be filed in lieu of amending each report filed during the period covered by the audit. The Committee intends to file the Form 99 shortly. In addition, in consultation with the staff, the Committee previously adjusted its reported cash on hand to conform to funds actually available in the Committee's bank account.

II. Summary of Audit Findings

The audit of the Committee's records and reports covered the period from January 1, 2007, through June 30, 2010. The primary goal of the audit was to identify any suspicious disbursements or any other transactions that might indicate misappropriation of funds.

The audit concluded that the true cash balance in the Committee's bank account as of June 30, 2010, was \$865,673.16. The cash balance reported to the FEC was \$810,097.66, which represents a discrepancy of \$55,575.50. Of that surplus over the reported cash on hand, \$11,665.27 occurred during the audit's review period. A surplus over reported cash on hand of \$43,910.23 existed as of January 1, 2007, the beginning of the period covered by the audit. The reporting issues identified in the audit are summarized below.

The audit identified four Committee checks to Mr. Green totaling \$6,843.03 that were unreported to the FEC. In addition, the audit identified a single \$2,000 check to Mr. Green that was reported as a \$1,500 disbursement to him, meaning that \$500 went unreported. Because each of these unreported payments to Mr. Green were not authorized, the total amount of unauthorized disbursements by Mr. Green to himself totaled \$7,343.03.

In addition, the audit identified reporting errors such as direct mailing postage refunds not reported, returned contributor checks not reported, over-recorded bank fees, and miscellaneous

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computation errors. The audit also identified a set of four contribution checks that the Committee inadvertently failed to deposit, but still reported to the FEC.

A complete list of reporting errors identified during the audit is attached with this letter as Exhibit I.

III. Conclusion

As described above, the Committee notified relevant law enforcement about the misappropriation, notified the FEC, and amended its reports to reflect the correct cash-on-hand. We are in the process of filing a Form 99 detailing the reporting issues self-identified during the Committee's audit. In addition, the Committee took immediate corrective measures including termination of the responsible party and instituting new practices, such as regular reconciliation of bank statements, accounting records, and FEC reports.

The Committee will continue to cooperate with the Commission on the issues addressed in this letter and raised in our earlier communications. Please feel free to contact me if you have any questions about these issues.

Respectfully Submitted,



Robert K. Kelnar

Enclosure

cc: Peter Blumberg

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