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. 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
  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

- Disbursements
  o Operating Expenditures $6,397,658
  o Federal Election Activity 903,632
  o Transfers to Affiliates 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

- 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).
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Part I
Background

Authority for Audit
This report is based on an audit of the Democratic State Central Committee of CA-
Federal (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

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 committees 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 committees 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

<table>
<thead>
<tr>
<th>Important Dates</th>
<th>November 13, 1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Date of Registration</td>
<td></td>
</tr>
<tr>
<td>• Audit Coverage</td>
<td>January 1, 2007 – December 31, 2008</td>
</tr>
</tbody>
</table>

| 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)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash-on-hand @ January 1, 2007</strong></td>
<td>$711,109</td>
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<tr>
<td>o Contributions from Individuals</td>
<td>2,911,118</td>
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<td><strong>Cash-on-hand @ December 31, 2008</strong></td>
<td>$ (8,783)</td>
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</table>

**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.