

1 **FEDERAL ELECTION COMMISSION**

2 **FIRST GENERAL COUNSEL'S REPORT**

3 **MUR:** 7429

4 **DATE COMPLAINT FILED:** July 16, 2018

5 **DATE OF NOTIFICATION:** July 20, 2018

6 **LAST RESPONSE RECEIVED:** Aug. 7, 2018

7 **DATE ACTIVATED:** Dec. 15, 2018

8

9 **ELECTION CYCLE:** 2018

10 **EXPIRATION OF SOL:** April 15, 2023

11

12 **COMPLAINANT:**

Hansel J. McCadams

13

14 **RESPONDENT:**

15 Friends of George Flinn and Sondra Annette Grills
16 in her official capacity as treasurer

17 **RELEVANT STATUTES
18 AND REGULATIONS:**

19 52 U.S.C. § 30104(b)(4), (5)(A), (6)(A)

20 11 C.F.R. § 104.3(b)(2), (4)(i), (vi)

21 11 C.F.R. § 104.9(a), (b)

22 **INTERNAL REPORTS CHECKED:**

Federal Disclosure Reports

23 **FEDERAL AGENCIES CHECKED:**

None

24 **I. INTRODUCTION**

25 The Complaint alleges that Friends of George Flinn and Sondra Annette Grills in her
26 official capacity as treasurer (the "Committee") disclosed inadequate or incomplete purposes of
27 \$974,350 in disbursements to vendors for "campaign management" and "accounting" in its 2018
28 April Quarterly Report in violation of the Federal Election Campaign Act of 1971, as amended
29 (the "Act").¹

¹ Compl. at 1 (July 9, 2018).

1 In Response, the Committee denies the allegation, asserting that it hired one vendor,
2 Caissa Public Strategy, LLC (“Caissa”), to “manage all aspects of running the campaign,” and
3 another vendor, Watkins Uiberall, PLLC (“Watkins”), “to do the accounting work.”²

4 Based on the available information, we recommend that the Commission find reason to
5 believe that the Committee violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i) by
6 failing to properly report the purpose of certain disbursements. We further recommend that the
7 Commission authorize the use of compulsory process.

8 **II. FACTUAL AND LEGAL ANALYSIS**

9 **A. Factual Background**

10 George Flinn was a 2018 Republican primary candidate in Tennessee’s 8th Congressional
11 District.³ The Committee’s 2018 April Quarterly Report discloses four disbursements: three to
12 Caissa in the amounts of \$197,350 and \$654,000 for “campaign management,” and \$12,000 for
13 “campaign management expenses;”⁴ and one to Watkins in the amount of \$3,000 for
14 “accounting.”⁵ Based on this information, the Complaint alleges that the Committee was
15 “effectively hiding the nature of its true expenses.”⁶

16 In response, the Committee denies that it was attempting to hide expenses.⁷ The
17 Committee asserts that it hired one vendor, Caissa, as a “full-service communications firm” to

² Resp. at 1 (Aug. 7, 2018).

³ Flinn lost the primary election on August 2, 2018.

⁴ The Complaint incorrectly alleges that the \$12,000 disbursement was disclosed as \$120,000 in the Committee’s report. *See* Compl. at 1; Resp. at 1; Amended 2018 April Quarterly Report at 7 (July 3, 2018).

⁵ Amended 2018 April Quarterly Report at 8 (July 3, 2018).

⁶ Compl. at 1.

⁷ Resp. at 1.

