



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 29, 2016

MEMORANDUM

To: The Commission

Through: Alec Palmer
Staff Director

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

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Audit Division

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Subject: Audit Division Recommendation Memorandum on the Oklahoma
Leadership Council (OLC) (A13-13)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presents its recommendations below and discusses the findings in the attached Draft Final Audit Report (DFAR). The Office of General Counsel has reviewed this memorandum and concurs with the recommendations.

Finding 1. Misstatement of Financial Activity

The Audit staff determined that, for 2011, OLC understated its receipts and disbursements by \$28,491 and \$73,543, respectively; and overstated its ending cash-on-hand by \$44,550. In response to the Interim Audit Report (IAR) recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all 2011 receipt and disbursement misstatements with an appropriate reference to the pertinent disclosure reports. Because of the 2011 misstatements affecting the cash balance, OLC also filed an amended 2012 Year-End disclosure report and reconciled its ending cash-on-hand balance. OLC has complied with the recommendation and did not file an additional response to the DFAR.

The Audit staff recommends that the Commission find that OLC misstated its financial activity for the calendar year 2011 as stated above.

Finding 2. Misstatement of Financial Activity – Levin Fund

The Audit staff determined that, for 2011, OLC understated its disbursements by \$15,039 and overstated its ending cash-on-hand by \$12,229. For 2012, OLC understated its receipts by \$10,000. In response to the IAR recommendation, OLC filed a Form 99 and disclosed all previously undisclosed 2011 disbursements, effectively correcting its 2011 ending cash-on-hand balance. In response to the DFAR, OLC filed a Form 99 and disclosed the receipt of \$10,000 in 2012. As such, OLC has complied with the recommendation.

The Audit staff recommends that the Commission find that OLC misstated its Levin disbursements and ending cash-on-hand for the calendar year 2011 and its Levin receipts for the calendar year 2012 as stated above.

Finding 3. Recordkeeping for Employees

For the period covered by the audit, OLC did not maintain monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For calendar years 2011 and 2012, the Audit staff identified payments to OLC employees totaling \$178,305 for which OLC did not maintain monthly payroll logs. This consisted entirely of payroll which was allocated with both federal and non-federal funds. In response to the IAR recommendation, OLC provided details of the system it has implemented that requires employees to complete monthly logs detailing the percentage of time spent in connection with federal elections. OLC did not provide any additional comments in its response to the DFAR.

The Audit staff recommends that the Commission find that OLC failed to maintain monthly payroll logs totaling \$178,305 to document the time employees spent in connection with federal election activity.

Finding 4. Contributions from Unregistered Political Organizations

OLC received contributions from five unregistered political organizations totaling \$8,150 for which the Audit staff requested documentation to support the permissibility of the funds used to make the contributions. In response, OLC transferred \$8,150 of these contributions to its non-federal and Levin accounts but not in a timely manner. In response to the DFAR, OLC submitted copies of the state campaign finance reports filed with the state of Oklahoma for four unregistered committees.¹ The Audit staff verified that sufficient permissible federal funds totaling \$7,150 were available to make federal contributions to OLC and therefore OLC did not receive any impermissible contributions from these political organizations.

The Audit staff recommends that the Commission find that OLC did not receive impermissible contributions totaling \$7,150 from unregistered political organizations and untimely resolved the remaining \$1,000.

¹ The Audit staff was not able to locate campaign finance reports for the fifth committee on the Oklahoma Secretary of State's website.

The Committee did not request an audit hearing.

If this memorandum is approved, a Proposed Final Audit Report will be prepared within 30 days of the Commission's vote.

In case of an objection, Directive No. 70 states that the Audit Division Recommendation Memorandum will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Terry O'Brien or Zuzana Pacious at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on the Oklahoma Leadership Council

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Oklahoma Leadership Council

(January 1, 2011 - December 31, 2012)

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.

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 Oklahoma Leadership Council is a state party committee headquartered in Oklahoma City, Oklahoma. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 3)

• Receipts	
○ Contributions from Individuals	\$ 570,198
○ Contributions from Other Political Committees (PACs)	99,942
○ Transfers from Affiliated/Other Party Committees	9,336,908
○ Transfers from Non-federal and Levin Accounts	106,953
○ Offsets and Other Receipts	1,432
Total Receipts	\$ 10,115,433
• Disbursements	
○ Operating Expenditures	\$ 918,520
○ Transfers to Affiliated/Other Party Committees	9,131,482
○ Federal Election Activity	96,855
○ Other Disbursements	12,451
Total Disbursements	\$ 10,159,308
• Levin Receipts	\$ 85,332
• Levin Disbursements	\$ 89,078

Findings and Recommendations (p. 4)

- Misstatement of Financial Activity (Finding 1)
- Misstatement of Financial Activity – Levin Fund (Finding 2)
- Recordkeeping for Employees (Finding 3)
- Contributions from Unregistered Political Organizations (Finding 4)

¹ 52 U.S.C. §30111(b).

