

# DOJ Announces Major Penalties in Corporate Reimbursement Scheme

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Late last year, the U.S. Department of Justice (DOJ) announced that one of Houston's foremost infrastructure companies, Dannenbaum Engineering Corporation (DEC), agreed to pay a \$1.6 million criminal penalty for its role in a political contribution reimbursement scheme connected with its employees. The company's president and chief executive officer, James Dannenbaum, also pled guilty to one count of violating the federal campaign finance laws. These developments underscore that the federal government remains vigilant in prosecuting cases where straw donors are used to circumvent the contribution limits.

As part of a deferred prosecution agreement reached with the government, DEC acknowledged that Mr. Dannenbaum and another DEC employee sought to gain access to prominent U.S. politicians by requesting company employees and their families make contributions to certain candidates. These employees were, in turn, informed that the company and/or corporate officials would advance funds for or reimburse the individuals for their contributions, with extra amounts included to cover any income taxes. From 2015 through 2017, this scheme resulted in \$323,300 given to 24 separate candidates over the course of 95 straw contributions. These totals included \$48,600 given to one presidential campaign committee and – oddly – \$90,000 given to a super PAC supporting a presidential candidate (even though there are generally no monetary limits on such contributions). The DOJ noted that at no time were any of the recipient candidates or committees aware of the reimbursed nature of the contributions.

In reaching a settlement with the company, the DOJ explained that DEC received credit for conducting a thorough internal investigation, voluntarily producing employees for interviews, and collecting

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evidence. The DOJ also noted that the company had taken other remedial steps, including: dismissing one of the two principal employees involved in the conduct, while the other resigned from his leadership positions; hiring a chief compliance officer; and training its workforce concerning the political contribution process.

The DOJ may seek prison time for Mr. Dannenbaum, who was once a prominent Republican donor and a former member of the University of Texas Board of Regents. A sentencing hearing is currently set for March.