




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 13, 2010

MEMORANDUM

To: Judith Ingram  
Press Officer

From: Joseph F. Stoltz   
Assistant Staff Director  
Audit Division

Subject: Public Issuance of the Audit Report on the 2008 Democratic National  
Convention Committee, Inc.

Attached please find a copy of the audit report on the 2008 Democratic National Convention Committee, Inc., which was approved by the Commission on March 31, 2010.

All parties involved have received informational copies of the report and the report may be released to the public on April 13, 2010.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library  
~~FED Web~~



# Report of the Audit Division on the 2008 Democratic National Convention Committee, Inc.

June 1, 2007 – December 31, 2008

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## Why the Audit Was Done

Federal law requires the Commission to audit the national committee of a party who receives payments for presidential nominating conventions.<sup>1</sup> The audit examines the receipt and use of Federal funds and whether the committee otherwise complied with the limitations, prohibitions and disclosure requirements of the election law.

## 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)

The 2008 Democratic National Convention Committee, Inc. was responsible for the day to day arrangements and operations of the Democratic Presidential nominating convention. It is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Federal Funds \$16,820,760
  - Offsets to Convention Expenditures 217,625
  - **Total Receipts** **\$17,038,385**
  
- **Disbursements**
  - Convention Expenditures \$16,245,563
  - **Total Disbursements** **\$16,245,563**

## Finding and Recommendation (p. 3)

Net Outstanding Convention Expenses – Unspent Funds

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<sup>1</sup> 26 U.S.C. §9008(g)

# **Report of the Audit Division on the 2008 Democratic National Convention Committee, Inc.**

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June 1, 2007 – December 31, 2008



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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the 2008 Democratic National Convention Committee, Inc. (DNCC), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9008(g) of Title 26 of the United States Code. That section directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the presidential nominating convention is held.

### **Scope of Audit**

This audit examined:

1. The disclosure of receipts and loans.
2. The disclosure of disbursements, debts and obligations.
3. The recordkeeping process and completeness of records.
4. The consistency between reported figures and bank records.
5. The accuracy of the Statement of Net Outstanding Convention Expenses.
6. The committee's compliance with requirements concerning expenditures for convention expenses.
7. Other committee operations necessary to the review.

### **Inventory of Committee Records**

The Audit staff routinely conducts an inventory of committee records before it begins the audit fieldwork. The DNCC records were materially complete and the fieldwork began immediately.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	DNCC
• Date of Registration	June 1, 2007
• Audit Coverage	June 1, 2007 – December 31, 2008
<b>Headquarters</b>	Washington, DC
<b>Bank Information</b>	
• Bank Depositories	Three
• Bank Accounts	Three
<b>Treasurers</b>	
• Treasurer When Audit Was Conducted	Andrew Tobias
• Treasurer During Period Covered by Audit	Andrew Tobias
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ June 1, 2007</b>	<b>\$ 0</b>
○ Federal Funds	16,820,760
○ Offsets to Convention Expenditures	217,625
<b>Total Receipts</b>	<b>\$ 17,038,385</b>
○ Convention Expenditures	16,245,563
<b>Total Disbursements</b>	<b>\$ 16,245,563</b>
<b>Cash on hand @ December 31, 2008</b>	<b>\$ 792,822</b>

## Part III

### Summaries

#### Finding and Recommendation

##### **Net Outstanding Convention Expenses – Unspent Funds**

The DNCC received \$16,820,760 to finance the Democratic National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff at the time of the Preliminary Audit Report, showed an amount of unspent funds. The Audit staff recommended that the DNCC provide documentation demonstrating that either no repayment or that a lesser repayment is due. On July 23, 2009, the DNCC made an interim repayment of \$297.

In response, the DNCC demonstrated that adjustments to the actual and estimated winding down costs were required. These adjustments have been incorporated into the revised statement that reflects an amount of unspent funds of \$2,677.

The Audit staff recommends that the Commission make a determination that the remaining portion of unspent funds, \$2,380 (\$2,677 - \$297), is repayable to the United States Treasury. (For more details see page 4.)

