



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

By E-mail & U.S. Mail

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JUL 09 2013

RE: MUR 6743
(formerly Pre-MUR 547)

Dear Ms. Gordon:

On June 25, 2013, the Federal Election Commission accepted the signed conciliation agreement submitted to resolve violations of the reporting requirements of the Federal Election Campaign Act by your client, the American Association for Justice Political Action Committee and Heather Tureen in her official capacity as treasurer. I have enclosed a copy of the fully executed conciliation agreement for your files. Please note that, as specified in the agreement, the \$27,000 civil penalty is due within 30 days of the agreement's effective date.

The file in this matter is now closed. Therefore, documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003); Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66,132 (Dec. 14, 2009). The Commission will not make public information derived in connection with any conciliation attempt, however, without the written consent of the respondent and the Commission. 2 U.S.C. § 437g(a)(4)(B).

If you have any questions, please contact me at (202) 694-1597.

Sincerely,

Leonard O. Evans III
Attorney, Enforcement Division

Enclosure

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III. AAJ PAC, through its undersigned representatives, who represent that they have the authority to enter into this Agreement on its behalf, voluntarily enters into this Agreement with the Commission.

IV. The parties agree that the pertinent facts are as follows:

1. The American Association for Justice ("AAJ") is a section 501(c)(6) tax-exempt trade association with a mission focused on "promot[ing] a fair and effective justice system . . . and to support the work of attorneys in their efforts to ensure that any person who is injured by the misconduct or negligence of others can obtain justice in America's courtrooms." AAJ PAC is AAJ's separate segregated fund ("SSF") and therefore is a political committee within the meaning of 2 U.S.C. § 431(4). *See* 2 U.S.C. §§ 431(4)(B), 441b(b). Heather Tureen is AAJ PAC's current treasurer of record.

2. The Federal Election Campaign Act (the "Act") requires committee treasurers to file reports of receipts and disbursements according to the requirements of 2 U.S.C. § 434. *See* 2 U.S.C. § 434(a)(4); 11 C.F.R. § 104.1(a). These reports must disclose, *inter alia*, the total amount of receipts and disbursements and the cash on hand at the beginning of the reporting period. *See* 2 U.S.C. § 434(b); 11 C.F.R. § 104.3. The Act also requires committees to disclose itemized breakdowns of receipts and disbursements, including the disclosure of the name and address of each person who has made any contributions or received any disbursements in an aggregate amount or value greater than \$200 within the calendar year, together with the date and amount of any such contribution or disbursement. *See* 2 U.S.C. § 434(b)(3)-(6); 11 C.F.R. § 104.3(a)(4), (b)(3).

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3. In a letter dated August 20, 2012, AAJ PAC reported to the Commission that it had identified two types of discrepancies in its disclosure reports filed with the Commission over many years.

Credit-Card-Processing-Fees Discrepancy

4. In its role as AAJ PAC's connected organization, AAJ pays certain administrative and solicitation costs for AAJ PAC. AAJ also has affiliates in each state, and each affiliate has a connected non-federal political committee. AAJ acts as a collecting agent for some of these affiliates and their SSFs, collecting and processing dues payments and associated credit card processing fees.

5. In or around March 2009, AAJ management discovered that its finance personnel had been providing the wrong credit-card-processing-fee figures to the AAJ PAC personnel responsible for filing AAJ PAC's FEC disclosure reports, and therefore AAJ PAC's reports included inaccurate figures. Rather than providing the credit-card-processing-fees figure associated with AAJ PAC, AAJ finance personnel had provided AAJ PAC personnel with the credit-card-processing-fee figure associated with AAJ's state affiliates and those affiliates' connected non-federal committees. AAJ PAC personnel then included the inaccurate processing-fees figure as an operating expenditure on line 21b of AAJ PAC's disclosure reports.

6. AAJ finance personnel also erroneously provided the figure for the reimbursement of the state affiliates' processing fees, which AAJ PAC then erroneously reported on line 15 of its disclosure reports as an offset to its operating expenditures. In fact, AAJ PAC believes AAJ may never have reimbursed AAJ PAC for its credit card processing fees.

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7. In April 2009, AAJ PAC began correctly reporting the credit card processing fees it paid and ceased reporting reimbursement of those fees by AAJ.

8. Although AAJ PAC believes that this problem originally arose as early as 1997, between 2008 and May 2009, the difference between the amount of fees reported to the Commission and the amount actually incurred by AAJ PAC totaled approximately \$61,201.42.

