

BEFORE THE FEDERAL ELECTION COMMISSION

Foundation for Accountability and Civic Trust
1717 K Street NW, Suite 900
Washington, D.C. 20006

v.

MUR No. **7882**

Christy Smith
Christy Smith for Congress
(FED ID # COO725101)
PO Box 301
24307 Magic Mountain Pkwy
Valencia, CA 91355

COMPLAINT

The Foundation for Accountability and Civic Trust (FACT) is a nonprofit organization dedicated to promoting accountability, ethics, and transparency in government and civic arenas. This complaint is submitted, upon information and belief, to request the Federal Election Commission (FEC) immediately investigate and take appropriate enforcement actions to address apparent violations of the Federal Election Campaign Act by former U.S. House candidate Christy Smith and her campaign committee, Christy Smith for Congress.¹

Federal law requires candidates to report all disbursements made.² This disclosure is one way to deter candidates from using campaign funds for illegal purposes, but it also provides the public with information to both evaluate the candidate making the expenditures and the statements being made before the election takes place. A candidate must itemize each disbursement made, providing the date the disbursement was made, the amount of the disbursement, the identity of the disbursement recipient (name and address), and the purpose of the disbursement.³ The purpose of the disbursement is a “statement or description about the reason for the disbursement” and “must be sufficiently specific to make the purpose of the

¹ This complaint is submitted pursuant to 52 U.S.C. 30109(a)(1).

² 11 C.F.R. 104.3(b).

³ 2 U.S.C. 434(b); 11 CFR 104.3(b)(3) and (4); F.E.C., *How to Report Operating Expenditures*, available at: <https://www.fec.gov/help-candidates-and-committees/filing-reports/operating-expenditures/>.

disbursement clear.”⁴ Specifically, if a candidate uses a payroll company to make salary payments, the candidate must disclose the disbursement to the payroll company and itemize the “ultimate recipients of the salary payments.”⁵ Similar to federal law’s prohibition against “straw donations,” the campaign cannot make “straw payments” by using an intermediary to hide the true and ultimate recipient of payments.

In the present case, on October 30, 2019, Christy Smith filed a statement of candidacy announcing her run for the U.S. House to represent California’s 25th district and naming her principal campaign committee, Christy Smith for Congress.⁶ In 2019 and 2020, Smith’s campaign filed the following required reports⁷:

- Year-End 2019 (original filed Jan. 29, 2020; first amendment filed June 11, 2020; and second amendment filed July 15, 2020)
- Pre-Primary 2020 (filed Feb. 20, 2020; first amendment filed Mar. 3, 2020; second amendment filed Jun. 11, 2020)
- April Quarterly 2020 (filed April 15, 2020; first amendment filed Jun. 11, 2020)
- Pre-Run-Off 2020 (filed April 30, 2020; first amendment filed Jun. 11, 2020)
- Post-Run-Off 2020 (filed June 11, 2020; first amendment filed July 15, 2020)
- July Quarterly 2020 (filed July 15, 2020, first amendment filed July 22, 2020; second amendment filed Oct. 15, 2020)
- October Quarterly 2020 (filed Oct. 15, 2020)
- Pre-General 2020 (filed Oct. 22, 2020; first amendment filed Dec. 2, 2020)
- Post-General 2020 (filed Dec. 3, 2020; First Amendment filed Jan. 29, 2020)

On each of these filings, Smith failed to report the names and salaries of her campaign staff.⁸ Rather, Smith reported payments to Method Campaign Services for “payroll” and

⁴ F.E.C., *How to Report Operating Expenditures*, available at: <https://www.fec.gov/help-candidates-and-committees/filing-reports/operating-expenditures/>; FEC, Notice 2006-23, available at https://www.fec.gov/resources/cms-content/documents/fedreg_notice_2006-23_EO13892.pdf.

⁵ Once the candidate’s payments to the payroll company aggregate more than \$200, the candidate must report the payments to the payroll company and the “ultimate recipients of the salary payments.” F.E.C., *Using a Payroll Company*, available at: <https://www.fec.gov/help-candidates-and-committees/filing-reports/using-payroll-company/>.

⁶ FEC, Christy Smith for Congress, Statement of Organization, filed Oct. 30, 2019, available at: <https://docquery.fec.gov/pdf/525/201910309165306525/201910309165306525.pdf>.