**Draft Final Report of the Audit
Division on the
Oklahoma Leadership Council**

(January 1, 2011 – December 31, 2012)



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Part I

Background

Authority for Audit

This report is based on an audit of the Oklahoma Leadership Council (OLC), 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 52 U.S.C. §30111(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 52 U.S.C. §30104. 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. 52 U.S.C. §30111(b).

Scope of Audit

Following Commission approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:

1. the receipt of contributions from prohibited sources;
2. the disclosure of individual contributors' occupation and name of employer;
3. the disclosure of disbursements, debts and obligations;
4. the disclosure of expenses allocated between federal and non-federal accounts;
5. the consistency between reported figures and bank records;
6. the completeness of records; and
7. other committee operations necessary to the review.

Part II Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	May 13, 1983
• Audit Coverage	January 1, 2011 – December 31, 2012
Headquarters	
	Oklahoma City, Oklahoma
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Four Federal, One Levin, Two Non-federal
Treasurer	
• Treasurer When Audit Was Conducted	Peter L. Hodges (9/14/2015 – present) Anthony J. Ferate (6/20/2010 – 9/13/2015)
• Treasurer During Period Covered by Audit	Anthony J. Ferate
Management Information	
• Attended Commission Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity
(Audited Amounts)

Cash-on-hand @ January 1, 2011	\$ 80,801
o Contributions from Individuals	570,198
o Contributions from Other Political Committees (PACs)	99,942
o Transfers from Affiliated/Other Party Committees	9,336,908
o Transfers from Non-federal and Levin Accounts	106,953
o Offsets and Other Receipts	1,432
Total Receipts	\$ 10,115,433
o Operating Expenditures	918,520
o Transfers to Affiliated/Other Party Committees	9,131,482
o Federal Election Activity	96,855
o Other Disbursements	12,451
Total Disbursements	\$ 10,159,308
Cash-on-hand @ December 31, 2012	\$ 36,926
Levin Cash-on-hand @ January 1, 2011	\$ 15,687
Total Levin Receipts	85,332
Total Levin Disbursements	89,078
Levin Cash-on-hand @ December 31, 2012	\$ 11,941

Part III Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

During audit fieldwork, a comparison of OLC's reported financial activity with its bank records revealed a misstatement of receipts, disbursements and ending cash-on-hand balance for calendar year 2011. OLC understated its 2011 receipts and disbursements by \$28,491 and \$73,543, respectively; and overstated its ending cash-on-hand by \$44,550. In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all misstatements with an appropriate reference to individual disclosure reports. Likewise, OLC filed an amended 2012 Year End report and corrected its ending cash-on-hand balance. (For more detail, see p. 6.)

Finding 2. Misstatement of Financial Activity – Levin Fund

During audit fieldwork, a comparison of OLC's reported Levin Fund activity with its bank records revealed a misstatement of disbursements and ending cash-on-hand for calendar year 2011, and a misstatement of beginning cash-on-hand and receipts for calendar year 2012. For 2011, OLC understated its disbursements by \$15,039 and overstated its ending cash-on-hand by \$12,229. For 2012, OLC understated its receipts by \$10,000. In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all previously undisclosed 2011 transfers made from its Levin Fund to its federal account. However, OLC did not disclose the unreported \$10,000 receipt from 2012 in its response to the Interim Audit Report, nor has it adjusted its Levin cash-on-hand balance. (For more detail, see p. 8.)

Finding 3. Recordkeeping for Employees

During audit fieldwork, the Audit staff determined that OLC did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For calendar years 2011 and 2012, the Audit staff identified payments to OLC employees totaling \$178,305 for which OLC did not maintain monthly payroll logs. This entire amount consisted of payroll that was allocated with both federal and non-federal funds. In response to the Interim Audit Report recommendation, OLC provided details of the system it has implemented that requires employees to complete monthly logs detailing the percentage of time spent in connection with federal elections. (For more detail, see p. 10.)

