



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 1, 2008

MEMORANDUM

To: Robert W. Biersack
Press Officer

From: Wanda J. Thomas *wjt*
Acting Assistant Staff Director
Audit Division

Subject: Public Issuance of the Audit Report on Dallas County Republican Party

Attached please find a copy of the audit report on Dallas County Republican Party, which was approved by the Commission on November 19, 2008.

All parties involved have received informational copies of the report and the report may be released to the public December 2, 2008.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library
DSDD Website



Report of the Audit Division on Dallas County Republican Party

January 1, 2005 – December 31, 2006

Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.¹ The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Committee (p. 2)

Dallas County Republican Party is a local party committee headquartered in Dallas, Texas. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

| | |
|---|---------------------|
| • Receipts | |
| ○ Contributions from Individuals | \$ 286,208 |
| ○ Contributions from Other Political Committees | 99,162 |
| ○ Transfers from Non-federal Accounts and Levin Funds | 704,200 |
| ○ Other Receipts | 661 |
| ○ Total Receipts | \$ 1,090,231 |
| • Disbursements | |
| ○ Operating Expenditures | \$ 734,080 |
| ○ Transfers to Affiliated Committees | 177,000 |
| ○ Federal Election Activity (FEA) | 141,868 |
| ○ Other Disbursements | 36,263 |
| ○ Total Disbursements | \$ 1,089,211 |
| • Levin Receipts | \$ 0 |
| • Levin Disbursements | \$ 10,000 |

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Misstatement of Levin Financial Activity (Finding 2)
- Disclosure of Occupation and Name of Employer (Finding 3)
- Disclosure of Allocation Ratios (Finding 4)
- Disclosure of Disbursements (Finding 5)
- Reporting Debts & Obligations (Finding 6)

¹ 2 U.S.C. §438(b).

Table of Contents

| | Page |
|--|-------------|
| Part I. Background | |
| Authority for Audit | 1 |
| Scope of Audit | 1 |
| Part II. Overview of Committee | |
| Committee Organization | 2 |
| Overview of Financial Activity | 2 |
| Part III. Summaries | |
| Findings and Recommendations | 3 |
| Part IV. Findings and Recommendations | |
| Finding 1. Misstatement of Financial Activity | 5 |
| Finding 2. Misstatement of Levin Financial Activity | 8 |
| Finding 3. Disclosure of Occupation and Name of Employer | 9 |
| Finding 4. Disclosure of Allocation Ratios | 11 |
| Finding 5. Disclosure of Disbursements | 12 |
| Finding 6. Reporting Debts & Obligations | 14 |

Part I

Background

Authority for Audit

This report is based on an audit of Dallas County Republican Party (DCRP), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

Scope of Audit

Following Commission approved procedures, the Audit staff evaluated various factors and as a result, this audit examined:

1. The disclosure of individual contributors' occupation and name of employer.
2. The disclosure of contributions from other political committees.
3. The receipt of excessive and prohibited contributions from other political committees.
4. The disclosure of disbursements, debts and obligations.
5. The disclosure of expenses allocated between federal, non-federal, and Levin accounts.
6. The consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

| | |
|--|--|
| Important Dates | Dallas County Republican Party |
| • Date of Registration | February 5, 1999 |
| • Audit Coverage | January 1, 2005 – December 31, 2006 |
| Headquarters | Dallas, Texas |
| Bank Information | |
| • Bank Depositories | 1 |
| • Bank Accounts | 1 Federal, 1 Levin, 3 Non-federal Accts. |
| Treasurer | |
| • Treasurer When Audit Was Conducted | Kenn S. George |
| • Treasurer During Period Covered by Audit | Charles Schweiger |
| Management Information | |
| • Attended FEC Campaign Finance Seminar | No |
| • Used Commonly Available Campaign Management Software Package | Yes |
| • Who Handled Accounting and Recordkeeping Tasks | Paid Staff |