1 “manage all aspects of running the campaign,” including “determin[ing] the target audience,
2 messaging, marketing elements, and timeline.”⁸ The Committee further asserts that it hired
3 another vendor, Watkins, to do the accounting work.⁹ According to the Committee, its \$12,000
4 payment to Caissa was for “poll workers,” and it provides a copy of the check drawn on the
5 Committee’s bank account dated February 22, 2018, payable to “Renasant Bank” in that amount
6 with the notation “cash” written in the bottom left hand corner; on the same date, the Committee
7 disclosed a \$12,000 disbursement to Caissa for “campaign management expenses.”¹⁰ In addition,
8 the Committee provides a copy of an invoice from Watkins in the amount of \$3,000 for “2018
9 January and February Accounting Fees,” and the check payment.¹¹ Last, the Committee provides
10 copies of two invoices from Caissa, for “Campaign Marketing and Outreach” for the months of
11 January and February 2018 in the amounts of \$197,350 and \$654,000, respectively, along with
12 copies of the check payments.¹² None of the invoices provide further details of the services
13 provided.

14 The Committee’s disclosure reports from the 2018 election cycle in their entirety show
15 that it disclosed approximately \$3,000,000 in disbursements to Caissa for “campaign
16 management” or “campaign management expenses,” and \$10,500 in disbursements to Watkins for

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at Attach. 1; Amended 2018 April Quarterly Report at 7 (July 3, 2018).

¹¹ *Id.* at Attach. 2-3.

¹² *Id.* at Attach. 4-7.

- 1 “accounting.” The Committee disclosed no disbursements to any other person. The chart below
 2 itemizes the Committee’s disbursements as set forth in its reports filed with the Commission.¹³

Report and Date of Disbursement	Payee	Disbursement Description	Amount
Amend. 2018 Apr Qtr Feb. 1, 2018	Caissa Public Strategies	Campaign Management	\$197,350
Amend. 2018 Apr Qtr Feb. 21, 2018	Caissa Public Strategies	Campaign Management	\$654,000
Amend. 2018 Apr Qtr Feb. 22, 2018	Caissa Public Strategies	Campaign Management Expenses	\$12,000
Amend. 2018 Apr Qtr March 15, 2018	Watkins Uiberall	Accounting	\$3,000
Amend. 2018 July Qtr May 2, 2018	Caissa Public Strategies	Campaign Management	\$147,762
Amend. 2018 July Qtr May 24, 2018	Watkins Uiberall	Accounting	\$3,000
Amend. 2018 July Qtr May 24, 2018	Watkins Uiberall	Accounting	\$1,500
Amend. 2018 July Qtr June 9, 2018	Watkins Uiberall	Accounting	\$1,500
Amend. 2018 July Qtr June 5, 2018	Caissa Public Strategies	Campaign Management	\$442,488
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Amend. 2018 12 Day Pre- Primary July 3, 2018	Caissa Public Strategies	Campaign Management	\$1,000,000
Termination July 19, 2018	Caissa Public Strategies	Campaign Management	\$390,000
Termination Aug. 8, 2018	Watkins Uiberall	Accounting	\$1,500

¹³ See Amended 2018 April Quarterly Report at 7, 8 (July 3, 2018); Amended 2018 July Quarterly Report 7-9 (Sept. 14, 2018); Amended 2018 12 Day Pre-Primary Report at 6 (Sept. 14, 2018); Termination Report at 6 (Sept. 14, 2018). CELA sent a letter to the Committee denying its request for termination pending the outcome of this matter. See Letter from Kathryn Ross, CELA, to Sondra Annette Grills, Treasurer, Friends of George Flinn (Nov. 15, 2018).

1 According to news reports, beginning in June 2018, the Committee spent millions of
2 dollars airing television commercials on broadcast and cable stations in West Tennessee.¹⁴ The
3 Committee's Facebook and Twitter pages indicate that, between January 19 and July 29, 2018, it
4 aired fifteen television advertisements and produced campaign signs in connection with Flinn's
5 campaign for Congress.¹⁵ The Committee's 2018 disclosure reports do not disclose any
6 disbursements for advertising.

