

**SANDLER REIFF**SANDLER REIFF LAMB  
ROSENSTEIN & BIRKENSTOCK, P.C.1090 Vermont Ave NW, Suite 750  
Washington, DC 20005  
www.sandlerreiff.com  
T: 202-479-1111  
F: 202-479-1115

October 21, 2019

**Via E-Mail**Jeff S. Jordan, Esq.  
Office of the General Counsel  
Federal Election Commission  
999 E Street, NW  
Washington, DC 20463**Re: AR 19-04**

Dear Mr. Jordan:

The undersigned serves as counsel to the South Dakota Democratic Party (“SDDP”) and Michael Hanson, in his official capacity as Treasurer.<sup>1</sup> I am writing in response to the Commission’s letter of September 19, 2019 in connection with the above-referenced referral.

For the reasons set forth below, the USDC respectfully requests that OGC recommend that no further action be taken in this matter or, in the alternative, that this matter be referred to the Alternative Dispute Resolution Division for further proceedings.

This matter relates to a referral of issues raised during an audit by the Commission of the SDDP for the 2015-2016 election cycle.

The referral relates to two specific findings from the audit. First, the Audit discussed an understatement of financial activity during the 2016 cycle. The Commission did not discover the understatement of activity during the audit, but, rather, the finding was an acknowledgement that the SDDP had filed amended reports that disclosed increased activity during the election cycle. It should be noted that these amended amounts reflect a relatively small amount of transactions that were made in the Fall of 2016. Due to certain accounting errors, large disbursements from a specific bank account were missed during the preparation of the original reports. In large part, the material errors that are cited by this finding were discovered quickly, and all reports were amended by January 31, 2017, several months before the Commission notified the SDDP of the 2016 election cycle audit. As indicated to the Commission during the audit, the SDDP believes

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<sup>1</sup>The SDDP has changed Treasurers. A Form 1 was filed with the Commission on October 18, 2019 that notes this change.

it has identified procedural issues with its reports preparation process and has taken steps to ensure that its disclosure reports are accurate at the time they are due.

The second issue raised by the audit referral relates to contributions received from non-federal committees and organizations. During the audit, the Commission identified several donations from non-federal entities and requested certification that these contributions were from permissible sources. During the audit process the SDDP provided documentation for many of these contributions to demonstrate that they were from permissible funds. At the time the Final Audit Report was issued, several contribution certifications were still pending, and the Commission's report assumes that these contributions were from non-permissible funds. The SDDP is committed to demonstrating that these contributions derived from permissible funds and will continue to pursue certifications from those donors. The process of obtaining these certifications has been difficult and has been hampered by staff turnover at the SDDP. The SDDP will continue to pursue the necessary documentation for these contributions and the SDDP will provide any new certifications to the Commission on a rolling basis as they are received. The SDDP is confident that, once the process is completed, that it will be able to demonstrate that most, if not all of these contributions, were made with permissible funds.

The SDDP believes that this matter is more appropriate for diversion to its ADR program and that the committee will benefit from the types of corrective actions that generally derive from ADR matters.

If you have any questions regarding this Response, my daytime number is (202) 479-1111. My email address is [reiff@sandlerreiff.com](mailto:reiff@sandlerreiff.com).

Sincerely,



Neil P. Reiff  
Counsel to the South Dakota Democratic  
Party