Overview of Financial Activity (Audited Amounts)

| | |
|---|---------------------|
| Cash on hand @ January 1, 2005 | \$ 12,398 |
| o Contributions from Individuals | 286,208 |
| o Contributions from Other Political Committees | 99,162 |
| o Transfers from Non-federal Accounts and Levin Funds | 704,200 |
| o Other Receipts | 661 |
| Total Receipts | \$ 1,090,231 |
| o Operating Expenditures | 734,080 |
| o Transfers to Affiliates | 177,000 |
| o Federal Election Activity (FEA) | 141,868 |
| o Other Disbursements | 36,263 |
| Total Disbursements | \$ 1,089,211 |
| Cash on hand @ December 31, 2006 | \$ 13,418 |
| Levin Cash on hand @ January 1, 2005 | \$10,650 |
| Total Levin Receipts | 0 |
| Total Levin Disbursements | 10,000 |
| Levin Cash on hand @ December 31, 2006 | \$650 |

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of DCRP's reported financial activity to the bank records revealed a misstatement of receipts and disbursements in both 2005 and 2006. DCRP under reported receipts and disbursements in 2005 by \$8,846 and \$3,216, respectively. In 2006 DCRP under reported receipts by \$169,712 and disbursements by \$192,118. Most of the discrepancies were due to not reporting in-kind contributions, transfers from the non-federal account, and transfers to other party committees. DCRP complied with the Audit staff's recommendations by filing amended reports that corrected the misstatements. (For more detail, see p. 5)

Finding 2. Misstatement of Levin Financial Activity

A comparison of DCRP's reported Levin activity to bank records resulted in a misstatement of beginning and ending cash on hand in 2005. DCRP under reported beginning cash on hand by \$10,650 and reported a negative \$10,000 for ending cash on hand. In response to the interim audit report recommendation, DCRP filed amended reports correcting the misstatements. (For more detail, see p. 8)

Finding 3. Disclosure of Occupation and Name of Employer

DCRP did not adequately disclose occupation and/or name of employer for 34% of contributions from individuals itemized on its Schedules A. Furthermore, DCRP did not sufficiently document that "best efforts" to obtain, maintain, and submit information had been exercised. DCRP materially complied with the Audit staff's recommendations by filing amended reports to disclose the required information. (For more detail, see p. 9)

Finding 4. Disclosure of Allocation Ratios

A review of allocable expenses revealed that DCRP did not disclose 7 fundraisers on Schedules H-2 (Allocation Ratios) and applied the incorrect allocation ratio for 34 disbursements totaling \$114,383. In response to the interim audit report recommendation, DCRP filed amended reports materially correcting the public record. (For more detail, see p. 11)

Finding 5. Disclosure of Disbursements

The Audit staff identified disbursements totaling \$344,013 that lacked or inaccurately disclosed the required information. DCRP disclosed incorrect amounts, incorrect payment dates, as well as incorrect and inadequate purposes. In addition, DCRP did not

properly itemize payments and memo entries for reimbursements to individuals. DCRP filed amended reports materially complying with the Audit staff's recommendation. (For more detail, see p. 12)

Finding 6. Reporting Debts & Obligations

DCRP failed to report debts and obligations totaling \$19,543 for allocable activity on Schedules D (Debts and Obligations). All but one of the items was more than \$500. DCRP materially complied with the Audit staff's recommendation by filing amended reports to disclose the required information. (For more detail, see p. 14)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of DCRP's reported financial activity to the bank records revealed a misstatement of receipts and disbursements in both 2005 and 2006. DCRP under reported receipts and disbursements in 2005 by \$8,846 and \$3,216, respectively. In 2006 DCRP under reported receipts by \$169,712 and disbursements by \$192,118. Most of the discrepancies were due to not reporting in-kind contributions, transfers from the non-federal account, and transfers to other party committees. DCRP complied with the Audit staff's recommendations by filing amended reports that corrected the misstatements.

Legal Standard

Contents of Reports. Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
- The total amount of receipts for the reporting period and for the calendar year; and
- The total amount of disbursements for the reporting period and for the calendar year;
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4), and (5).