7 B. Legal Analysis

8 The Act and Commission's regulations require that authorized candidate committees
9 disclose the total amount of all disbursements, and disbursements in certain categories, including
10 "expenditures made to meet candidate or committee operating expenses."¹⁶ Authorized
11 Committees are further required to identify the name and address of each person to whom an
12 expenditure is made aggregating in excess of \$200 during the election cycle to meet an operating

¹⁴ Michael Collins and Daniel Connolly, *President Donald Trump Backs US Rep. David Kustoff in Republican Primary for Congress*, MEMPHIS COMMERCIAL APPEAL (July 27, 2018), <https://www.commercialappeal.com/story/news/politics/2018/07/27/trump-endorses-tennessee-congressman-david-kustoff-re-election/852253002/> ("Flinn has already spent \$2.7 million of his own money on the race, with much of that going toward TV ads that attack Kustoff's conservative credentials."); *Flinn Launches New TV Ad Focused on Kustoff Voting With Pelosi 227 Times*, THE TENNESSEE STAR (June 13, 2018), <http://tennesseestar.com/2018/06/13/flinn-launches-new-tv-ad-focused-on-kustoff-voting-with-nancy-pelosi-227-times/>; Daniel Connolly, *Flinn's Willingness to Spend His Own Millions Makes for Competitive Race vs. Kustoff in District 8*, MEMPHIS COMMERCIAL APPEAL (July 24, 2018), <https://www.commercialappeal.com/story/news/2018/07/24/district-8-congress-tn-tennessee-politics-david-kustoff-george-flinn/769863002/>; *Dr. George Flinn Will Challenge Congressman David Kustoff for Congressional Rematch*, VOLUNTEER STATE REPORT (Jan. 2018), <http://ecmsuite.fec.gov/ecmprd/llisapi.dll/fetch/2000/23676/367992/367912/4830676/4831406/5085888/Flinn-challenge-kustoff-congress-%281%29.pdf?nodeid=5086522&vernum=-2>; *US Congressional Candidate Dr. George Flinn Makes Stop in West Tennessee*, WBBJ 7 Eyewitness News Staff (July 26, 2018), <https://www.wbbjtv.com/2018/07/26/u-s-congressional-candidate-dr-george-flinn-makes-stop-in-west-tennessee/>.

¹⁵ See @GeorgeFlinn, FACEBOOK, www.facebook.com/georgeflinn; @GeorgeFlinn, TWITTER, www.twitter.com/GeorgeFlinn.

¹⁶ 52 U.S.C. § 30104(b)(4)(A); 11 C.F.R. § 104.3(b)(2)(i).

1 expense, together with the date, amount, and purpose of such operating expenditure.¹⁷ The
2 Commission's regulations define "purpose" as a "brief statement or description of why the
3 disbursement was made."¹⁸ The regulations list examples of adequate descriptions of the
4 "purpose" of operating expenses, including "dinner expenses, media, salary, polling, travel, party
5 fees, phone banks, travel expenses, travel expense reimbursement, and catering costs."¹⁹
6 However, examples of inadequate descriptions for the reporting of a disbursement include,
7 "*advance, election day expenses, other expenses, expenses, expense reimbursement,*
8 *miscellaneous, outside services, get-out-the-vote, and voter registration.*"²⁰

9 In addition to both non-exhaustive lists, the Commission has provided guidance that "the
10 'purpose of disbursement' entry, when considered along with the identity of the disbursement
11 recipient, must be sufficiently specific to make the purpose of the disbursement clear."²¹ The
12 Commission has determined that the description of purpose should be sufficient to allow "a
13 person not associated with the committee [to] easily discern why the disbursement was made
14 when reading the name of the recipient and the purpose."²²

¹⁷ 52 U.S.C. § 30104(b)(5)(A), (6)(A); 11 C.F.R. §§ 104.3(b)(4)(i), 104.9(a).

¹⁸ 11 C.F.R. §§ 104.3(b)(3)(i)(A), (b)(4)(i)(A), 104.9(a).

¹⁹ 11 C.F.R. §§ 104.3(b)(3)(i)(B), 104.3(b)(4)(i)(A); *see also* FEC, Purposes of Disbursement (last updated Aug. 21, 2018) ("FEC, Purposes of Disbursement"), <https://www.fec.gov/help-candidates-and-committees/purposes-disbursement>.

