



Final Audit Report of the Commission on the Democratic State Central Committee of CA - Federal

January 1, 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.

About the Committee (p. 3)

The Democratic State Central Committee of CA – Federal is a state party committee headquartered in Sacramento, California. For more information, see chart on the Committee Organization, p. 3.

Financial Activity (p. 4)

| | |
|--|---------------------|
| • Receipts | |
| ○ Contributions from Individuals | \$2,911,118 |
| ○ Contributions from Political Committees | 106,051 |
| ○ Transfers from Nonfederal/Levin Funds | 3,046,187 |
| ○ Transfers from Affiliated Committees | 532,621 |
| ○ Loans Received | 200,000 |
| ○ Offsets to Operating Expenditures | 41,845 |
| ○ Other Federal Receipts | 17,360 |
| Total Receipts | \$ 6,855,182 |
| • Disbursements | |
| ○ Operating Expenditures | \$6,397,658 |
| ○ Federal Election Activity | 903,632 |
| ○ Transfers to Affiliates | 110,251 |
| ○ Contributions to Federal Candidates/Committees | 17,500 |
| ○ Independent Expenditures | 11,547 |
| ○ Coordinated Expenditures | 15,271 |
| ○ Loan Repayments | 100,000 |
| ○ Contribution Refunds | 7,215 |
| ○ Other Disbursements | 12,000 |
| Total Disbursements | \$ 7,575,074 |
| • Levin Receipts | \$241,764 |
| • Levin Disbursements | \$285,091 |

Commission Finding (p. 4)

Based upon a limited examination of the statements and reports filed, and the records presented by the Democratic State Central Committee of CA-Federal, no material non-compliance was discovered.

¹ 2 U.S.C. §438(b).

Final Audit Report of the Commission on the Democratic State Central Committee of CA-Federal

January 1, 2007 – December 31, 2008



Table of Contents

| | Page |
|---------------------------------------|-------------|
| Part I. Background | |
| Authority for Audit | 1 |
| Scope of Audit | 1 |
| Commission Guidance | 1 |
| Part II. Overview of Committee | |
| Committee Organization | 3 |
| Overview of Financial Activity | 4 |
| Part III. Commission Finding | 4 |

Part I

Background

Authority for Audit

This report is based on an audit of the Democratic State Central Committee of California (CALDEMS), 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 disclosure of individual contributors' occupation and name of employer.
2. The receipt of contributions from political committees.
3. The disclosure of disbursements, debts and obligations.
4. The disclosure of expenses allocated between federal, non-federal, and Levin accounts.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

Commission Guidance

The Office of Compliance (OC), which includes the Reports Analysis Division (RAD) and the Audit Division, sought legal guidance from the Office of General Counsel (OGC) pursuant to Commission Directive 69. Directive 69 was created to handle questions of law that arise from the review of reports filed with the Commission or in the course of an audit of a political committee. Directive 69 also states that certain legal issues may warrant Commission consideration early in the reports analysis or audit process and that in such instances, OC and OGC may bring the issue before the Commission for consideration.

The following question which was circulated to the Commission for consideration arose initially relative to RAD's review of CALDEMS' reports and again during the Audit staff's review of funds transferred to local committees. When a state party committee transfers funds to a local party committee for allocable activities – in this case, voter registration outside the “federal election activity” (FEA) period, should it send one check containing federal and non-federal funds, following the procedures for allocated payments in 11 CFR §106.7, or should it send separate checks drawn on the federal and non-federal accounts?

If one check is disbursed to local party recipients, the allocated disbursement is disclosed completely but the potential exists for depositing non-federal funds in the local recipient's federal accounts without proper disclosure of the transfer-in and the non-federal share may never be transferred out to the non-federal account. In the alternative, if two checks are disbursed to local party recipients, less disclosure than normal may result in a disbursement for which the federal and non-federal shares would otherwise be reportable. The greater problem is risk of the deposit of non-federal funds in recipient committee federal accounts which are then not subsequently properly reported and taken out of the federal accounts.

Consequently, OGC and OC recommended that the Commission agree with the approach that the best practice for state committees making payments for allocable voter registration outside the FEA period is to either follow the two check procedure or use one allocable check but provide specific instructions to the recipient committees. The latter method would provide notice to the recipient committees that allocable payments received from state party committee must be properly reported and segregated.

The Commission approved this recommendation and as a result, no audit finding on CALDEMS' one check method will be included in this audit report.

Part II Overview of Committee

Committee Organization

| | |
|--|-------------------------------------|
| Important Dates | |
| • Date of Registration | November 13, 1978 |
| • Audit Coverage | January 1, 2007 – December 31, 2008 |
| Headquarters | |
| Sacramento, California | |
| Bank Information | |
| • Bank Depositories | Three |
| • Bank Accounts | 13 |
| Treasurer | |
| • Treasurer When Audit Was Conducted | Katherine Moret |
| • Treasurer During Period Covered by Audit | Katherine Moret |
| 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 1, 2007 | \$ 711,109 |
| o Contributions from Individuals | 2,911,118 |
| o Contributions from Political Committees | 106,051 |
| o Transfers from Nonfederal/Levin Funds | 3,046,187 |
| o Transfers from Affiliated Committees | 532,621 |
| o Loans Received | 200,000 |
| o Offsets to Operating Expenditures | 41,845 |
| o Other Federal Receipts | 17,360 |
| Total Receipts | \$ 6,855,182 |
| o Operating Expenditures | 6,397,658 |
| o Federal Election Activity | 903,632 |
| o Transfers to Affiliated Committees | 110,251 |
| o Contributions to Federal Candidates/Committees | 17,500 |
| o Independent Expenditures | 11,547 |
| o Coordinated Expenditures | 15,271 |
| o Loan Repayments | 100,000 |
| o Contribution Refunds | 7,215 |
| o Other Disbursements | 12,000 |
| Total Disbursements | \$ 7,575,074 |
| Cash-on-hand @ December 31, 2008 | \$ (8,783) |
| Levin Cash-on-hand @ January 1, 2007 | \$ 95,696 |
| Total Levin Receipts | \$ 241,764 |
| Total Levin Disbursements | \$ 285,091 |
| Levin Cash-on-hand @ December 31, 2008 | \$ 52,369 |

Part III

Commission Finding

Based upon a limited examination of the statements and reports filed, and the records presented by the Democratic State Central Committee of CA-Federal, no material non-compliance was discovered.