⁷ FEC, Christy Smith for Congress, Committee Filings, available at: <https://www.fec.gov/data/committee/C00725101/?cycle=2020&tab=filings> (last accessed 2/17/2021).

⁸ Katy Grimes, *Is Congressional Candidate Christy Smith Violating FEC Rules, Not Disclosing Campaign Staff Salaries?*, California Globe, Nov. 2, 2020, available at <https://californiaglobe.com/section-2/is-congressional-candidate-christy-smith-violating-fec-rules-not-disclosing-campaign-staff-salaries/>.

“salary.”⁹ She did not, however, report the actual and true recipient of the payroll and salary disbursements, nor did she report any other payroll or salary disbursements other than those made to Method Campaign Services. The law clearly requires the specific information about who the campaign is paying and the amount and purpose of those payments. As a result, the public did not have any information about who was working for Smith’s campaign. This crucial information has been used in other cases to identify possible use of funds for personal purposes.¹⁰

Additionally, at some point Smith apparently became aware of her failure to make the proper disclosures throughout her campaign, yet continued to omit the required information from three subsequent reports. On November 2, 2020, a news report revealed that Smith had failed to disclose the identity of her campaign staff and their salaries in her FEC filings.¹¹ Smith made four filings after this: three filings (identified above) did not contain the required information; the only filing that did contain the required information was Smith’s year-end 2020 report (covering November 24 to December 31, 2020), which was filed on January 29, 2021.¹² For her entire campaign prior to election day, and for nearly three additional months following, Smith failed to disclose **any** information about her campaign staff. Moreover, once she became aware of her failure, she continued to file reports without the required information.¹³

The law is clear a candidate must disclose who is working for them and how much they are paid. In this case Christy Smith failed to do both before the election was decided. We request

⁹ Smith reported payroll disbursements to Method Campaign Services through December 2020. Christy Smith for Congress, F.E.C. filings, available at https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00725101&recipient_name=method+campaign+services&two_year_transaction_period=2020. During her campaign, Smith also reported “campaign consulting” payments to Method Campaign Services.

¹⁰ Katy Grimes, *Is Congressional Candidate Christy Smith Violating FEC Rules, Not Disclosing Campaign Staff Salaries?*, California Globe, Nov. 2, 2020, available at <https://californiaglobe.com/section-2/is-congressional-candidate-christy-smith-violating-fec-rules-not-disclosing-campaign-staff-salaries/>.

¹¹ “The Globe contacted the Smith campaign to ask why salary information is not being provided to the FEC.” Katy Grimes, *Is Congressional Candidate Christy Smith Violating FEC Rules, Not Disclosing Campaign Staff Salaries?*, California Globe, Nov. 2, 2020, available at <https://californiaglobe.com/section-2/is-congressional-candidate-christy-smith-violating-fec-rules-not-disclosing-campaign-staff-salaries/>.

¹² Christy Smith for Congress, F.E.C., Year-End Report, Filed Jan. 29, 2021, available at <https://docquery.fec.gov/pdf/655/202101299417700655/202101299417700655.pdf>.

¹³ Smith filed four reports after the Globe article, including two reports on January 29, 2021, one of which did not contain the staff information and one did.

the Federal Election Commission immediately investigate, require Smith to appropriately disclose staff disbursements made in 2019 and 2020, and impose any appropriate penalty.

Respectfully submitted,

Kendra Arnold

Kendra Arnold, Executive Director
Foundation for Accountability & Civic Trust
1717 K Street NW, Suite 900
Washington, D.C. 20006

STATE OF IOWA

)

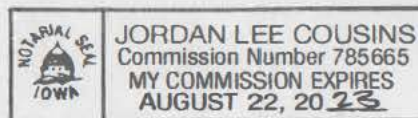
) ss.

COUNTY OF POLK

)

Subscribed and sworn to before me on February 18th, 2021.

Jordan Lee Cousins
Notary Public in and for the State of Iowa



Is Congressional Candidate Christy Smith Violating FEC Rules, Not Disclosing Campaign Staff Salaries?