##### **Amount Owed to the U.S. Treasury**

Net Outstanding Convention Expenses – Unspent Funds	\$ 2,380
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## Part IV

# Finding and Recommendation

### Net Outstanding Convention Expenses – Unspent Funds

#### Summary

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#### Legal Standard

**A. Entitlement to Payments From the Fund.** The national committee of a major party shall be entitled to payments with respect to any presidential nominating convention, in amounts that, in the aggregate shall not exceed \$4,000,000, as adjusted by the Consumer Price Index. The major party entitlement for the 2008 nominating convention was \$16,820,760. 26 U.S.C. §9008(b)(1) and (5).

**B. Repayments.** Any portion of the entitlement that remains unspent after all convention expenses have been paid, shall be returned to the Secretary of the Treasury. The national committee or convention committee shall make an interim repayment of unspent funds based on the financial position of the committee as of the end of the ninth month following the last day of the convention, allowing for a reasonable amount as determined by the Commission to be withheld for unanticipated contingencies. The interim repayment shall be made no later than 30 calendar days after the end of the ninth month following the last day of the convention. 11 CFR §9008.12(b)(5).

**C. Repayment Determination Procedures.** The Commission will follow the same repayment determination procedures, and the committee has the same rights and obligations as are provided for repayment determinations involving publicly funded candidates under 11 CFR 9007.2(c) through (h). 11 CFR §9008.12(c).

**D. Net Outstanding Campaign Expenses (NOCE).** A convention committee shall file, no later than sixty days after the last day of the convention, a statement of that committee's "net outstanding convention expenses." This statement must contain, among other things:



- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9008.10(g).

**Facts and Analysis**

For the 2008 election, each major political party was entitled to receive \$16,820,760 to finance its national Presidential nominating convention. The 2008 Democratic National Convention ended on August 28, 2008. The DNCC filed a Statement of Net Outstanding Convention Expenses as of October 12, 2008. Revised NOCE Statements were also submitted with the most recent received on February 4, 2010. The Audit staff reviewed financial activity through January 31, 2010 and estimated the winding down cost in preparing the figures shown on the following page.

**Statement of Net Outstanding Campaign Expenses**  
**As of October 12, 2008**  
**As Prepared Through January 31, 2010**

**Assets**

Cash in Bank	\$3,172,401	
Accounts Receivable	<u>67,418</u>	
 Total Assets		 <u>\$3,239,819</u>

**Liabilities**

Accounts Payable for Qualified Convention Expenditures	\$2,221,913	
Actual Winding Down Expenses – 10/13/09 – 1/31/10	1,013,286	
Estimated Winding Down Expenses 2/01/10 – 4/30/10	<u>1,943</u>	
 Total Liabilities		 <u>\$3,237,142</u>

<b>Net Outstanding Convention Expenses (Surplus)</b>	<u>\$ 2,677</u>
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At the exit conference, DNCC representatives were provided a copy of the NOCE as calculated by the Audit staff. That NOCE statement included a larger unspent amount. On July 23, 2009, the DNCC made an interim repayment of \$297,<sup>2</sup> less than anticipated based on the information available at the time of the exit conference. A revised NOCE statement was received on September 16, 2009, that detailed additional winding down expenses, resulting in an amount of unspent funds of \$440.

### **Preliminary Audit Report Recommendation And Committee Response**

The Audit staff recommended that the DNCC provide documentation demonstrating that either: (a) no repayment of unspent funds is due, or (b) a lesser amount is due.

In response, the DNCC demonstrated that adjustments to winding down costs were required. Documentation for the changes was reviewed and accepted. As a result, a net decrease in winding down was demonstrated which increased the amount of unspent funds to \$2,677. The Audit staff and the DNCC are in agreement on the amount of unspent funds.

### **Recommendation**

The Audit staff recommends that the Commission make a determination that the remaining portion of unspent funds, \$2,380 (\$2,677-\$297), is repayable to the United States Treasury.

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<sup>2</sup> This payment was approximately three weeks late. However given the small amount involved, the timing is not material.