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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

SENSITIVE**MEMORANDUM**

January 24, 2024

TO: The Commission

THROUGH: Alec Palmer *AP*
Staff Director

FROM: Patricia C. Orrock *PCO*
Chief Compliance Officer

Krista J. Roche *KJR*
Director, ADR Office

Joshua A. Rebollozo *JAR*
Assistant Director, ADR Office

SUBJECT: Recommendation to Approve Negotiated Settlement
ADR 1135 - Kentucky State Democratic Central Executive
Committee and M. Melinda Karns, Treasurer (C00011197)

RESOLUTION TERMS: Certify the Committee amended relevant 2021-2022 reports after consultation with the FEC's Reports Analysis Division (RAD); update and certify re-implementation of a process to track receipt of, and response to, communications with the Commission; retain an outside consultant to review its compliance procedures and conduct a training with those responsible for preparing and filing its reports; and pay a civil penalty of \$6,500.

Attached for your review is a signed Negotiated Settlement pertaining to ADR 1135 (RAD 23L-47). The ADR Office received this referral on September 12, 2023.

SUMMARY: RAD referred Kentucky State Democratic Central Executive Committee and M. Melinda Karns, Treasurer (the Committee or Respondents) for a series of reporting errors and other FECA violations during the 2021-2022 election cycle. The Committee's errors included, among other items: excessive, prohibited, and other impermissible contributions or transfers; mathematical and

cash-on-hand discrepancies; failure to provide supporting schedules; and allocated federal and non-federal activity.

During negotiations, the Committee stated it transitioned from in-house staff to an outside compliance consultant in 2021. Also in 2021, the Committee's compliance software was upgraded and client data was transferred to a new version, which caused mathematical discrepancies in subsequent reports. The Committee stated that the combined impact of these transitions contributed to the election cycle errors.

reports. For these reasons, we recommend settlement based on the terms set forth in the attached agreement.

In calculating the 15% additur to the negotiated civil penalty, the ADRO considered three (3) prior enforcement matters. The Committee was the subject of a 2011-2012 election cycle audit where the Commission approved one (1) finding for recordkeeping for employees. The Audit Division referred these findings to OGC in MUR 6967, in which the Committee paid a civil penalty of \$4,200 under the terms of the Conciliation Agreement approved on January 27, 2016. The Committee was also the subject of a 2017-2018 election cycle audit where the Commission approved two (2) findings for misstatement of financial activity and recordkeeping for employees. The Audit Division referred these findings to ADRO in ADR 1088, in which the Committee resolved the matter by paying a civil penalty of \$9,800, agreeing to certify annually for two years that the Committee continued to retain the services of a compliance firm, and certifying a representative of the Committee participated in an FEC training. The Committee was also involved in ADR 1055, in which the Committee was referred for a series of reporting errors during the 2019-2020 election cycle. The Committee resolved the matter by paying a civil penalty of \$6,025, certifying a representative of the Committee participated in an FEC training, developing and certifying implementation of a process to track the receipt and response of communications with the Commission, and developing and certifying implementation of a compliance operations manual.

The Committee has one (1) audit point thus far in the 2023-2024 election cycle.

RECOMMENDATIONS:

1. Approve the attached Negotiated Settlement of Kentucky State Democratic Central Executive Committee and M. Melinda Karns, Treasurer.
2. Approve the appropriate letters.
3. Close the file on this matter.