The Federal Elections Commission is unambiguous when it comes to reporting

[Katy Grimes](#) Katy Grimes, the Editor of the California Globe, is a long-time Investigative Journalist covering the California State Capitol, and the co-author of [California's War Against Donald Trump: Who Wins? Who Loses?](#)



Assemblywoman Christy Smith. (Photo: Kevin Sanders for California Globe)

By [Katy Grimes](#), November 2, 2020 1:14 pm

The Federal Elections Commission is unambiguous when it comes to the reporting of recipients of salary payments of campaign staff: The name of the individual must be listed.

Congressional candidate for California's 25th Christy Smith is not reporting the names and salaries of her campaign staffers, based on her FEC filings. She is only listing a payroll company.

Disbursements

Export

Viewing **25** filtered results for:

[Clear all filters X](#)

Data type: processed

CHRISTY SMITH FOR CONGRESS (C00725101) X

method campaign X

2019-2020 X

Sender

Recipient

State

Description

Disbursement

Amount

| payer | recipient | state | description | date | amount | |
|----------------------------|--------------------------|-------|---------------------|------------|-------------|--|
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | PAYROLL | 06/25/2020 | \$14,509.61 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | CAMPAIGN CONSULTING | 06/02/2020 | \$5,000.00 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | CAMPAIGN CONSULTING | 06/01/2020 | \$4,166.67 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | SALARY | 06/01/2020 | \$14,509.61 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | CAMPAIGN CONSULTING | 06/01/2020 | \$4,166.67 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | SALARY | 06/01/2020 | \$18,697.11 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | SALARY | 05/13/2020 | \$20,009.61 | |
| CHRISTY SMITH FOR CONGRESS | METHOD CAMPAIGN SERVICES | CA | SALARY | 05/13/2020 | Feedback | |

Christy Smith for Congress FEC filing. (Photo: FEC screen capture)

The company Smith is using to pay the salaries is [Method Campaign Services](#).

[The FEC shows](#) Smith has been paying [Method Campaign Services](#) tens of thousands of dollars in salary payments since November 2019. However, the \$270,000 in salary payments have not identified who on her staff received a payroll check, as required by the FEC.

[Pursuant to the FEC](#), once a payroll company is paid over \$200, the salary payments must be itemized.

U.S. Sen. Joni Ernst (R-Iowa) found this out the hard way.

"A [great scoop by Lachlan Markay](#) prompted U.S. Senator Joni Ernst's campaign to back down on a "subtle accounting maneuver" used to avoid "reporting the names of the campaign staffers on her payroll, how many of those staffers there are, and the extent of payments they've received," [BleedingHeartland.com reported](#).

Apparently Ernst's campaign reported itemized [expenditures](#) the first two quarters of 2019 showing individual salary payments, but as Markay [reported](#), "In the third quarter, and in every periodic FEC report since then, 'payroll' expenditures disappeared completely. At the same time, payments to Insperity, a payroll and benefits management service used by a handful of federal political campaigns, shot up. In the first half of 2019, the Ernst campaign paid Insperity a quarterly average of just over \$8,000. In the subsequent three quarters, as its payroll expenditures disappeared, that average was more than \$131,000."

"Brendan Fischer, the director of Federal and FEC reforms at the Campaign

Legal Center, [told Markay](#), 'They can't do that,' adding, 'I don't think I've ever seen a campaign stop reporting any payments to individual staffers, and instead just report lump-sum payments to a payroll company.'"

What this means back in California is that we have no idea who is working for Christy Smith's congressional campaign, in addition to violating the FEC rule.

As California Globe [reported](#) in 2019, when it was discovered that then-Rep. Katie Hill (D-CA) was sexually involved with one of her staff members, reporters were able to dig more into her campaign, and go to the FEC website and see who had worked for her campaign collecting a salary because it was reported correctly.

When Katie Hill was a candidate, it was also alleged she and her campaign staffer went on vacation and other personal trips together during the campaign, the Globe [reported](#).

A complaint filed by a Katie Hill constituent with the [Federal Elections Commission](#) named staffer Morgan Desjardins, who was paid to be available for personal and private purposes unrelated to the Representative Hill's congressional campaign. As such, as a candidate in the 2017-2018 election cycle, Rep. Katie Hill misused campaign funds for her personal use, the complaint alleged.

The Globe contacted the Smith campaign to ask why salary information is not being provided to the FEC. We have not had a reply yet, but will update the article when we do.