²⁰ 11 C.F.R. §§ 104.3(b)(3)(i)(B), 104.3(b)(4)(i)(A) (emphasis in the original); *see also* FEC, Purposes of Disbursement.

²¹ *See* Statement of Policy: "Purpose of Disbursement" Entries for Filings with the Commission, 72 Fed. Reg. 887 (Jan. 9, 2007) ("Purpose Statement of Policy") (citing 11 C.F.R. §§ 104.3(b)(3)(i)(B), (4)(i)(A)).

²² Purpose Statement of Policy, 72 Fed. Reg. at 888; *see also* FEC Campaign Guide for Congressional Candidates at 103 (June 2014) (the description of purpose must be sufficiently specific such that it makes clear the reason for the disbursement when considered in conjunction with the payee's identity).

1 Here, the Committee's description "accounting" is sufficiently specific to describe its
 2 disbursements for the services rendered by Watkins to the Committee.²³ However, the
 3 Committee's description of the purpose for \$3 million in disbursements to Caissa Public
 4 Strategies during the 2018 cycle for "campaign management," is not sufficiently specific to make
 5 the purpose of the disbursement clear when considered in conjunction with the payee's identity.²⁴
 6 For example, the Committee's \$12,000 payment to Renasant Bank for poll workers,²⁵ which the
 7 Committee disclosed on its reports filed with the Commission as a disbursement to Caissa for
 8 "campaign management expenses," suggests that the purpose of the disbursement was poll work
 9 rather than campaign management.²⁶ Further, given the information that the Committee aired
 10 several television advertisements and produced campaign signs, the disbursements for advertising
 11 also appear to have been inadequately or incorrectly described as "campaign management."²⁷

²³ See FEC, Purposes of Disbursement (the Commission's website includes "Accounting/Accounting Services" as a sufficient description of purpose).

²⁴ See Purpose Statement of Policy, 72 Fed. Reg. at 888.

²⁵ See Resp. at 1 & Attach. 1.

²⁶ The "cash" notation on the Committee's check raises questions regarding the Committee's use of cash, including whether it should have disclosed payments to individual poll workers. See 52 U.S.C. §§ 30102(h)(2) (limiting petty cash disbursements to \$100 in connection with a "single purchase or transaction") and 30104(b)(5)(A) (disclosure of persons to whom a committee makes an expenditure in excess of \$200 within the calendar year); Certification at ¶ 1, MUR 5862 (Friends of Joe Lieberman) (July 25, 2007) (Commission found reason to believe respondent committee failed to itemize petty cash payments to field consultants and canvass workers). In the absence of additional information or specific allegations, we make no recommendations at this time regarding cash payments.

²⁷ See Factual & Legal Analysis at 7-9, MUR 7291, 7449 (Hillary for America) (finding reason to believe respondent committee violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i) by failing to properly disclose the purpose of certain disbursements to its law firm, which were not for legal services, but for opposition research conducted by a third party hired by the law firm on behalf of the committee). See also First Gen. Counsel's Rpt. at n.5, Factual & Legal Analysis at 2-3, MUR 6204/AR 08-02 (Dallas County Republican Party) (finding reason to believe that committee violated, *inter alia*, 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C. § 434(b)(5)) where committee disclosed an inadequate or incorrect purpose for 50 disbursements totaling \$215,261 and sometimes reported generic purposes such as "professional fees" and "fundraising consultant"); Certification at ¶¶ 3, 7, MUR 6134 (Cranley for Congress) (Nov. 19, 2008) (approving the Report of the Audit Division dated April 23, 2008, as the Factual & Legal Analysis) (sample review projected \$1.4 million in disclosed disbursements lacked required information including, but not limited to, missing or inadequate purposes); Conciliation Agreement at ¶ IV.9,

1 A person reading the Committee's disclosure reports would not have discerned that the
2 Committee was disbursing funds for advertising by reading the name of the recipient (*i.e.*, Caissa)
3 together with the reported purpose (*i.e.*, campaign management or campaign management
4 expense).²⁸

