

**AGENDA DOCUMENT NO. 14-38**

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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July 25, 2014

**MEMORANDUM**

**AGENDA ITEM**

To: The Commission

Through: Alec Palmer *for PCO*  
Staff Director

From: Patricia C. Orrock *for PCO*  
Chief Compliance Officer

Thomas E. Hintermister *for PCO*  
Assistant Staff Director  
Audit Division

*for* Zuzana O. Pacious *for*  
Audit Manager

Kendrick Smith *for*  
Audit Manager

By: *for* Sheraline Thomas *for*  
Lead Auditor

Subject: Rescind Approval of Finding 1 and Approve Revised Finding 1  
(Recordkeeping for Employees) -Audit Division Recommendation  
Memorandum on the Nebraska Democratic Party (Resubmission) –  
Agenda Document No. 14-23

For Meeting of 8-14-14

On April 23, 2014, the Commission approved Finding 1 (Recordkeeping for Employees), by a vote of 6-0 (see below), of the Audit Division Recommendation Memorandum on the Nebraska Democratic Party, as recommended in the Memorandum from the Chief Compliance Officer and the Audit Division dated March 27, 2014.

The Audit Division is recommending the Commission rescind its April 23, 2014, approval of Finding 1 and approve the revised Finding 1(Recordkeeping for Employees) set forth herein.

Finding 1(Recordkeeping for Employees), which was approved by a vote of 6-0, incorrectly identified payments to NDP employees totaling \$300,708. This amount was incorrect because \$17,826 was improperly attributed to non-federal employees rather than to contract workers and should not have been included in the finding. Directive 70 states that any finding that does not receive four or more affirmative votes will be moved to an "Additional Issues" section of the audit report. Notwithstanding, Audit does not

intend to include any amounts in an “Additional Issues” section from the motion that failed by a vote of 3-3 because the finding does not include non-federal employees.

For the Commission’s convenience, we have set forth the Commission’s April 23, 2014, votes:

***Failed by a vote of 3-3 to:***

Approve the recommendation for Finding 1 (Recordkeeping), as set forth in Agenda Document No. 14-23, including \$282,882 for which the committee allocated payroll between federal and non-federal funds and \$17,826 for 100% non-federal payments.

***Decided by a vote of 6-0 to:***

- a. Approve the recommendation in Finding 1 (Recordkeeping), as set forth in Agenda Document No. 14-23, related to the \$282,882 that the committee disclosed as having been paid with an allocation of federal and non-federal funds and \$3,642 that was paid from an exclusively non-federal account during periods in which they were also paid with federal funds.
- b. Direct the Audit Division to include in the Proposed Final Audit Report an Additional Issues section addressing the \$14,184 for 100% non-federal payments.

**Recommendations:**

1. Rescind approval of the motion that was approved at the Open Meeting on April 23, 2014 by a vote of 6-0 with respect to Finding 1 (Recordkeeping for Employees).
2. Approve the revised Finding 1(Recordkeeping for Employees) as follows:

**Finding 1. Recordkeeping for Employees**

For the period covered by the audit, NDP did not maintain any monthly payroll logs, as required, to document the percentage of the time each employee spent on federal election activity. For 2009 and 2010, the Audit staff identified payments to NDP employees totaling \$282,882 for whom NDP was required to maintain monthly payroll logs. All of these individuals were paid with an allocation of federal and non-federal funds and disclosed on Schedule H4. During audit fieldwork, the Audit staff provided NDP with a schedule of employees paid with an allocation of federal and non-federal funds. An NDP representative completed this schedule by inserting the percentage of time each employee spent in connection with federal election activity and provided a signed affidavit in which he attested to the accuracy of information provided.

In response to the Interim Audit Report recommendation, NDP stated that it has established procedures to maintain contemporaneous documents to certify the payroll records for employees paid exclusively with non-federal funds or with an allocation of federal and non-federal funds. NDP made no further comments in response to the DFAR.

It should be noted that this finding does not contain contract labor totaling \$25,428<sup>1</sup>.

The Audit staff recommends that the Commission find that NDP failed to maintain monthly time logs to document the time employees spent on federal election activity totaling \$282,882.

3. Approve all technical and conforming edits to the Proposed Final Audit Report.

In case an objection occurs, the Audit Division recommends this memorandum be placed on the next regularly scheduled open session agenda.

This document is being circulated on a weekly tally vote basis. Should you have any questions regarding this matter, please contact Zuzana Pacious or Sheraline Thomas at 694-1200.

cc: Office of General Counsel

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<sup>1</sup> This number was revised based on a subsequent review of documents previously provided by the committee.