



Interim Audit Report of the Audit Division on Obama for America

(January 16, 2007 - December 31, 2008)

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 the matter discussed in this report.

About the Campaign (p. 2)

Obama for America (OFA) is the principal campaign committee for Barack Obama, a candidate for the Democratic Party's nomination for the office of President of the United States. OFA is headquartered in Chicago, Illinois. For more information, see the chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 664,642,527
○ Contributions from Other Political Committees	14,075
○ Transfers from Authorized Committees	86,950,000
○ Offsets to Operating Expenditures	25,131,132
○ Other Receipts	1,675,373
Total Receipts	\$ 778,413,107
• Disbursements	
○ Operating Expenditures	\$ 706,559,330
○ Contribution Refunds	5,756,081
○ Other Disbursements	47,944,663
Total Disbursements	\$ 760,260,074

Finding and Recommendation (p. 3)

- Apparent Failure to File 48-Hour Notices

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of Obama for America, 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 risk factors and as a result, this audit examined:

1. The receipt of excessive contributions.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of individual contributors' occupation and name of employer.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

Part II

Overview of Campaign

Campaign Organization

Important Dates	
• Date of Registration	January 16, 2007
• Audit Coverage	January 16, 2007 - December 31, 2008
Headquarters	Chicago, Illinois ²
Bank Information	
• Bank Depositories	Four
• Bank Accounts	Sixteen
Treasurer	
• Treasurer When Audit Was Conducted	Martin H. Nesbitt May 10, 2007 - Present
• Treasurer During Period Covered by Audit	Robert R. Bauer January 16, 2007 - May 9, 2007, Martin H. Nesbit May 10, 2007 - Present
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ January 16, 2007	\$ 0
Receipts	
o Contributions from Individuals	664,642,527
o Contributions from Other Political Committees	14,075
o Transfers from Authorized Committees	86,950,000
o Offsets to Operating Expenditures	25,131,132
o Other Receipts	1,675,373
Total Receipts	\$ 778,413,107
Disbursements	
o Operating Expenditures	706,559,330
o Contribution Refunds	5,756,081
o Other Disbursements	47,944,663
Total Disbursements	\$ 760,260,074
Cash-on-hand @ December 31, 2008	\$ 18,153,033

² Originally registered as the Obama Exploratory Committee, headquartered in Washington, DC; the committee's name was changed to Obama for America and the headquarters was relocated to Chicago, Illinois, according to an amended statement of organization filed on February 12, 2007.

Part III Summary

Finding and Recommendation

Apparent Failure to File 48-Hour Notices

Based on audit fieldwork, OFA did not file required 48-hour notices for 1,312 contributions totaling \$ 1,972,266 received prior to the general election. The Audit staff recommends that OFA demonstrate notices were not required, provide evidence that notices were filed in a timely manner or submit any written comments it considers relevant.

(For more detail, see page 4.)

Part IV

Finding and Recommendation

Apparent Failure to File 48- Hour Notices

Summary

Based on Audit fieldwork, OFA did not file required 48-hour notices for 1,312 contributions totaling \$ 1,972,266 received prior to the general election. The Audit staff recommends that OFA demonstrate notices were not required, provide evidence that notices were filed in a timely manner or submit any written comments it considers relevant.

Legal Standard

Last-Minute Contributions (48-Hour Notice). Campaign committees must file special notices regarding contributions of \$1,000 or more, received less than 20 days but more than 48 hours before any election in which the candidate is running. This rule applies to all types of contributions to any authorized committee of the candidate. 11 CFR §104.5(f).

Facts and Analysis

A. Facts

During audit fieldwork, a comparison was made of OFA's 48-hour notices filed to contributions of \$1000 or more which had been reported received during the 48-hour notice filing period.³ This review identified 1,312 contributions totaling \$1,972,266 for which OFA failed to file the required notices. A majority of the missing 48-hour notices arose from a transfer reported on October 24, 2008 from the Obama Victory Fund (OVF), a joint fundraising committee whose participants were OFA and the Democratic National Committee (DNC). Contributions attributed to the October 24 transfer were traced to the disclosure reports filed by OVF to verify that they had been received between October 16 and October 23.

B. Interim Audit Report & Audit Division Recommendation

Prior to the end of audit fieldwork, and again at the exit conference, Audit staff provided OFA with schedules of contributions for which 48-hour notices were not filed. At the exit conference, the OFA representative stated that the schedule was being reviewed and that comments or corrections would be forthcoming.

Subsequent to the exit conference, the OFA provided copies of what it believed were the complete batches for each of its seventeen 48-hour notice submissions. Some of the batches contained contributions not found among the contributions listed on the public record. The difference between the sum of the batch totals and the total for all 48-hour notices appearing on the public record was approximately \$1,020,000. Records regarding

³ The 48-hour report period ran from October 16th through November 1st.

these submissions indicate that the Commission placed all the data transmitted on the public record. Further, there are no filters in place that would restrict any data submitted.

Since the Audit staff has been assured that all data submitted is routinely posted to the public record, OFA was asked whether some filter might have been inadvertently applied by its data processing vendor. No response to this query has been received from OFA to date.

The Audit staff recommends that, within 30 calendar days of service of this report, OFA provide:

- documentation to demonstrate that the 48-hour notices were filed for the contributions in question; or,
- documentation establishing the contributions were not subject to 48-hour notification; and/or,
- any written comments it considers relevant.