5 Further, review of Flinn's Committee's disclosure reports in past election cycles in
6 connection with his prior candidacies shows that these past reports disclosed more specific
7 purposes of the Committee's disbursements to Caissa. During the 2016 election cycle, there are
8 four disbursements to Caissa for "public policy advising" or "public policy & political services" in
9 the total amount of \$163,841, and one disbursement in the amount of \$850,000 for
10 "advertising."²⁹ In addition, Flinn's campaign committees during the 2012 and 2014 election
11 cycles disclosed disbursements to Caissa for "direct mail – Joe Carr piece," "direct mail –
12 comparison," "robo call to 700,000 voters," "direct mail – healthcare," "direct mail," "telephone,"
13 "parking," "advertising" and "signs."³⁰ This more complete disclosure of disbursements to Caissa
14 for advertising is absent from the Committee's disclosure of disbursements to Caissa during the
15 2018 election cycle.

MUR 5635 (Conservative Leadership Political Action Committee, *et al.*); Final Audit Report at 23, Conservative Leadership Political Action Committee (Nov. 29, 2004) (committee failed to disclose a complete or adequate purpose for disbursements totaling \$595,715).

²⁸ See Purpose Statement of Policy, 72 Fed. Reg. at 888; *see also* Factual & Legal Analysis at 7-9, MURs 7291, 7449, *supra*, n.27.

²⁹ See Friends of George Flinn 2016 July Quarterly Report at 6 (July 15, 2016); Flinn for Senate 2015 October Quarterly Report at 1 (Dec. 2, 2015), 2015 Year-End Report at 1 (Jan. 28, 2016), 2016 Termination Report at 1 (March 30, 2016). *See also* FEC, Purposes of Disbursement.

³⁰ Flinn for Congress 2012 Second Amended July Quarterly Report at 15-18, 22, 23 (July 17, 2012), 2012 October Quarterly Report at 13, 15-16 (Oct. 15, 2012), 2012 Amended 12 Day Pre-General Rrport at 9 (Nov. 6, 2012), 2012 30-Day Post-General Report at 13-15 (Dec. 6, 2012); Flinn for Senate 2014 October Quarterly Report at 2, 6, 8 (Oct. 14, 2014), 2014 Amended 12-Day Pre-Primary Report at 1 (Dec. 2, 2014).

1 Based on information contained in the Complaint, Response, Committee's disclosure
2 reports, and publicly available information, we recommend that the Commission find reason to
3 believe Friends of George Flinn and Sondra Annette Grills in her official capacity as treasurer
4 violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i) by failing to properly disclose
5 the purpose of certain disbursements, and to authorize the use of compulsory process.³¹

6 **III. PROPOSED INVESTIGATION**

7 In order to determine the proper disclosure of disbursements to Caissa, we plan to determine
8 the nature of the work Caissa performed for the Committee. We can obtain this information by
9 informally requesting it from the Committee and from Caissa if necessary. We seek approval for
10 compulsory process to the extent necessary.

11 **IV. RECOMMENDATIONS**

- 12 1. Find reason to believe Friends of George Flinn and Sondra Annette Grills in her official
13 capacity as treasurer violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i)
14 by failing to properly disclose the purpose of certain disbursements.
15
- 16 2. Approve the attached Factual and Legal Analysis.
17
- 18 3. Authorize the use of compulsory process in this matter, including the issuance of
19 interrogatories, and document subpoenas, as necessary.

³¹ The Commission has previously enforced the Act's reporting provisions against committees that have disclosed inadequate or incorrect purposes of disbursements. *See supra*, n.27.