Facts and Analysis

The Audit staff reconciled the reported financial activity to the bank records and determined there was a misstatement of receipts and disbursements in 2005 and 2006. The following chart outlines the discrepancies.

| 2005 Activity ² | | | |
|--|-----------|--------------|------------------------|
| | Reported | Bank Records | Discrepancy |
| Opening Cash Balance January 1, 2005 | \$12,247 | \$12,397 | \$150 Understated |
| Receipts | \$291,239 | \$300,085 | \$8,846 Understated |
| Disbursements | \$285,757 | \$288,973 | \$3,216 Understated |
| Ending Cash Balance December 31, 2005 | \$17,729 | \$23,509 | \$5,780 Understated |

Opening Cash Balance 2005

The \$150 understatement of beginning cash on hand was a result of an unexplained difference from the previous year.

² Figures have been rounded to the nearest dollar.

Receipts 2005

The understatement of receipts in 2005 was because DCRP did not report in-kind contributions from the 2005 Lincoln Day Dinner silent auction, totaling \$8,846.

Disbursements 2005

The net understatement of disbursements in 2005 was a result of the following:

| | |
|---|-----------------|
| • Unreported Allocable Activity - DCRP did not report on Schedules H-4 disbursements for shared federal/non-federal activity. | + \$ 2,276 |
| • Unreported In-kind Contributions - DCRP did not report in-kind contributions from the 2005 Lincoln Day Dinner silent auction. | + 8,846 |
| • Over reported Allocable Activity - DCRP reported disbursements for shared federal/non-federal activity on Schedules H-4 that never occurred. | - 2,866 |
| • Over reported Disbursement - DCRP reported a disbursement to an affiliated committee but the check did not clear the bank account. | - 5,000 |
| • Unexplained difference | - 40 |
| Net Understatement of Disbursements | <u>\$ 3,216</u> |

Ending Cash Balance

The \$5,780 understatement of ending cash on hand resulted from the misstatements described above.

| 2006 Activity | | | |
|--|-----------------------|---------------------|--------------------------|
| | Reported | Bank Records | Discrepancy |
| Opening Cash Balance January 1, 2006 | \$17,729 | \$23,509 | \$5,780 Understated |
| Receipts | \$620,434 | \$790,146 | \$169,712 Understated |
| Disbursements | \$608,119 | \$800,237 | \$192,118 Understated |
| Ending Cash Balance December 31, 2006 | \$13,232 ³ | \$13,418 | \$186 Understated |

³ This figure does not foot due to a mathematical discrepancies in calculating cash balances throughout 2006.

Receipts 2006

The understatement of receipts in 2006 was the result of the following:

| | | |
|---|---|------------------|
| • Unreported Receipts from Individuals - DCRP did not report receipts from individuals on Schedules A. | + | \$ 2,997 |
| • Unreported Transfers - DCRP did not report on Schedules H-3 transfers from the non-federal account to pay for allocable activity. | + | 98,000 |
| • Unreported Transfers for Non-allocable Activity - DCRP did not report a transfer from the non-federal account used to pay the state party for a non-federal mailing ⁴ . | + | 53,000 |
| • Unreported In-kind Contributions - DCRP did not report in-kind contributions from the 2006 Lincoln Day Dinner silent auction. | + | 7,780 |
| • Unexplained difference | + | <u>7,935</u> |
| Understatement of Receipts | | <u>\$169,712</u> |

Disbursements 2006

The net understatement in 2006 of disbursements was due to the following:

| | | |
|--|---|------------|
| • Unreported Disbursements - DCRP did not report payments made to the Republican Party of Texas for non-federal mail pieces on Schedules B. | + | \$ 177,000 |
| • Unreported Allocable Activity - DCRP did not report disbursements for shared federal/non-federal activity on Schedules H-4. | + | 14,099 |
| • Unreported Disbursements - DCRP did not report other federal disbursements on Schedules B. | + | 749 |
| • Unreported In-kind Contributions - DCRP did not report in-kind contributions from the 2006 Lincoln Day Dinner silent auction. | + | 7,780 |
| • Over Reported Allocable Activity - DCRP over reported disbursements for federal/non-federal activity on Schedules H-4. | - | 7,089 |

⁴ DCRP transferred \$129,000 from the non-federal account to the federal account but did not report \$53,000 of the transfer. Documentation established that these funds were used to pay the Republican Party of Texas for direct mailers that mentioned only non-federal candidates. Subsequently, a total of \$177,000 was paid to the Republican Party of Texas for non-federal mail pieces.

| | | |
|--|---|------------------|
| • Over Reported Disbursement - DCRP over reported a disbursement on Schedule B. | - | 2,247 |
| • Unexplained difference | + | <u>1,826</u> |
| Net Understatement of Disbursements | | <u>\$192,118</u> |

Ending Cash Balance 2006

DCRP misstated their cash balances throughout 2006. The misstatement was due to the adjustments described above as well as mathematical discrepancies in calculating the cash balance on the Detailed Summary Pages.

