



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

July 8, 2024

By Email & UPS

cg@gobergroup.com

Chris Gober, Esq.
The Gober Group
14425 Falcon Head Blvd.
Building E-100, Suite 226
Austin, TX 78738

RE: MUR 7615
(Ryan Phillips, *et al.*)

Dear Mr. Gober:

This is in reference to the complaint you filed on behalf of your clients, Heller for Senate and HellerHighWater PAC, with the Federal Election Commission on May 30, 2019, concerning Ryan Phillips and In Compliance, Inc. Based on that complaint, on October 16, 2021, the Commission found that there was reason to believe Ryan Phillips knowingly and willfully violated 52 U.S.C. §§ 30102(b)(3) and 30114(b), provisions of the Federal Election Campaign Act of 1971, as amended (the "Act"). On June 22, 2023, the Commission found probable cause to believe that Ryan Phillips knowingly and willfully violated 52 U.S.C. §§ 30102(b)(3) and 30114(b), and referred those violations to the Department of Justice for criminal prosecution pursuant to 52 U.S.C. § 30109(a)(5)(C). On December 19, 2023, Phillips pleaded guilty to making false statements to the Commission, felony violations of 18 U.S.C. § 1001(a)(2) and 18 U.S.C. § 2. On April 8, 2024, Phillips was sentenced to three years' probation, 240 days of home confinement, 100 hours of community service, and fined \$100. After considering the circumstances of the matter, on June 4, 2024, the Commission determined to take no further action as to Phillips. In addition, on June 4, 2024, the Commission determined to dismiss the allegations that In Compliance, Inc. violated 52 U.S.C. §§ 30102(b)(3) and 30114(b), and voted to close the file, effective July 8, 2024.

The Factual and Legal Analysis explaining the Commission's reason-to-believe finding as to Phillips is enclosed. Any applicable Statements of Reasons available at the time of this letter's transmittal are enclosed.

Documents related to the case will be placed on the public record today. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016).

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The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action within 60 days of the dismissal, which became effective today. *See* 52 U.S.C. § 30109(a)(8).

If you have any questions, please contact, Christine C. Gallagher, the attorney assigned to this matter, at (202) 694-1505.

Sincerely,

Lisa J. Stevenson
Acting General Counsel

Mark Allen

BY: Mark Allen
Assistant General Counsel

Attachment:
Factual & Legal Analysis

FEDERAL ELECTION COMMISSION**FACTUAL AND LEGAL ANALYSIS**

1
2
3 **RESPONDENT:** Ryan Phillips **MUR 7615**
4

I. INTRODUCTION

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7 This matter was generated based on information ascertained by the Federal Election
8 Commission by a complaint filed by Heller for Senate (“Heller Committee”) and
9 HellerHighWater PAC (the “PAC”) pursuant to 52 U.S.C. § 30109(a)(1). Based on the available
10 information, the Commission finds reason to believe that Ryan Phillips, former partner at
11 In Compliance, Inc., knowingly and willfully violated 52 U.S.C. §§ 30114(b) and 30102(b)(3)
12 of the Federal Election Campaign Act of 1971, as amended (the “Act”), by converting Heller
13 Committee funds for personal use and commingling PAC funds with his own.

II. FACTUAL SUMMARY

14
15 The Heller Committee is then-Senator Dean Heller’s principal campaign committee for
16 his 2018 reelection campaign. The PAC is Heller’s federal leadership political action committee.
17 Chrissie Hastie is the treasurer of both committees and the owner, President, and CEO of
18 In Compliance, Inc., through which the committees contracted to receive recordkeeping and
19 reporting services. Ryan Phillips was a partner at In Compliance, Inc. and is related to Hastie.

20 The Heller Committee and the PAC filed a complaint alleging Phillips converted
21 campaign funds to personal use and caused the committees to file inaccurate reports with the
22 Commission.¹ The Complaint alleges that from September 2018 through February 2019, while
23 Phillips was a partner at In Compliance, he misappropriated \$46,226.66 from the Heller
24 Committee and \$139,051.38 from the PAC, through unauthorized withdrawals, checks, and

¹ MUR 7615 Compl. (May 30, 2019).