Cash-On-Hand Discrepancy

9. In April 2010, AAJ PAC received the results of an annual audit, conducted by an outside accountant, which concluded that the cash on hand reported to the Commission in AAJ PAC's August 2009 monthly report was \$349,000 higher than the actual balance.

10. After learning of this discrepancy, AAJ personnel conducted an internal review and found that the cash-on-hand discrepancy arose sometime between 1989 and December 1992. As part of the internal review, AAJ hired an outside accountant who reviewed cash reporting and reconciliation processes to assist in identifying any procedural issues that may have led to the discrepancy.

11. The amount of the cash-on-hand discrepancy fluctuated up and down between December 1992 and 2011 before stabilizing at between \$325,000 and \$335,000 per month.

12. As of September 2011, AAJ PAC's cash-on-hand reporting discrepancy was \$326,551.02.

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V. AAJ PAC violated the Act and Commission regulations by misstating its administrative expenditures and offsets associated with credit card processing fees by \$61,201.42 and overstating its cash on hand by \$326,551.02, both in violation of 2 U.S.C. § 434(b).

VI. Having acknowledged the violations of the Act set forth in this Agreement, AAJ PAC will do the following to fully resolve and settle this matter:

1. Pay to the Commission a civil penalty in the amount of Twenty-Seven Thousand (\$27,000), under 2 U.S.C. § 437g(a)(5);
2. Make a one-time adjustment in AAJ PAC's next disclosure report, accompanied by a detailed explanatory Form 99, in accordance with instructions from the Commission's Reports Analysis Division, to reflect accurately AAJ PAC's current cash on hand;
3. Cease and desist from committing the violations of 2 U.S.C. § 434(b) described in this Agreement;
4. Require that its treasurer and any other AAJ PAC personnel involved in carrying out AAJ PAC's disclosure obligations attend a Commission-sponsored training conference or a comparable legal compliance training program during 2013 and thereafter submit evidence of registration and attendance at such event; and
5. Direct its outside accountant to conduct an "agreed upon procedures" engagement ("AUP") to review AAJ PAC's financial activity and disclosure reports each calendar year for the next five years. This annual AUP will examine AAJ PAC's bank records compared with its FEC disclosure reports for the previous year, beginning with reports filed in calendar year 2012, to ascertain whether AAJ PAC's financial activity and cash on hand were accurately disclosed to the Commission. After completing the AUP

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and no later than October 1, 2013, with regard to reports filed in 2012, and no later than July 1 of the year during which the AUP for each of the four succeeding years is conducted, the outside accountant who undertook the AUP will submit to the Commission's Reports Analysis Division a letter or report certifying that it completed the AUP and disclosing its findings based on the procedures used in conducting the AUP.

VII. Within no more than thirty days from the effective date of this Agreement, AAJ PAC will fully implement and comply with the requirements of paragraphs VI.1. through VI.3. of this Agreement and notify the Commission in writing that it has done so. Time frames for compliance with the requirements of paragraphs VI.4. and VI.5. are set forth within those paragraphs.

VIII. This Agreement is effective as of the date that all parties have executed it and the Commission has given its final approval.

IX. At the request of anyone filing a complaint under 2 U.S.C. § 437g(a)(1) concerning the matters at issue in this case, or on its own motion, the Commission may review compliance with this Agreement. If the Commission finds that AAJ PAC has violated any requirement set forth in this Agreement, it may institute a civil action for relief in the United States District Court for the District of Columbia.

X. This Agreement constitutes the entire agreement between the parties concerning this matter. No other statement, promise, or agreement, whether oral or written, made by either party or by agents of either party will be enforceable as part of this Agreement.


XI. This Agreement may be executed in counterparts, each of which constitutes an original and all of which collectively constitute one and the same Agreement.

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Dated: 7/9/13

FOR THE COMMISSION:

Anthony Herman
General Counsel


BY: 
Daniel A. Petalas
Associate General Counsel for Enforcement

Peter Blumberg
Assistant General Counsel


Leonard O. Evans III
Attorney, Enforcement Division

FOR AAJ PAC:

Dated: 6/12/13

BY: 
~~Heather Turson, Treasurer~~ Jillian Cooney, Assistant
American Association for Justice Political Treasurer
Action Committee

Dated: 6/12/13


Rebecca H. Gordon, Esq.
Andrew Werbrock, Esq.
Perkins Coie LLP
Counsel to AAJ PAC

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