This matter was presented to DCRP during the exit conference. DCRP representatives stated the misstatement could have been the result of software error.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP file amended reports to correct the misstatements detailed above and amend their most recently filed report to correct the cash on hand balance. DCRP filed the requested amended reports for 2005 and 2006 that materially corrected the misstatement for receipts and disbursements. DCRP also amended the most current report to correct the cash on hand balance.

Finding 2. Misstatement of Levin Financial Activity

Summary

A comparison of DCRP's reported Levin activity to bank records resulted in a misstatement of beginning and ending cash on hand in 2005. DCRP under reported beginning cash on hand by \$10,650 and reported a negative \$10,000 for ending cash on hand. In response to the interim audit report recommendation, DCRP filed amended reports correcting the misstatements.

Legal Standard

A. Reporting. If a state, district or local party committee's combined annual receipts and disbursements for federal election activity (FEA) are \$5,000 or more during the calendar year, then it must disclose receipts and disbursements of Federal funds and Levin funds used for FEA. 11 CFR §300.36 (b)(2).

B. Contents of Levin Reports. Each report must disclose:

- The amount of cash on hand for Levin funds at the beginning and end of the reporting period;
- The total amount of Levin fund receipts and disbursements (including allocation transfers) for the reporting period and for the calendar year;
- Certain transactions that require itemization on Schedule L-A (Itemized Receipts of Levin Funds) or Schedule L-B (Itemized Disbursements of Levin Funds). 11 CFR §300.36 (b)(2)(B).

Facts and Analysis

A comparison of DCRP's reported Levin activity to bank records identified a misstatement of beginning and ending cash on hand in 2005. DCRP failed to include a Schedule L (Aggregation Page: Levin Funds) with reports covering the period from January 1, 2005 to February 28, 2005 and thus reported no Levin fund cash balance. The 2004 Year End Report reflected a Levin fund balance of \$4,650. However, bank records for the Levin bank account indicated a balance of \$10,650 on December 31, 2004.

In addition, DCRP reported Levin activity during the wrong period. According to bank records, DCRP made a \$10,000 transfer of Levin funds to the federal account in January 2005. This transfer was reported as received by the federal account in January on Schedule H-5 (Transfers of Levin Funds Received for Allocated Federal Election Activity), however, the Schedule L and L-B to disclose this Levin transfer was included in the report covering March 2005 activity⁵. Apparently due to reporting no beginning cash, DCRP reported an ending cash balance of negative \$10,000 for Levin funds. The correct ending cash balance was \$650.

These discrepancies caused DCRP to understate the cash balance of its Levin account throughout 2005. At the exit conference, the Audit staff gave DCRP representatives a workpaper detailing the misstatement of Levin activity.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP file amended Schedule L and Schedule L-B to properly report the Levin activity for 2005. As a result, DCRP filed amended Schedules L for the entire audit period to disclose the correct cash on hand. Furthermore, DCRP correctly reported the Levin transfer of \$10,000 on the report covering January 2005 activity.

Finding 3. Disclosure of Occupation and Name of Employer

Summary

DCRP did not adequately disclose occupation and/or name of employer for 34% of contributions from individuals itemized on its Schedules A. Furthermore, DCRP did not sufficiently document that "best efforts" to obtain, maintain, and submit information had been exercised. DCRP materially complied with the Audit staff's recommendations by filing amended reports to disclose the required information.

Legal Standard

A. Itemization Required for Contributions from Individuals. A political committee other than an authorized committee must itemize any contribution from an individual if it

⁵ The Audit staff determined that the \$10,000 from the Levin fund was used to pay the non-federal share of allocable activity and not for FEA activity. As a result, this transfer actually should have been reported on Schedule H-3 (Transfers from Non-Federal Accounts) instead of Schedule H-5.

exceeds \$200 per calendar year, either by itself or when combined with other contributions from the same contributor. 2 U.S.C. §434(b)(3)(A).