1 transfers.² The available information shows that Phillips converted those funds to personal use
2 by making direct payments to himself or paying his personal expenses directly to merchants
3 including Walmart, Chevron, Cox Communications, Vons, La Bellas Pizzeria, NV Energy, Shell,
4 Funnys, Albertsons, Joanie’s, Smiths Food Store, Santa Fe Hotel, IC Systems, Inc., Molly’s, and
5 Aliante.³ The available information also shows that of the stolen leadership PAC funds, Phillips
6 made \$12,204.68 payments directly to himself.⁴

7 Phillips admits that he misappropriated funds from the Heller Committee and the PAC,
8 and he used the money for personal expenses.⁵ After making this admission, he states that he
9 has “since admitted to having a gambling problem and admitted to using these funds for my own
10 personal use.”⁶ Phillips maintains no one at the Committee, the PAC, or In Compliance knew at
11 the time that he had misappropriated the funds.⁷

12 According to the available information, Phillips handled all of the Heller Committee’s
13 and the PAC’s receipts, disbursements, and bank reconciliations. In those roles, he had check-
14 signing authority and a debit card linked to the committees’ accounts, which bank policies
15 required he possess to make wire transfers from the committees’ accounts. The available
16 information shows that Phillips abused the debit cards and his banking privileges to
17 misappropriate the committees’ funds. In particular, Phillips, without anyone’s knowledge,

² See MUR 7615 Compl. at 1-2.

³ See MUR 7615 Compl. at 1-2.

⁴ *Id.*

⁵ MUR 7615 Phillips Resp. (June 28, 2019).

⁶ *Id.*

⁷ *Id.*

1 removed the Heller Committee's and PAC's debit cards from a safe, used them to make
2 disbursements, and did not return them to the safe, in contravention of company policies.⁸

3 According to the committees, in addition to circumventing existing internal controls,
4 Phillips made multiple false entries in In Compliance's accounting software and the Heller
5 Committee's and PAC's campaign software to hide the illegal transactions.⁹ Then, Phillips
6 reconciled the bank statements to data in the accounting software and balanced the accounting
7 software data to the campaign software data to conceal the illegal transactions. According to the
8 available information, Phillips disguised his transfers as legitimate campaign expenditures and at
9 other times chose not to disclose the activity.¹⁰ The available information further shows that
10 Phillips knowingly prepared and caused false disclosure reports to be prepared on behalf of the
11 committees that inaccurately disclosed payments to third parties or failed to disclose committee
12 and PAC activity altogether.¹¹

13 According to the available information, at the end of each reporting period,
14 In Compliance compared the ending cash-on-hand balance in the accounting software with that
15 in the software used to generate Commission reports, but because of the concealed transactions,
16 the receipts, disbursements, and cash on hand appeared to match. Nonetheless, other In
17 Compliance partners did not review the bank statements or reconciliations to confirm the activity
18 because they trusted Phillips, who is a family member with whom they had worked closely for
19 numerous years. Consequently, the illegal transactions were not discovered until In Compliance

⁸ *Id.*

⁹ MUR 7615 Compl. at 1-2.

¹⁰ MUR 7615 Compl. at 2.

¹¹ *See id.*

1 conducted its standard annual audit, at which time, it notified the committees of the
2 misappropriated funds, conducted an investigation, prepared a report, and terminated Phillips’s
3 employment.

4 Phillips stated in his response that he “will return all funds [he has] misappropriated from
5 the Committees via [his] personal funds and the partner compensation [he] will receive as part of
6 [his] partial ownership buy out from In Compliance Inc.”¹² The available information shows
7 that Phillips, through In Compliance, fully refunded the misappropriated funds to the
8 committees. The Heller Committee and the PAC each disclosed the receipt of an
9 “indemnification payment” from In Compliance on October 7, 2019, in the amount of
10 \$46,226.66 and \$139,051.38, respectively.¹³

11 **III. LEGAL ANALYSIS**

12 The Act requires that a political committee’s funds “shall be segregated from, and may
13 not be commingled with, the personal funds of any individual,”¹⁴ and prohibits individuals from
14 converting contributions to a candidate’s political committee for personal use.¹⁵ A contribution
15 or donation shall be considered to be converted to personal use if the contribution or amount is
16 used to fulfill any commitment, obligation, or expense of a person that would exist irrespective
17 of the candidate’s election campaign or individual’s duties as a holder of federal office.¹⁶

¹² MUR 7615 Phillips Resp.