1 4. Approve the appropriate letters.
2

3 Lisa J. Stevenson
4 Acting General Counsel
5

6
7 August 13, 2019

Charles Kitcher

8 Date

9 Charles Kitcher
10 Acting Associate General Counsel
11 for Enforcement
12

Mark Allen

13
14 Mark Allen
15 Assistant General Counsel
16

Christine C. Gallagher

17
18 Christine C. Gallagher
19 Attorney
20

21
22 Attachment:
23 Factual and Legal Analysis

FEDERAL ELECTION COMMISSION**FACTUAL AND LEGAL ANALYSIS**

RESPONDENT: Friends of George Flinn and **MUR 7429**
Sondra Annette Grills in her official capacity as treasurer

I. INTRODUCTION

This matter was generated by a complaint filed with the Federal Election Commission pursuant to 52 U.S.C. § 30109(a)(1) alleging that Friends of George Flinn and Sondra Annette Grills in her official capacity as treasurer (the “Committee”) disclosed inadequate or incomplete purposes of \$974,350 in disbursements to vendors for “campaign management” and “accounting” in its 2018 April Quarterly Report in violation of the Federal Election Campaign Act of 1971, as amended (the “Act”).¹ The Committee denies the allegation.

Based on the allegations of the complaint, the response, and the available information, the Commission finds reason to believe that Friends of George Flinn and Sondra Annette Grills in her official capacity as treasurer violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i) by failing to properly report the purpose of certain disbursements.

II. FACTUAL AND LEGAL ANALYSIS**A. Factual Background**

George Flinn was a 2018 Republican primary candidate in Tennessee’s 8th Congressional District.² The Committee’s 2018 April Quarterly Report discloses four disbursements: three to Caissa Public Strategy, LLC (“Caissa”) in the amounts of \$197,350 and \$654,000 for “campaign

¹ Compl. at 1 (July 9, 2018).

² Flinn lost the primary election on August 2, 2018.

1 management,” and \$12,000 for “campaign management expenses;”³ and one to Watkins
2 Uiberall, PLLC (“Watkins”) in the amount of \$3,000 for “accounting.”⁴ Based on this
3 information, the Complaint alleges that the Committee was “effectively hiding the nature of its
4 true expenses.”⁵

5 In response, the Committee denies that it was attempting to hide expenses.⁶ The
6 Committee asserts that it hired one vendor, Caissa, as a “full-service communications firm” to
7 “manage all aspects of running the campaign,” including “determin[ing] the target audience,
8 messaging, marketing elements, and timeline.”⁷ The Committee further asserts that it hired
9 another vendor, Watkins, to do the accounting work.⁸ According to the Committee, its \$12,000
10 payment to Caissa was for “poll workers,” and it provides a copy of the check drawn on the
11 Committee’s bank account dated February 22, 2018, payable to “Renasant Bank” in that amount
12 with the notation “cash” written in the bottom left hand corner; on the same date, the Committee
13 disclosed a \$12,000 disbursement to Caissa for “campaign management expenses.”⁹ In addition,
14 the Committee provides a copy of an invoice from Watkins in the amount of \$3,000 for “2018

³ The Complaint incorrectly alleges that the \$12,000 disbursement was disclosed as \$120,000 in the Committee’s report. *See* Compl. at 1; Resp. at 1 (Aug. 7, 2018); Amended 2018 April Quarterly Report at 7 (July 3, 2018).

⁴ Amended 2018 April Quarterly Report at 8 (July 3, 2018).

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1 January and February Accounting Fees,” and the check payment.¹⁰ Last, the Committee
 2 provides copies of two invoices from Caissa, for “Campaign Marketing and Outreach” for the
 3 months of January and February 2018 in the amounts of \$197,350 and \$654,000, respectively,
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 5 services provided.

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 7 that it disclosed approximately \$3,000,000 in disbursements to Caissa for “campaign
 8 management” or “campaign management expenses,” and \$10,500 in disbursements to Watkins
 9 for “accounting.” The Committee disclosed no disbursements to any other person. The chart
 10 below itemizes the Committee’s disbursements as set forth in its reports filed with the
 11 Commission.¹²

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13 “purpose” of operating expenses, including “dinner expenses, media, salary, polling, travel, party
14 fees, phone banks, travel expenses, travel expense reimbursement, and catering costs.”¹⁸
15 However, examples of inadequate descriptions for the reporting of a disbursement include,

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¹⁵ 52 U.S.C. § 30104(b)(4)(A); 11 C.F.R. § 104.3(b)(2)(i).