B. Required Information for Contributions from Individuals. For each itemized contribution from an individual, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The contributor's occupation and the name of his or her employer;
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The calendar year-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

C. Best Efforts Ensures Compliance. When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(i).

D. Definition of Best Efforts. The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
 - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

Facts and Analysis

The Audit staff reviewed all contributions from individuals reported on Schedules A and determined that 151, or 34%, had inadequate information for occupation and name of employer. Most of the contributions were disclosed with the notation "information requested" or "self-employed" but no further descriptive information as to the individuals' occupation. During fieldwork, DCRP representatives indicated that some phone logs of follow-up contacts may have been kept, however, no documentation was made available.

At the exit conference, the Audit staff discussed this matter with DCRP representatives. DCRP representatives stated that efforts would be made to disclose the company names for some of those individuals identified as self-employed. DCRP representatives also provided the Audit staff the current best efforts letter used to obtain missing occupation and name of employer information.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP provide evidence of best efforts or contact each individual lacking information and disclose any information received in the amended reports. DCRP contacted each individual and filed amended reports to disclose the occupation and name of employer information obtained.

Finding 4. Disclosure of Allocation Ratios

Summary

A review of allocable expenses revealed that DCRP did not disclose 7 fundraisers on Schedules H-2 (Allocation Ratios) and applied the incorrect allocation ratio for 34 disbursements totaling \$114,383. In response to the interim audit report recommendation, DCRP filed amended reports materially correcting the public record.

Legal Standard

A. Allocation Ratio for Shared Fundraising Expenses. If a committee raises both federal and non-federal funds through the same fundraising program or event, it must allocate the direct cost of the fundraising event based upon the ratio of funds received by the federal account to the total amount raised for the event. 11 CFR §106.7(d)(4).

B. Reporting of Allocation of Direct Cost for Shared Fundraising. In each report disclosing a disbursement for the direct costs of a fundraising program, the committee shall

- Assign a unique identifying title or code to each such program or activity,
- State the allocation ratio calculated for the program or activity according to 11 CFR 106.6(d), and
- Explain the manner in which the ratio was derived.
- The committee shall also summarize the total amounts spent by the Federal and non-Federal accounts that year, to date, for each such program or activity. 11 CFR §104.10(b)(2).

C. Federal Election Activity. FEA means any services provided during any month by an employee of a State, district, or local committee of a political party who spends more than 25 percent of that individual's compensated time during that month on activities in connection with a Federal election. 11 CFR §100.24 (b)(4).

D. Reporting of Allocations of Shared Expenses. When disclosing an allocable disbursement, a State, district, or local committee shall

- State and explain the allocation percentages to be applied to each category of allocable activity;
- State the category of activity for which each allocated disbursement was made in each subsequent report in the calendar year itemizing an allocated disbursement; and

- Summarize the total amounts expended from Federal and Non-Federal accounts, or from allocation accounts, that year to date for each such category. 11 CFR §104.17 (b)(1)(i) and (ii).

Facts and Analysis

The Audit staff reviewed allocable disbursements and determined that 7 fundraising events were not disclosed on Schedules H-2 (Allocation Ratios). These fundraising events had associated expenses on Schedule H-4 (Disbursements for Shared Federal/Non-Federal Activity). In addition, DCRP disclosed one fundraising event ratio on Schedules H-2 that was applied only to the salary of an employee who worked more than 25% of his time per month on Federal Election Activity (FEA). Any person that falls into this category must be paid with all federal funds.

The Audit staff also determined during the review of allocable disbursements disclosed on Schedules H-4 that DCRP applied the incorrect allocation ratio for 34 disbursements totaling \$114,383. Included in this amount are 29 disbursements totaling \$90,090 that DCRP applied the Administrative ratio instead of the correct fundraising event ratio. For the remaining five disbursements, DCRP applied the fundraising ratio for the wrong fundraising event.

Based on a review of all allocable activity and amounts transferred from the non-federal account, it was determined that DCRP did not make an overpayment from the non-federal account for its share of allocable expenses. However, DCRP should amend its reports to correct the disclosure of these allocation ratios.