Finding 4. Contributions from Unregistered Political Organizations

During audit fieldwork, a review of all contributions from unregistered political organizations indicated that OLC received contributions totaling \$8,150 that may not have been made with permissible funds. OLC transferred \$7,150 of these contributions to its non-federal and Levin accounts but not in a timely manner. In response to the Interim Audit Report recommendation, OLC stated it had transferred \$1,000 from its

federal account to its state account and indicated that the transfer would be disclosed in OLC's 2016 April Monthly report. (For more detail, see p. 12.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of OLC's reported financial activity with its bank records revealed a misstatement of receipts, disbursements and ending cash-on-hand balance for calendar year 2011. OLC understated its 2011 receipts and disbursements by \$28,491 and \$73,543, respectively; and overstated its ending cash-on-hand by \$44,550. In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all misstatements with an appropriate reference to individual disclosure reports. Likewise, OLC filed an amended 2012 Year End report and corrected its ending cash-on-hand balance.

Legal Standard

Contents of Reports. Each report must disclose:

- the amount of cash-on-hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the calendar year;
- the total amount of disbursements for the reporting period and for the calendar year; and
- certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements); 52 U.S.C. §30104(b)(1), (2), (3), (4) and (5).

Facts and Analysis

A. Facts

As part of audit fieldwork, the Audit staff reconciled OLC's reported financial activity with its bank records for calendar years 2011 and 2012. The reconciliation revealed that OLC misstated its receipts, disbursements, and ending cash-on-hand for 2011. The following chart outlines the discrepancies between OLC's disclosure reports and its bank records. The succeeding paragraphs explain why the discrepancies occurred.

2011 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2011	\$80,299	\$80,801	\$502 Understated
Receipts	\$276,679	\$305,170	\$28,491 Understated
Disbursements	\$238,640	\$312,183	\$73,543 Understated
Ending Cash Balance @ December 31, 2011	\$118,338	\$73,788	\$44,550 Overstated

The beginning cash balance was understated by \$502 and is unexplained, but likely resulted from prior-period discrepancies.

The understatement of receipts resulted from the following:

• One transfer from non-federal account not reported ²	\$10,376
• Four transfers from Levin account not reported ³	15,039
• Unexplained difference	<u>3,076</u>
Understatement of Receipts	<u>\$28,491</u>

The understatement of disbursements resulted from the following:

• Net Under Reporting of Payroll Expenses	\$61,867
• Unreported disbursements clearing bank records	15,889
• Non-federal account disbursements reported as federal	(3,259)
• Other reported disbursements not traced to bank records	(1,204)
• Incorrect disbursement amount reported	<u>250</u>
Net Understatement of Disbursements	<u>\$73,543</u>

The \$44,550 overstatement of the ending cash-on-hand balance was the result of the receipt and disbursement reporting discrepancies described above along with a \$502 understatement of beginning cash-on-hand for 2011.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the misstatement of financial activity with OLC representatives at the exit conference and provided work papers detailing the differences. OLC Counsel responded to the exit conference by explaining that a portion of the under-reporting of payroll expenses seems to be attributable to payroll taxes and payroll vendor administration fees. The Audit staff agrees with Counsel that most of the differences are likely related to taxes and fees paid to its payroll vendor in 2011. However, it should also be noted that there were several periods in 2011 where OLC did not report any payments to its payroll vendor, which would include salaries as well as taxes and fees.

The Interim Audit Report recommended that OLC amend its disclosure reports to correct the misstatements noted above and reconcile the cash balance on its most recent report to identify any subsequent discrepancies that could affect the recommended adjustments. The Interim Audit Report further recommended that OLC adjust the cash balance as necessary on its most recent report, noting that the adjustment is the result of prior-period audit adjustments.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all 2011 receipt and disbursement misstatements with

² This transfer was for allocable activity and did not result in over-funding of federal activity by a non-federal account.

an appropriate reference to individual disclosure reports. Likewise, OLC filed an amended 2012 Year-End disclosure report and corrected its ending cash-on-hand balance. As such, OLC has materially complied with the Interim Audit Report recommendation.

Finding 2. Misstatement of Financial Activity – Levin Fund

Summary

During audit fieldwork, a comparison of OLC's reported Levin Fund activity with its bank records revealed a misstatement of disbursements and ending cash-on-hand for calendar year 2011, and a misstatement of beginning cash-on-hand and receipts for calendar year 2012. For 2011, OLC understated its disbursements by \$15,039 and overstated its ending cash-on-hand by \$12,229. For 2012, OLC understated its receipts by \$10,000. In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all previously undisclosed 2011 transfers made from its Levin Fund to its federal account. However, OLC did not disclose the unreported \$10,000 receipt from 2012 in its response to the Interim Audit Report, nor has it adjusted its Levin cash-on-hand balance.