¹⁶ 52 U.S.C. § 30104(b)(5)(A), (6)(A); 11 C.F.R. §§ 104.3(b)(4)(i), 104.9(a).

¹⁷ 11 C.F.R. §§ 104.3(b)(3)(i)(A), (b)(4)(i)(A), 104.9(a).

¹⁸ 11 C.F.R. §§ 104.3(b)(3)(i)(B), 104.3(b)(4)(i)(A); *see also* FEC, Purposes of Disbursement (last updated Aug. 21, 2018) (“FEC, Purposes of Disbursement”), <https://www.fec.gov/help-candidates-and-committees/purposes-disbursement>.

1 “advance, election day expenses, other expenses, expenses, expense reimbursement,
2 miscellaneous, outside services, get-out-the-vote, and voter registration.”¹⁹

3 In addition to both non-exhaustive lists, the Commission has provided guidance that “the
4 ‘purpose of disbursement’ entry, when considered along with the identity of the disbursement
5 recipient, must be sufficiently specific to make the purpose of the disbursement clear.”²⁰ The
6 Commission has determined that the description of purpose should be sufficient to allow “a
7 person not associated with the committee [to] easily discern why the disbursement was made
8 when reading the name of the recipient and the purpose.”²¹

9 Here, the Committee’s description “accounting” is sufficiently specific to describe its
10 disbursements for the services rendered by Watkins to the Committee.²² However, the
11 Committee’s description of the purpose for \$3 million in disbursements to Caissa Public
12 Strategies during the 2018 cycle for “campaign management,” is not sufficiently specific to
13 make the purpose of the disbursement clear when considered in conjunction with the payee’s
14 identity.²³ For example, the Committee’s \$12,000 payment to Renasant Bank for poll workers,²⁴

¹⁹ 11 C.F.R. §§ 104.3(b)(3)(i)(B), 104.3(b)(4)(i)(A) (emphasis in the original); *see also* FEC, Purposes of Disbursement.

²⁰ *See* Statement of Policy: “Purpose of Disbursement” Entries for Filings with the Commission, 72 Fed. Reg. 887 (Jan. 9, 2007) (“Purpose Statement of Policy”) (citing 11 C.F.R. §§ 104.3(b)(3)(i)(B), (4)(i)(A)).

²¹ Purpose Statement of Policy, 72 Fed. Reg. at 888; *see also* FEC Campaign Guide for Congressional Candidates at 103 (June 2014) (the description of purpose must be sufficiently specific such that it makes clear the reason for the disbursement when considered in conjunction with the payee’s identity).

²² *See* FEC, Purposes of Disbursement (the Commission’s website includes “Accounting/Accounting Services” as a sufficient description of purpose).

²³ *See* Purpose Statement of Policy, 72 Fed. Reg. at 888.

²⁴ *See* Resp. at 1 & Attach. 1.

1 which the Committee disclosed on its reports filed with the Commission as a disbursement to
2 Caissa for “campaign management expenses,” suggests that the purpose of the disbursement was
3 poll work rather than campaign management.²⁵ Further, given the information that the
4 Committee aired several television advertisements and produced campaign signs, the
5 disbursements for advertising also appear to have been inadequately or incorrectly described as
6 “campaign management.”²⁶ A person reading the Committee’s disclosure reports would not
7 have discerned that the Committee was disbursing funds for advertising by reading the name of
8 the recipient (*i.e.*, Caissa) together with the reported purpose (*i.e.*, campaign management or
9 campaign management expense).²⁷

10 Further, review of Flinn’s Committee’s disclosure reports in past election cycles in
11 connection with his prior candidacies shows that these past reports disclosed more specific

