

IN COMPLIANCE INC. FEDERAL COUNSEL

2019 JUN 28 PM 1:15

June 27, 2019

Jeff S. Jordan
Assistant General Council
Complaints Examination & Legal Administration

RE: MUR 7615

Dear Mr. Jordan

I am in receipt of your letter dated June 5, 2019, received by us on June 12, 2019, regarding the complaint filed against Ryan Phillips. As the owner of In Compliance Inc., I appreciate the opportunity to demonstrate a detailed account of events and corrective actions taken by myself and the company, as well as the mitigating factors that I would respectfully request be considered by the Federal Election Commission ("FEC") or ("Commission") when reviewing this matter.

Ryan Phillips is a family member to me and was a trusted business partner. Ryan Phillips was assigned to manage Heller for Senate and Hellerhighwater PAC (collectively referred to as the "Committees" per the FEC complaint). Ryan Phillips was trusted to be accountable for the Committees' income and expenses, as well as balancing their bank statements.

Ryan Phillips used his position as a close family member and business partner to circumvent our standard operating procedures to perpetrate various FEC violations and to conceal his actions from myself, my employees, and the Committees. I nor any other officer or employee of In Compliance Inc. had any knowledge or involvement in the actions taken by Ryan Phillips resulting in improper use of campaign funds and inaccurate reporting to the FEC.

This information was discovered by In Compliance Inc. and immediately brought to the attention of the Committees. An immediate, thorough internal investigation by In Compliance Inc. was conducted into all financial transactions from the Committees. Through this investigation, In Compliance Inc. was able to uncover and isolate all the discrepancies in each of the Committee's accounts. We were further able to confirm that Ryan Phillips, in an apparent attempt to avoid detection by the Committees and In Compliance Inc., used a variety of methods to conceal his misappropriation of funds. A

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complete report and detailed narrative were prepared by In Compliance Inc. and given to the Committees at the completion of the internal investigation.

Based upon our investigation and resulting information uncovered, the following is a detailed account of events In Compliance Inc. has constructed:

Per the previous company policy, each partner in the company is assigned a client and is responsible for handling income, disbursements, and bank reconciliations for the client. Each bank account has a minimum of two signers on a bank account (all signers on a client's bank account are the partners at In Compliance Inc.), either signer was authorized and trusted to disburse campaign funds appropriately. In addition to check signing privileges, a debit card was obtained for Ryan Phillips due to the current banking regulations regarding wire transfers. Per Bank of America policies, a debit card is required in order to initiate a wire transfer from either of the Committee's bank accounts. Our company policy is that debit cards were to remain in the office at all times, unless needed to initiate a wire transfer. The cards for each client were locked in the safe and were only to be removed for wire transfers and then returned to the safe at the conclusion of the wire transfer. Unknown to us, Ryan Phillips removed the debit card from the In Compliance Inc. safe and did not return the debit cards for Heller for Senate or Hellerhighwater PAC. Since Ryan Phillips was assigned to the Committees, he was handling all wire transfers for the Committees. Due to his partnership in In Compliance Inc. and being a member of our family, Ryan Phillips was trusted to return the debit cards per our company procedures; however, he used his bank account privileges to misappropriate funds and entered false campaign debits in our accounting software and campaign software to conceal his fraudulent activities. Ryan Phillips entered multiple fraudulent entries in the Heller for Senate and Hellerhighwater PAC accounting software and campaign finance software, Ryan Phillips was then able to reconcile the bank statements to the accounting software and balance the accounting software to the campaign-finance software so everything appeared to be in order. While periodically reviewing the Committees' financials, I noticed no anomalies at the time of the violations and was given no reason to question the Committees' financial activity entered into either database.