Legal Standard

A. Contents of Levin Reports. Each report must disclose:

- the amount of cash-on-hand for Levin funds at the beginning and end of the reporting period;
- the total amount of Levin fund receipts and disbursements (including allocation transfers) for the reporting period and for the calendar year; and,
- certain transactions that require itemization on Schedule L-A (Itemized Receipts of Levin Funds) or Schedule L-B (Itemized Disbursements of Levin Funds). 11 CFR §300.36 (b)(2).

B. Levin Fund Transfers. A State, district, or local committee of a political party must not use any Federal funds transferred to it from or otherwise accepted by it from any other State, district, or local committee as the Federal component of an expenditure or disbursement for Federal election activity under 11 CFR §300.32. A State, district, or local committee of a political party must itself raise the Federal component of an expenditure or disbursement allocated between federal funds and Levin funds under 11 CFR §§300.32 and 300.33. 11 CFR §300.34(a).

Levin funds must be raised solely by the State, district, or local committee of a political party that expends or disburses the funds. A State, district, or local committee of a political party must not use as Levin funds any funds transferred or otherwise provided to the committee by any State, district, or local committee of a political party of the national committee of any political party. 11 CFR §300.34(b).

Facts and Analysis

A. Facts

As part of the audit fieldwork, the Audit staff reconciled OLC's reported Levin activity with its Levin bank records for 2011 and 2012. The reconciliation revealed that OLC misstated its disbursements and ending cash for 2011, and misstated its beginning cash-on-hand and receipts for 2012. The following charts outline the discrepancies between OLC's disclosure reports and its Levin bank records, and the succeeding paragraphs explain why these discrepancies occurred.

2011 Committee Levin Fund Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2011	\$17,877	\$15,687	\$2,190 Overstated
Receipts	\$40,332	\$45,332	\$5,000 Understated
Disbursements	\$30,922	\$45,961	\$15,039 Understated
Ending Cash Balance @ December 31, 2011	\$27,287	\$15,058	\$12,229 Overstated

The understatement of disbursements resulted from four unreported transfers totaling \$15,039 that OLC made from its Levin Fund to its federal account.³

OLC's ending cash-on-hand was overstated by \$12,229. This difference resulted from the understated disbursements along with smaller differences in beginning cash-on-hand and receipts in the chart above.

2012 Committee Levin Fund Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2012	\$27,287	\$15,058	\$12,229 Overstated
Receipts	\$30,000	\$40,000	\$10,000 Understated
Disbursements	\$40,730	\$43,117	\$2,387 Understated
Ending Cash Balance @ December 31, 2012	\$16,557	\$11,941	\$4,616 Overstated

³ OLC transferred these Levin funds to its federal allocation account for the purpose of paying allocable payroll expenses in accordance with 11 CFR §300.33. Also, all Levin funds were raised by OLC in accordance with 11 CFR § 300.34. Therefore, the transfers of Levin funds did not present any funding issue related to the Levin account.

Notwithstanding the incorrect cash balance carried over from 2011, OLC's understatement of receipts was the result of an unreported deposit in the amount of \$10,000. The \$4,616 overstatement of ending cash resulted from the discrepancies in beginning cash, receipts, and disbursements displayed in the chart above.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the misstatements with OLC representatives at the exit conference and provided work papers detailing the misstatements. In response to the exit conference, OLC Counsel explained that the differences identified are small sums and constitute a minimal portion of OLC's overall activity during the audit period.

The Interim Audit Report recommended that OLC:

- amend its 2011 disclosure reports to include the four transfers totaling \$15,039 that OLC made from its Levin Fund to its federal account;
- amend its 2012 disclosure report to include the unreported deposit of \$10,000; and
- adjust the Levin cash balance as necessary on its most recent report, noting that the adjustment is the result of prior-period audit adjustments.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, OLC filed a Form 99 (Miscellaneous Text) and disclosed all previously undisclosed 2011 transfers totaling \$15,039 made from its Levin Fund to its federal account. Although OLC materially corrected its 2011 activity, it did not disclose the unreported \$10,000 receipt from 2012, nor did it adjust its Levin cash-on-hand balance. Until the appropriate amendments are filed to correct the remaining misstatements, the Audit staff considers the matter outstanding.

Finding 3. Recordkeeping for Employees

Summary

During audit fieldwork, the Audit staff determined that OLC did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For calendar years 2011 and 2012, the Audit staff identified payments to OLC employees totaling \$178,305 for which OLC did not maintain monthly payroll logs. This entire amount consisted of payroll that was allocated with both federal and non-federal funds. In response to the Interim Audit Report recommendation, OLC provided details of the system it has implemented that requires employees to complete monthly logs detailing the percentage of time spent in connection with federal elections.

