REPORTS ANALYSIS DIVISION REFERRAL

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OFFICE OF GENERAL COUNSEL

DATE: August 4, 2017

ANALYST: Carolina Mongeon

Applegate for Congress C00581595 Jane Leiderman, Treasurer (5/30/17 – Present) Jennifer May, Treasurer (12/28/16 – 5/29/17) Douglas Loren Applegate, Treasurer (7/20/15 – 12/27/16) 16633 Ventura Blvd., #1008 Encino, CA 91436

II. RELEVANT STATUTE:

COMMITTEE:

1.

52 U.S.C. § 30104(b)(4) 11 CFR § 104.3(b)

III. BACKGROUND:

Failure to Provide Supporting Schedules (Failure to Disclose All Financial Activity)

The Applegate for Congress Committee ("the Committee") amended its 2016 12 Day Pre-General Report to disclose additional disbursements of \$95,094.32, which were not disclosed in the original report. The Committee also amended its 2016 30 Day Post-General Report to disclose additional disbursements of \$278,435.82, which were not disclosed in the original report (Attachment 2).

2016 12 Day Pre-General Report

On October 27, 2016, the Committee filed the original 2016 12 Day Pre-General Report covering the period from October 1, 2016 through October 19, 2016. The report disclosed \$350,241.43 in disbursements on Line 17 (Operating Expenditures) and no disbursements on Line 20(a) (Refunds of Contributions to Individuals/Persons Other Than Political Committees) of the Detailed Summary Page (Image 201610279036932333).

On March 17, 2017, the Committee filed an Amended 2016 12 Day Pre-General Report. The report disclosed \$442,115.76 in disbursements on Line 17 and \$3,219.99 in disbursements on Line 20(a), a total increase in disbursements of \$95,094.32 from the original report (Image 201703179050882529, Attachment 2).

On April 25, 2017, a Request for Additional Information (RFAI) was sent to the Committee referencing the Amended 2016 12 Day Pre-General Report, received March 17, 2017. The RFAI requested clarification regarding the substantial increase in disbursements disclosed in the Amended 2016 12 Day Pre-General Report (Image 201704250300085047).

2016 30 Day Post-General Report

On December 8, 2016, the Committee filed the original 2016 30 Day Post-General Report covering the period from October 20, 2016 through November 28, 2016. The report disclosed \$658,202.28 in disbursements on Line 17 (Operating Expenditures) and \$2,426.32 in disbursements on Line 20(a) (Refunds of Contributions to Individuals/Persons Other Than Political Committees) of the Detailed Summary Page (Image 201612089040557887).

On January 12, 2017, the Reports Analysis Division (RAD) Analyst spoke with Dan Redding, a Committee representative. Mr. Redding said that the compliance firm he worked for was recently hired by the Committee, and that the firm was in the process of conducting an internal audit. He said the Committee planned to submit amendments to correct its reports (Attachment 3).

On February 24, 2017, the Analyst spoke with Jennifer May, the Committee's Treasurer at the time. Ms. May stated that the compliance firm she worked for was having a difficult time obtaining documents and records. She said she anticipated filing amendments to the Committee's reports soon (Attachment 3).

On March 24, 2017, the Committee filed an Amended 2016 30 Day Post-General Report. The report disclosed \$933,396.10 in disbursements on Line 17 and \$5,668.32 in disbursements on Line 20(a), a total increase in disbursements of \$278,435.82 from the original report (Image 201703249051887497, Attachment 2).

On April 25, 2017, an RFAI was sent to the Committee referencing the Amended 2016 30 Day Post-General Report, received March 24, 2017. The RFAI requested clarification regarding the substantial increase in disbursements disclosed in the Amended 2016 30 Day Post-General Report (Image 201704250300085056).

On May 30, 2017, the Committee filed a Miscellaneous Electronic Submission ("FEC Form 99") in response to the RFAI referencing the Amended 2016 12 Day Pre-

General Report, received March 17, 2017 and the RFAI referencing the Amended 2016 30 Day Post-General Report, received March 24, 2017. The Committee stated, in part:

"During the 2016 election, the Committee retained a professional outside compliance firm to handle its accounting and prepare its disclosure reports. Though the Committee specifically instructed the vendor to review the Committee?s [*sic*] bank information to ensure that all wire transfers were reported to the Commission, as the Committee later learned, the vendor failed to report several disbursements on the Committee?s [*sic*] Pre-General report. The vast majority of this was due to a \$93,629.25 wire disbursement that was not reported on the Committee?s [*sic*] initial Pre-General Report.

After the 2016 election, the Committee retained a new professional compliance firm to take over the accounting and reporting for the committee. The Committee repeatedly asked its previous vendor to provide the new vendor with access to the campaign finance database software, but the previous vendor did not provide the requested access until February 2017. Accordingly, before it filed the Post-General Report, the new vendor had to recreate the Committee?s [*sic*] reporting database from scratch from the Committee?s [*sic*] banking and other records, all in short order. In the process, some additional disbursements were inadvertently omitted from the Post-General report. The majority of this was due to a \$211,868.00 disbursement to New Media on October 27.

In the course of preparing the Post-General Report, the Committee?s [sic] new vendor identified that the previous vendor had filed an incomplete Pre-General report, and notified the Committee. At this point, it became clear that the previous vendor had not been reconciling its reports to the bank statements, as was its responsibility. Accordingly, the Committee instructed its new vendor to conduct a complete reconciliation of the committee?s [sic] 2016 reports, and to file a comprehensive set of amendments to correct the public record. The Committee filed these amendments between March 3 and March 24, 2017, and has revised its internal procedures to require that its reports are reconciled both by its compliance consultant and by Committee staff prior to filing" (Image 201705309055161532).

On June 19, 2017, the Analyst spoke with Jane Leiderman, the Committee's current Treasurer. The Analyst stated that the Committee would be referred to another office within the Commission for further action due to the substantial increase in activity disclosed on the Amended 2016 12 Day Pre-General Report and the Amended 2016 30 Day Post-General Report (Attachment 3).

To date, no further communications have been received from the Committee regarding these matters.

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Attachment 1

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Attachment 1

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Applegate for Congress (C00581595) 2016 12 Day Pre-General Report/Amended 2016 12 Day Pre-General Report

Overview of Additional Disbursements

Report Line	Original 2016 12 Day Pre- General Report (Image 201610279036 932333)	Amended 2016 12 Day Pre-General Report, Received 3/17/2017 (Image 20170317905088 2529)	Variance Amount
Line 17: Operating Expenditures	\$350,241.43	\$442,115.76	\$91,874.33
Line 20(a): Refunds of Contributions to Individuals/Persons Other Than Political Committees	\$0.00	\$3,219.99	\$3,219.99
		Total:	\$95,094.32

2016 30 Day Post-General Report/Amended 2016 30 Day Post-General Report

Overview of Additional Disbursements

Report Line	Original 2016 30 Day Post- General Report (Image 201612089040 557887)	Amended 2016 30 Day Post-General Report, Received 3/24/2017 (Image 20170324905188749 7)	Variance Amount
Line 17: Operating Expenditures	\$658,202.28	\$933,396.10	\$275,193.82
Line 20(a): Refunds of Contributions to Individuals/Persons Other Than Political Committees	\$2,426.32	\$5,668.32	\$3,242.00
		Total:	\$278,435.82