At the end of each reporting period, it is our company policy to balance the ending cash on hand for that reporting period generated by the campaign software used for filing the reports and compare it to the balance sheet reflecting the ending cash on hand in the accounting software which in turn balances to the bank statements. With the false entries created in the campaign database and the accounting software by Ryan Phillips, the income, expenses, and subsequent cash on hand appeared to match. The other partners (Chrissie Hastie and Cameron Phillips) did not review the actual bank statements or reconciliations to confirm activity due to level of trust between In Compliance Inc. and Ryan Phillips. Ryan Phillips was not only a business partner, but a close family member to both myself and Cameron Phillips. Ryan Phillips had worked closely with us for numerous years and during such time had never given any reason to doubt his integrity.

In response to the fraudulent activity perpetrated by Ryan Phillips, In Compliance Inc. has established new policies and procedures to prevent any such occurrence from happening in the future. To that end, below are the new policies and procedures established by In Compliance Inc.:

Remaining partners will still be assigned to manage a client. A separate specifically assigned employee will be responsible to reconcile every bank statement (this employee will not be an authorized signer on this account). After the bank account has been reconciled and a reconciliation report has been printed and attached to the bank statement, the designated employee will then give both documents to the second partner who is not assigned to that particular client. Both the designated employee and the corresponding partner will review the bank statement and reconciliation report to ensure its accuracy and both individuals will initial the documents certifying its validity. A file clerk will be responsible to confirm the presence of both individuals' initials and file the reconciliation report and bank statement. This will ensure all financial transactions are reviewed and verified by multiple parties to ensure the accuracy of all financial transactions. This will also be the policy going forward should a Petty Cash account be established for the committee.

If a debit card is required for a client, it will be held by the In Compliance Inc. CFO, who will keep them in a separate safe. All debit cards will need to be signed in and out at the discretion of the CFO. At the close of business, all debit cards will be accounted for by the office manager and CFO to ensure they are returned the same day the debit cards are signed out. Upon the return of the debit card, the person that signed the debit card out will need to provide the wire transfer documentation from the bank to the CFO to confirm the completion of the transaction. If debit cards are obtained for a client, a mandatory bank notification system will be established to send notifications to designated committee personnel regarding all debit card activity.

Deposit batches will be created by a designated individual. A separate individual will attach the bank deposit receipt to the contribution batch report that has been generated by the data entry team. An internal contribution batch report is created for the contributions within a deposit batch, and the bank deposit receipt will be reviewed for accuracy and initialed prior to filing by the filing clerk.

All disbursements will be reviewed by no less than two In Compliance Inc. personnel and subsequently authorized prior to any distribution of funds.

Once this situation was identified, it was immediately brought to the attention of the Committees, and we promptly conducted a complete internal investigation of all financial transactions for each Committee. In Compliance Inc. has worked diligently with each of the Committees to identify and correct the details of the inaccurate financial transactions reported to the Commission. At the time of discovery, Ryan Phillips' employment was immediately terminated, he was removed as partner at In Compliance Inc., and he was removed from each of the Committee's bank accounts. We have reviewed our previous company policies and the Commission's "safe harbor" recommendations for financial

controls, and we have established new and firmer policies to assure our clients and the Commission that this cannot and will not occur moving forward.

I began working in campaign finance in 1998. I established In Compliance Inc. in 2003 and have garnered nothing less than a stellar reputation with my clients and with the Commission. In Compliance Inc. has thrived on a reputation of integrity, honesty and lawful practices. The actions taken by Ryan Phillips are in no way a representation of myself or my staff, and I guarantee to ensure that every cent that was misappropriated by Ryan Phillips will be returned to the Committees. Additionally, I will responsibly and diligently ensure that these violations are corrected and resolved to the satisfaction of the Committees and the Commission. Due to Ryan Phillips' position as both a family member and business partner, I believe these to be extenuating circumstances and humbly request that the Commission take this into consideration while reviewing this matter. In my 21 years involved in campaign finance, I have never mishandled a single penny from any organization I have been involved with. Given the nature of this unique situation and the fact that it has already caused my family and company significant distress and financial harm, I can assure the Commission that no further financial penalties are necessary to deter this type of error in the future. I would respectfully ask that the Commission show leniency to my staff and not punish them for the action taken by a single individual.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'CH', with a long horizontal flourish extending to the left.

Chrissie Hastie
President/ CEO
In Compliance Inc.