

FEC Proposes Embezzlement Enforcement Policy

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Federal Election Commission (FEC) Vice Chairman Robert D. Lenhard has proposed a new policy aimed at curtailing misappropriation and embezzlement of political committee funds. Such cases often lead to the filing of inaccurate and false reports to the FEC. The proposal, which was unanimously approved for public comment, outlines a minimum for internal controls within a committee to protect against embezzlement of funds and states that the FEC will "not seek to impose liability on the political committee for filing incorrect reports due to the misappropriation of committee funds" if the "minimum safeguards" outlined are followed.

The proposed guidelines present a checklist of internal controls. Specifically, the guidelines require the following:

- All bank accounts must be in the name of the committee, not an individual.
- All checks over \$1,000 and all wire transfers must be authorized in writing by two individuals named by the committee.
- All incoming checks must be handled by an individual who does not maintain accounting/banking duties for the committee. Incoming checks should also receive a restrictive endorsement (*i.e.*, "For Deposit Only") along with the account number.
- Bank statements must be reconciled monthly with the accounting records by an individual who handles neither of those responsibilities.
- The committee must use an imprest system if they have a petty cash fund with no more than \$200 outstanding at any time. An

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impresst system "involves replenishing petty cash only when properly approved vouchers and/or petty cash log entries are presented justifying all expenditures. Only one person should be in charge of the fund."

The proposal requires that, in addition to abiding by the above safeguards, the committee must apprise relevant law enforcement of any misappropriation, immediately notify the FEC and voluntarily amend their filings with the FEC in order to be free from liability for false reports.

Along with the short checklist, a second document was approved for public comment. The Audit Division of the FEC produced an "educational piece" that goes into great detail about how a political committee should implement internal controls to avoid misappropriation of funds. Included in this document are detailed descriptions of how to set up and monitor bank accounts and how to handle receipts, disbursements, petty cash and much more.

The FEC is making these documents available for public comment in response to a growing number of misappropriation and embezzlement cases that have recently plagued political committees. In July 2006, the FEC fined Lockheed Martin's political action committee \$27,000 after they failed to have internal controls in place to prevent their committee administrator and assistant treasurer from embezzling close to \$90,000. Other recent misappropriation and embezzlement cases have included the campaigns of Sen. Joseph Biden (D-DE), Sen. Elizabeth Dole (R-NC) and House Majority Leader John Boehner (R-OH).

The FEC will be receiving comments on these documents for 30 days.