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The Government Accountability Institute's 108-page report, [*America The Vulnerable: Are Foreign and Fraudulent Online Campaign Contributions Influencing U.S. Elections?*](#), is a detailed investigation of the widespread vulnerability of federal campaigns to fraudulent and foreign donations. The Obama campaign's [response](#) to the report has been surprisingly defensive. As the report demonstrates, this is a systemic problem that affects Republicans and Democrats alike. The Obama campaign seems to be more interested in scoring political points than dealing with the facts of this problem. As our [articles in the Daily Beast](#) demonstrate, we have consistently been critical of the Romney campaign's refusal to release the names of its bundlers. As ever, the Government Accountability Institute remains committed to nonpartisan, fact-driven analysis.

Our report is a comprehensive analysis of a bipartisan problem: the vulnerabilities that campaigns face when it comes to fraudulent and foreign donations. The Obama campaign is particularly vulnerable because of its aggressive solicitation of online donations, its failure to employ rigorous, industry-standard anti-fraud security tools (CVV and AVS), and because the name "Obama" is a global brand.

We are troubled by the fact that the Obama campaign has nothing to say about one of the main concerns we detailed in our report: the mysterious Obama.com redirect website anonymously owned by China-based campaign bundler Robert Roche. As we point out in the report, China has a long history of funneling campaign cash to the presidential campaigns of both parties.

Robert Roche has an unusually close relationship with the Chinese government, to whom he is dependent for the operation of his Chinese-based company, Acorn International. Read the [prospectus](#) of his company and it becomes clear that his collaboration with Chinese state-television, relationships with state-owned companies, special tax breaks from the Chinese government, and restrictions on currency movements, are all essential to his commercial activities. At the same time, he owns this redirect website which sends international web traffic to a contribution page of the president's campaign.

Is it not strange that while the Obama campaign owns nearly 400 Internet domain names and vigorously protects its brand, the most desirable domain at all is in the hands of an American living in Shanghai? President Obama knows Mr. Roche. He's a bundler and co-head of Tech for Obama. He has visited the White House over a dozen times despite living in Shanghai, including a one-on-one meeting with the President in the Oval Office. Mr. Obama has made him an advisor on trade issues. And he sat at the head table of the China State Dinner in 2011.

The campaign also has nothing to say about another of our concerns: the fact that they fail to use one of the most basic anti-fraud tools available, the credit card security code (“CVV”). It strikes us as extremely suspect that the campaign requires the CVV to purchase a \$35 dog sweater, but not for a \$5,000 donation on their website. Is the CVV helpful or not? The campaign’s vendor seems to believe so. Indeed, the campaign seems eager to comply – when it comes to dog sweaters. At the same time, we point out Obama campaign tech executives use the CVV on their various other commercial and philanthropic Internet ventures. The only exception appears to be political campaign contributions.

It’s disappointing that the Obama campaign purposefully misconstrues GAI’s concerns about foreign solicitations. The fact of the matter is that knowingly soliciting donations from foreign individuals is against the law. Of course the campaign can’t control who visits its website. However, that is not the issue GAI raised. The question our report raises concerns the campaign’s indiscriminate sending of emails around the world asking for campaign donations. The Obama campaign is the most technologically sophisticated campaign when it comes to social media, data mining, and micro targeting. However, when sending solicitation letters to its entire email list, which is a weekly if not daily occurrence, the campaign makes no apparent effort to determine whether the individuals signing up their email addresses on the campaign’s website can legally donate to the campaign. Is it too much to ask for this highly sophisticated, high tech operation to ask those signing up whether they can legally give? Such a system would weed out foreign nationals who repeatedly receive solicitation letters from the campaign and may very well

be donating. Had the campaign bothered to read our report, they would have found several examples of foreign bloggers complaining of such solicitations, highlighting this problem.

The Obama campaign claims that it uses an Address Verification System (AVS). But this assertion is also suspect. Simply put, an effective AVS system would require a valid zip code to process a transaction. When you buy gas at the pump with a credit card and enter an incorrect zip code, the transaction is rejected. However, in their [September filings](#) with the FEC, the campaign reported over \$2 million of donations in which there was no zip code or only 4 digits. At the gas pump, these transactions would have been immediately rejected. For contributions to a political campaign, however, apparently they are acceptable. No other presidential candidate has this issue. The following numbers were taken directly from the FEC's website:

“NO ZIP WAS SUPPLIED”	\$130,867.48
*0174	\$99,181.00
*0177	\$91,335.00
*1046	\$67,877.50
*1690	\$11,597.00
*2000	\$633,015.48
*2704	\$36,301.00
*5511	\$84,698.12
*6051	\$46,813.00

*6152	\$29,381.00
*7862	\$25,179.00
*9040	\$175,098.00
*9136	\$59,738.00
*9211	\$105,497.00
*9250	\$31,481.00
*9411	\$505,381.29
*9592	\$19,804.00
“-”	\$250.00

This is not to suggest that these donations are fraudulent or that the campaign doesn't employ AVS. It is simply to offer clear evidence that the Obama campaign employs a much looser version of AVS than any other candidate running for president in the last six years. The real amount of donations accepted with inaccurate zip codes is undoubtedly much higher given that FEC reports only include those donations given by donors who've donated more than \$200 this election cycle.

The most technologically advanced presidential campaign in modern history explains that they use a manual hand-process to weed out fraudulent donations. The problem with this is that there is no transparency, accountability, or consistent standard. We lack confidence in *any* campaign, running for *any* office, offering their assurances for some “back-end” system. This is especially true, given that several campaigns are soliciting

online donations in amounts that fall only slightly under the \$200 threshold. The Obama campaign, for example, solicits contributions for \$190. For what purpose does the campaign request donations in this particular amount other than to evade the FEC reporting requirement?

This is the inherent problem with the current campaign finance system when it comes to fraudulent and foreign donations. Political consultants police themselves. We are calling for all candidates running for federal office to release the names of **all** their contributors, even those that the campaigns are not required to disclose. We are also calling for all campaigns to employ industry-standard, anti-fraud security tools that are common in every online e-commerce sector. Mr. President, are not these reforms not an important way to give the American people greater assurance in the integrity of their campaign finance system? This is not difficult to do. John McCain did exactly this in 2008.

Last year, research in my book, *Throw Them All Out*, raised the question of congressional insider trading by political figures from both parties. Spurred on by media reports on *60 Minutes* and in *Newsweek*—as well as the anger of the American people—the political class in Washington was forced to act. The absurdity of politicians policing themselves when it comes to self-enrichment was universally recognized. In this year’s State of the Union Address, President Obama embraced this call to make congressional insider trading illegal. A far from perfect law, the STOCK Act, was passed with strong bipartisan support and signed by the President.

Mr. President: why should we trust political consultants to police themselves any more than we trust politicians to do the same when no one is watching? Mr. President, why not join our efforts to again bring more transparency, accountability, and reform to our troubled political system?