



## Guidance for Political Committees Regarding Embezzlement/Misappropriation

### How can my committee protect itself against embezzlement or misappropriation?

As the amount of money raised and spent on federal elections has increased, so has the incidence of misappropriation and embezzlement of political committees' funds. The Commission advises committees to adopt certain internal controls and best practices to help protect their assets and comply with the Federal Election Campaign Act's (the Act) requirements to file accurate and complete reports of financial activity. Though not required, implementing the internal controls outlined by the Commission may help committees not only prevent embezzlement or misappropriation, but also potentially avoid a civil penalty for filing incorrect reports due to fraud. Please review the Policy Statement listed below for details.

The FEC offers the following resources to help committees establish internal controls:

- **Best Practices for Committee Management** (*Record* Article/Brochure)  
(link to: <http://www.fec.gov/pages/brochures/bestpractices.shtml> )
- **Best Practices: Internal Controls and Recordkeeping** (Video)  
(link to <http://www.youtube.com/watch?v=c46BW9VUyto>)
- **Internal Controls for Political Committees** (Audit Division Handout)  
(link to [http://www.fec.gov/law/policy/guidance/internal\\_controls\\_polcmtes\\_07.pdf](http://www.fec.gov/law/policy/guidance/internal_controls_polcmtes_07.pdf))
- **Policy Statement: Safe Harbor for Misreporting Due to Embezzlement**  
(link to: [http://www.fec.gov/law/cfr/ej\\_compilation/2007/notice\\_2007-9.pdf](http://www.fec.gov/law/cfr/ej_compilation/2007/notice_2007-9.pdf) )
  - **Record Summary of Policy Statement**  
(link to <http://www.fec.gov/pdf/record/2007/may07.pdf> )

### What should I do if my committee's funds have been embezzled?

If you discover a misappropriation or embezzlement of committee funds, the Campaign Finance Analyst assigned to your committee can help you work through the resulting disclosure challenges. (Call toll-free at 1-800-424-9530, press #5, or 202-694-1130.) You may also want to consult with counsel to see whether filing a *sua sponte* submission or complaint may be appropriate. If you would like to discuss a *sua sponte* submission with the FEC, you may contact the Office of General Counsel (202-694-1650). You may also want to notify law enforcement.

Regardless, committees should do their best to file accurate and complete reports by the established deadlines. As part of those reports, we encourage you to include Miscellaneous Documents (Form 99 for electronic filers) to provide as much detail as possible concerning the embezzlement, including whether the reported cash-on-hand (COH) balance accurately reflects the actual bank balance. If your committee's reported COH balance is inaccurate, make a one-time cash adjustment on your next report to reflect the actual balance. There are two ways to do so:

1. Adjust the beginning COH balance of the report manually, with memo text referencing the earlier Miscellaneous Documents or Form 99; or

2. Make a one-time COH adjustment entry on Schedule B (Line 21/Form 3; Line 29/Form 3X) with the purpose: “Cash-on-hand adjustment due to unauthorized disbursements.”

Amend reports filed earlier in the current election cycle to correct any errors or omissions. For prior election cycles, you may file a single Miscellaneous Document (Form 99) that lists the detailed transactions that make up the discrepancy (when available) and/or notes any unexplained discrepancies and estimated timeframes.

Additionally, the FEC offers the following resources to help committees respond to any misappropriation or embezzlement that occurs:

- **Policy Statement: Safe Harbor for Misreporting Due to Embezzlement**  
(link to: [http://www.fec.gov/law/cfr/ej\\_compilation/2007/notice\\_2007-9.pdf](http://www.fec.gov/law/cfr/ej_compilation/2007/notice_2007-9.pdf) )
  - **Record Summary of Policy Statement**  
(link to <http://www.fec.gov/pdf/record/2007/may07.pdf> )
- **Policy Statement: Self Reporting of Violations**  
(link to [http://www.fec.gov/law/cfr/ej\\_compilation/2007/notice\\_2007-8.pdf](http://www.fec.gov/law/cfr/ej_compilation/2007/notice_2007-8.pdf) )
  - **Record Summary of Policy Statement**  
(link to <http://www.fec.gov/pdf/record/2007/may07.pdf#page=2> )
- **Relevant Advisory Opinions (AOs):<sup>1</sup>**
  - **AO 2006-16** (Florida State Representative Nancy Detert)  
(link to <http://saos.nictusa.com/aodocs/2006-16.pdf>)
  - **AO 2005-04** (Representative John Boehner and Friends of John Boehner)  
(link to <http://saos.nictusa.com/aodocs/2005-04.pdf>)
  - **AO 1995-10** (Helms for Senate Committee)  
(link to <http://saos.nictusa.com/aodocs/1995-10.pdf>)
  - **AO 1993-15** (The Tsongas Committee, Inc.)  
(link to <http://saos.nictusa.com/aodocs/1993-15.pdf>)
  - **AO 1991-38** (Senator Dennis DeConcini, DeConcini '88 and DeConcini '94)  
(link to <http://saos.nictusa.com/aodocs/1991-38.pdf>)
  - **AO 1989-10** (DeConcini '88 Committee)  
(link to <http://saos.nictusa.com/aodocs/1989-10.pdf>)

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<sup>1</sup> Advisory opinions may be relied upon by any person involved in a transaction or activity that is indistinguishable in all its material aspects from the transaction or activity described in the opinion. 2 U.S.C. 437f(c).