



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

APR 15 2003

Michael Mundy, Treasurer
Paul Williams for Congress
P.O. Box 238
Kemah, TX 77565

RE: MUR 5359
Paul Williams for Congress

Dear Mr. Mundy:

On April 1, 2003, the Federal Election Commission found that there is reason to believe Paul Williams for Congress ("Committee") and you, as Treasurer, violated several provisions of the Federal Election Campaign Act of 1971, as amended ("the Act") and Commission regulations. Specifically, the Commission found reason to believe that the Committee and you, as Treasurer, violated 2 U.S.C. § 432(d) and 11 C.F.R. §§ 104.14(b)(1)-(3) and 102.9(c) by failing to maintain records; violated 2 U.S.C. § 434(b)(3)(A) and 11 C.F.R. §§ 104.3(a)(4) and 104.7(a)-(b) by failing to disclose contributions and exercise best efforts to obtain contributor information; violated 2 U.S.C. § 434(b)(8) and 11 C.F.R. §§ 104.3 and 104.11 by failing to disclose and continually report debts and obligations; violated 2 U.S.C. § 434(b)(5)(A) by failing to disclose operating expenditures; violated 2 U.S.C. § 432(i) and 11 C.F.R. §§ 102.10 and 104.3(b)(4) by failing to keep records and report and itemize disbursements; violated 2 U.S.C. § 432(h) and 11 C.F.R. § 102.11 by making excess cash disbursements; violated 2 U.S.C. § 439a and 11 C.F.R. § 113.1(g) by using campaign funds for personal use; violated 2 U.S.C. §§ 434(b)(1), 434(b)(2) and 434(b)(4) by misstating financial activity; and violated 2 U.S.C. § 432(h) and 11 C.F.R. §§ 103.1 and 103.3(a) by failing to deposit receipts into campaign depositories, making disbursements from unregistered campaign depositories and failing to properly report campaign depositories. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

In order to expedite the resolution of this matter, the Commission has also decided to offer to enter into negotiations directed towards reaching a conciliation agreement in settlement

25044111175

of this matter prior to a finding of probable cause to believe. Enclosed is a conciliation agreement that the Commission has approved.¹

If you are interested in expediting the resolution of this matter by pursuing preprobable cause conciliation, and if you agree with the provisions of the enclosed agreement, please sign and return the agreement, along with the civil penalty, to the Commission. In light of the fact that conciliation negotiations, prior to a finding of probable cause to believe, are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Michelle E. Abellera, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,



David M. Mason
Commissioner

Enclosures

Factual and Legal Analysis
Procedures
Designation of Counsel Form
Conciliation Agreement

cc: candidate

¹ The Commission also found reason to believe that Paul Williams ("the Candidate") violated provisions of the Act and Commission regulations. As such, the enclosed conciliation agreement addresses all violations arising in this matter, including those committed by the Candidate.

25044111176

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENT: Paul Williams for Congress
and Michael Mundy, as treasurer

MUR: 5359

I. INTRODUCTION

This matter was generated from an audit of Paul Williams for Congress ("PWFC" or "the Committee") undertaken in accordance with 2 U.S.C. § 438(b).

II. FACTUAL AND LEGAL ANALYSIS

A. Failure to Maintain Records

Based on the Audit Referral at 3-6, the Commission found reason to believe Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. § 432(d) and 11 C.F.R. §§ 104.14(b)(1)-(3) and 102.9(c) by failing to maintain records.

B. Failure to Disclose Contributions and Exercise Best Efforts to Obtain Contributor Information

Based on the Audit Referral at 7-8, the Commission found reason to believe Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. §§ 434(b)(3)(A) and 432(i) and 11 C.F.R. §§ 104.3(a)(4) and 104.7(a)-(b) by failing to disclose contributions and exercise best efforts to obtain contributor information.

C. Failure to Disclose and Report Debts and Obligations

Based on the Audit Referral at 9, the Commission found reason to believe that Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. § 434(b)(8) and 11 C.F.R. §§ 104.3 and 104.11 by failing to disclose and continually report outstanding debts and obligations.

25044111177

D. Failure to Disclose Expenditures, Keep Records and Report/Itemize Disbursements

Based on the Audit Referral at 9-10, the Commission found reason to believe that Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. § 434(b)(5)(A) by failing to disclose operating expenditures; and violated 2 U.S.C. §§ 434(b)(4)-(6) and 11 C.F.R. §§ 102.10 and 104.3(b)(4) by failing to keep records and report and itemize disbursements.

E. Excess Cash Disbursements

Based on the Audit Referral at 10-11, the Commission found reason to believe that Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. § 432(h) and 11 C.F.R. § 102.11 by making excess cash disbursements.

F. Personal Use of Campaign Funds

Based on the Audit Referral at 12-13, the Commission found reason to believe that Paul Williams and Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. § 439a and 11 C.F.R. § 113.1(g) by using campaign funds for personal use.

G. Misstatement of Financial Activity

Based on the Audit Referral at 13-14, the Commission found reason to believe that Paul Williams for Congress and Michael Mundy, as treasurer, violated 2 U.S.C. §§ 434(b)(1), 434(b)(2) and 434(b)(4) by misstating financial activity.

H. Failure to Report Campaign Depositories and Deposit Receipts and Make Disbursements from Registered Campaign Depositories

Compass Bank was listed as a campaign depository on PWFC's August 6, 1999 Statement of Organization. The Audit staff became aware of the existence of another campaign depository, Wells Fargo Bank, based on tissue check copies and bank statements received from

25044111178

1 the Committee. However, PWFC did not file an amended Statement of Organization to
2 designate Wells Fargo Bank as a campaign depository. 2 U.S.C. § 432(h)(1); 11 C.F.R.
3 §§ 103.1-103.2. The Audit staff reviewed all itemized transactions on PWFC's disclosure
4 reports and identified contributions from individuals totaling \$4,035, a loan receipt for \$20,000
5 and 36 disbursement transactions totaling \$23,749 that could not be traced to bank
6 documentation subpoenaed from Compass Bank and Wells Fargo Bank. The Audit staff noted
7 that \$4,035 in receipts and \$3,562 in disbursements were reported in 1999, before any bank
8 account acknowledged by PWFC was opened. Therefore, PWFC utilized an undisclosed
9 campaign depository for these transactions. 11 C.F.R. § 103.3(a).

10 Accordingly, the Commission found reason to believe Paul Williams for Congress and
11 Michael Mundy, as treasurer, violated 2 U.S.C. § 432(h)(1) and 11 C.F.R. §§ 103.1 and 103.3(a)
12 by failing to properly report campaign depositories, failing to deposit all of its receipts into
13 campaign depositories, and making disbursements from accounts at undesignated depositories.
14 *See Audit Referral at 5-6.*

15
16 Attachment:

17 Audit Referral—Report of the Audit Division on Paul Williams for Congress

2504411179