¹³ Heller for Senate 2019 Year-End Rpt. at 14 (Jan. 31, 2019); HellerHighWater PAC 2019 Year-End Rpt. at 6 (Jan. 31, 2020).

¹⁴ 52 U.S.C. § 30102(b)(3).

¹⁵ 52 U.S.C. § 30114(b)(1).

¹⁶ 52 U.S.C. § 30114(b)(2).

1 A violation of the Act is knowing and willful when the “actions [were] taken with full
2 knowledge of all the facts and a recognition that the action is prohibited by law.”¹⁷ This does not
3 require proving knowledge of the specific statute or regulation the respondent allegedly
4 violated.¹⁸ Rather, it is sufficient to demonstrate that a respondent “acted voluntarily and was
5 aware that his conduct was unlawful.”¹⁹ This awareness may be shown through circumstantial
6 evidence from which the respondent’s unlawful intent reasonably may be inferred.²⁰ For example,
7 a person’s awareness that an action is prohibited may be inferred from “the [person’s] elaborate
8 scheme for disguising ... political contributions.”²¹

9 Phillips admits to the allegations that he diverted \$46,226.66 in campaign funds from the
10 Heller Committee and \$139,051 in leadership PAC funds from HellerHighWater, and used those
11 funds to make direct payments to himself; to pay his personal expenses, including groceries,
12 restaurant bills, gasoline, and hotel stays; and to make direct payments to his personal utility

¹⁷ 122 Cong. Rec. H3778 (daily ed. May 3, 1976).

¹⁸ *United States v. Danielczyk*, 917 F. Supp. 2d 573, 578 (E.D. Va. Jan. 9, 2013) (quoting *Bryan v. United States*, 524 U.S. 184, 195 & n.23 (1998) (holding that, to establish a violation is willful, government needs to show only that defendant acted with knowledge that conduct was unlawful, not knowledge of specific statutory provision violated)).

¹⁹ *Id.* (citing jury instructions in *United States v. Edwards*, No. 11-61 (M.D.N.C. 2012), *United States v. Acevedo Vila*, No. 08-36 (D.P.R. 2009), *United States v. Fieger*, No. 07-20414 (E.D. Mich. 2008), and *United States v. Alford*, No. 05-69 (N.D. Fla. 2005)).

²⁰ *Cf. United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990) (quoting *United States v. Bordelon*, 871 F.2d 491, 494 (5th Cir. 1989)). *Hopkins* involved a conduit contributions scheme, and the issue before the Fifth Circuit concerned the sufficiency of the evidence supporting the defendants’ convictions for conspiracy and false statements under 18 U.S.C. §§ 371 and 1001.

²¹ *Id.* at 214-15. As the *Hopkins* court noted, “It has long been recognized that ‘efforts at concealment [may] be reasonably explainable only in terms of motivation to evade’ lawful obligations.” *Id.* at 214 (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

1 providers and a debt collection agency.²² Phillips therefore illegally converted the funds of an
2 authorized campaign committee for personal use.²³ Further, when Phillips diverted \$12,204.68
3 of the leadership PAC's funds directly to himself, he impermissibly commingled the funds of a
4 political committee with his own.

5 Phillips's violations also appear to have been knowing and willful. Specifically, Phillips
6 made multiple false entries in the accounting and campaign software and then reconciled the
7 committees' bank statements with the accounting and campaign software to hide his illegal
8 transactions without In Compliance's or the committees' knowledge.²⁴

9 Therefore, there is reason to believe that Ryan Phillips knowingly and willfully violated
10 52 U.S.C. § 30114(b) by converting Heller Committee funds to personal use and knowingly and
11 willfully violated 52 U.S.C. § 30102(b)(3) by commingling personal and PAC funds.

²² MUR 7615 Phillips Resp.

²³ 52 U.S.C. § 30114(b); *see* MUR 6761 (Kenneth A. Barfield) (finding reason to believe that Respondent violated 2 U.S.C. § 439a(b) (now 52 U.S.C. § 30114(b)) where he made unauthorized disbursements from an authorized campaign committee's account and used the funds for personal expenses); MUR 6980 (Samuel K. Pate, Jr.) (same); MUR 7225 (Jack Wu) (same).

²⁴ *See* MUR 7615 Compl. at 2; MUR 7615 Phillips Resp.