²⁵ The “cash” notation on the Committee’s check raises questions regarding the Committee’s use of cash, including whether it should have disclosed payments to individual poll workers. *See* 52 U.S.C. §§ 30102(h)(2) (limiting petty cash disbursements to \$100 in connection with a “single purchase or transaction”) and 30104(b)(5)(A) (disclosure of persons to whom a committee makes an expenditure in excess of \$200 within the calendar year); Certification at ¶ 1, MUR 5862 (Friends of Joe Lieberman) (Commission found reason to believe respondent committee failed to itemize petty cash payments to field consultants and canvass workers). In the absence of additional information or specific allegations, the Commission makes no findings at this time regarding cash payments.

²⁶ *See* First Gen. Counsel’s Rpt. at n.5, Factual & Legal Analysis at 2-3, MUR 6204/AR 08-02 (Dallas County Republican Party) (finding reason to believe that committee violated, *inter alia*, 52 U.S.C. § 30104(b)(5) (formerly 2 U.S.C. § 434(b)(5)) where committee disclosed an inadequate or incorrect purpose for 50 disbursements totaling \$215,261 and sometimes reported generic purposes such as “professional fees” and “fundraising consultant”); Certification at ¶¶ 3, 7, MUR 6134 (Cranley for Congress) (Nov. 19, 2008) (approving the Report of the Audit Division dated April 23, 2008, as the Factual & Legal Analysis) (sample review projected \$1.4 million in disclosed disbursements lacked required information including, but not limited to, missing or inadequate purposes); Conciliation Agreement at ¶ IV.9, MUR 5635 (Conservative Leadership Political Action Committee, *et al.*); Final Audit Report at 23, Conservative Leadership Political Action Committee (Nov. 29, 2004) (committee failed to disclose a complete or adequate purpose for disbursements totaling \$595,715).

²⁷ *See* Purpose Statement of Policy, 72 Fed. Reg. at 888.

1 purposes of the Committee’s disbursements to Caissa. During the 2016 election cycle, there are
2 four disbursements to Caissa for “public policy advising” or “public policy & political services”
3 in the total amount of \$163,841, and one disbursement in the amount of \$850,000 for
4 “advertising.”²⁸ In addition, Flinn’s campaign committees during the 2012 and 2014 election
5 cycles disclosed disbursements to Caissa for “direct mail – Joe Carr piece,” “direct mail –
6 comparison,” “robo call to 700,000 voters,” “direct mail – healthcare,” “direct mail,”
7 “telephone,” “parking,” “advertising” and “signs.”²⁹ This more complete disclosure of
8 disbursements to Caissa for advertising is absent from the Committee’s disclosure of
9 disbursements to Caissa during the 2018 election cycle.

10 Therefore, there is reason to believe Friends of George Flinn and Sondra Annette Grills in
11 her official capacity as treasurer violated 52 U.S.C. § 30104(b)(5)(A) and 11 C.F.R.
12 § 104.3(b)(4)(i) by failing to properly disclose the purpose of certain disbursements.

²⁸ See Friends of George Flinn 2016 July Quarterly Report at 6 (July 15, 2016); Flinn for Senate 2015 October Quarterly Report at 1 (Dec. 2, 2015), 2015 Year-End Report at 1 (Jan. 28, 2016), 2016 Termination Report at 1 (March 30, 2016). See also FEC, Purposes of Disbursement.

²⁹ Flinn for Congress 2012 Second Amended July Quarterly Report at 15-18, 22, 23 (July 17, 2012), 2012 October Quarterly Report at 13, 15-16 (Oct. 15, 2012), 2012 Amended 12 Day Pre-General Report at 9 (Nov. 6, 2012), 2012 30-Day Post-General Report at 13-15 (Dec. 6, 2012); Flinn for Senate 2014 October Quarterly Report at 2, 6, 8 (Oct. 14, 2014), 2014 Amended 12-Day Pre-Primary Report at 1 (Dec. 2, 2014).