The Audit staff gave DCRP representatives workpapers for the disclosure issues at the exit conference.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP file amended reports to correct the allocation ratios disclosed on Schedules H-2 and Schedules H-4. In response, DCRP filed amended reports that included the 7 fundraising events on Schedules H-2 in the appropriate report period. Additionally, DCRP materially corrected the application of the allocation ratios to corresponding disbursements on Schedules H-4.

Finding 5. Disclosure of Disbursements

Summary

The Audit staff identified disbursements totaling \$344,013 that lacked or inaccurately disclosed the required information. DCRP disclosed incorrect amounts, incorrect payment dates, as well as incorrect and inadequate purposes. In addition, DCRP did not properly itemize payments and memo entries for reimbursements to individuals. DCRP filed amended reports materially complying with the Audit staff's recommendation.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200 in a calendar year, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made—see below). 2 U.S.C. §434(b)(5)(A) and 11 CFR §104.3(b)(3)(i).

B. Examples of Purpose.

- **Adequate Descriptions.** Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, catering costs, loan repayment, or contribution refund. 11 CFR §104.3(b)(3)(i)(B).
- **Inadequate Descriptions.** The following descriptions do not meet the requirement for reporting “purpose”: advance, election day expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote, and voter registration. 11 CFR §104.3(b)(3)(i)(B) and Commission Policy Statement at www.fec.gov/law/policy/purposeofdisbursement/inadequate_purpose_list_3507.pdf.

C. Special Rule for Reporting Reimbursements to Staff for Travel and Subsistence Advances. If the total amount reimbursed to the staff member is \$500 or less, the committee should report the staff member as the payee. If the total amount exceeds \$500 and payments to any one vendor used for the expenses total over \$200 for the election cycle, the committee must:

- Report the staff member as payee; and
- Report the payments aggregating over \$200 to any one vendor as memo entries on Schedules B. Advisory Opinion 1996-20, footnote 3

Facts and Analysis

The Audit staff identified 104 disbursements, totaling \$344,013, which were inaccurately disclosed. The following summarizes the types of disclosure issues:

- Three disbursements totaling \$3,956 had the incorrect amount reported.
- Seven disbursements totaling \$27,575 had the incorrect payment date reported.
- Forty-four disbursements totaling \$97,222 involved staff reimbursements without memo entries disclosing the original vendor.
- Fifty disbursements totaling \$215,261 had the incorrect or inadequate purpose reported.

With respect to staff reimbursements, DCRP erroneously reported the vendors instead of the staff member as the payee. Since payment was made to the staff member, DCRP should have reported the staff member as the original payee followed by memo entries disclosing the vendors (name, date, amount, and purpose) on Schedules B (Itemized Disbursements).

With respect to the reporting of incorrect or inadequate purposes, DCRP sometimes reported generic classifications from its software system as the purpose for the disbursement. These purposes included professional fees and fundraising consultant. The Audit staff determined that from such descriptions a person would not easily discern why the disbursements were made when reading the name of the payee and the purpose. DCRP representatives stated during the exit conference that the purposes were sometimes vague because the software the committee used did not allow enough space to provide detailed purposes.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP file amended reports correctly disclosing the required information. In response, DCRP filed amended reports that materially corrected the reporting issue noted above.

Finding 6. Reporting Debts & Obligations

Summary

DCRP failed to report debts and obligations totaling \$19,543 for allocable activity on Schedules D (Debts and Obligations). All but one of the items was more than \$500. DCRP materially complied with the Audit staff's recommendation by filing amended reports to disclose the required information.

Legal Standard

A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.

- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

The Audit staff identified debts and obligations totaling \$19,543 that were not disclosed on Schedules D (Debts & Obligations). These amounts all were required to be reported on Schedules D because they were not paid in full during the reporting period in which the debt was incurred. All but one of the items was more than \$500. It is noted that

DCRP did not report any debts or obligations owed during the audit period. The Audit staff gave DCRP representatives workpapers for this matter during the exit conference.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended DCRP file amended reports to disclose the debts and obligations on Schedules D. DCRP filed amended reports that materially corrected the public record.