Legal Standard

Maintenance of Monthly Logs. Party committees must keep a monthly log of the percentage of time each employee spends in connection with a federal election. Allocations of salaries, wages, and fringe benefits are to be undertaken as follows:

- employees who spend 25 percent or less of their compensated time in a given month on federal election activities must be paid either from the federal account or be allocated as administrative costs;
- employees who spend more than 25 percent of their compensated time in a given month on federal election activities must be paid only from a federal account; and,
- employees who spend none of their compensated time in a given month on federal election activities may be paid entirely with funds that comply with state law. 11 CFR §106.7(d)(1).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed disbursements for payroll. OLC did not maintain any monthly payroll logs or equivalent records to document the percentage of time each employee spent in connection with a federal election. These logs were required to document the proper allocation of federal and non-federal funds used to pay employee salaries and wages. For 2011 and 2012, OLC did not maintain monthly logs for \$178,305 in payroll.⁴ This amount is made up exclusively of expenditures reported on Schedules H4 (Disbursements for Allocated Federal/Non-federal Activity) and paid with a mixture of federal and non-federal funds during the same month.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the recordkeeping requirement with OLC representatives during audit fieldwork and at the exit conference. In response to the exit conference, OLC Counsel stated that after the 2012 election cycle and prior to the commencement of the audit, OLC implemented timekeeping protocols in response to the Commission memorandum concerning timekeeping requirements. OLC's Chairman instructed its employees to comply with the guidelines set forth in this memorandum. The response further stated that OLC will continue to work with its staff to ensure payroll recordkeeping requirements are followed.

The Interim Audit Report recommended that OLC:

- provide evidence that it maintained monthly time logs to document the percentage of time an employee spent in connection with a federal election; or
- provide details of its plan to maintain monthly payroll logs in the future.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, OLC stated that it has implemented timekeeping protocols in response to the Commission's December 2013 memorandum⁵ concerning timekeeping requirements. OLC's response further stated that its Chairman verbally instructed employees to comply with the guidelines set forth in the

⁴ OLC did not report or pay any payroll consisting of 100 percent federal funds. All payroll-related expenses were allocated and reported on Schedules H4. Payroll amounts are stated net of taxes and fringe benefits.

⁵ Request for Consideration of a Legal Question (LRA 917), issued on October 23, 2012, and the Commission's policy conclusion issued on November 28, 2012.

Commission's memorandum. OLC provided a copy of its employee recordkeeping policy, along with a memorandum OLC sent to its entire staff explaining the recordkeeping requirements and instructions detailing how employees are expected to comply. OLC also provided a copy of the time allocation sheet its employees will complete each month documenting their time spent on federal and state election activities. As such, OLC has complied with the Interim Audit Report recommendation by providing details of its plan to maintain monthly payroll logs in the future.

Finding 4. Contributions from Unregistered Political Organizations

Summary

During audit fieldwork, a review of all contributions from unregistered political organizations indicated that OLC received contributions totaling \$8,150 that may not have been made with permissible funds. OLC transferred \$7,150 of these contributions to its non-federal and Levin accounts but not in a timely manner. In response to the Interim Audit Report recommendation, OLC stated it had transferred \$1,000 from its federal account to its state account and indicated that the transfer would be disclosed in OLC's 2016 May Monthly report.

Legal Standard

- A. Party Committee Limits.** A party committee may not receive more than a total of \$10,000 per year from any person except that a multicandidate political committee may not contribute more than \$5,000. 52 U.S.C. §30416(a)(1)(D) and 11 CFR §§110.1(a) and (c)(5), 110.2(d) and 110.9.
- B. Handling Contributions That Appear Impermissible or Excessive.** If a committee receives a contribution that appears to be impermissible or excessive, the committee must either:
1. Return the questionable check to the donor; or
 2. Deposit the check into its federal account and:
 - Keep enough money in the account to cover all potential refunds;
 - Keep a written record explaining why the contribution may be illegal;
 - Include this explanation on Schedule A if the contribution has to be itemized before its legality is established. 11 CFR §103.3(b)(3), (4) and (5).
- C. Questionable Contributions.** If a committee receives a contribution that appears to be prohibited (a questionable contribution), it must follow the procedures below:
1. Within 10 days after the treasurer receives the questionable contribution, the committee must either:
 - Return the contribution to the contributor without depositing it; or
 - Deposit the contribution (and follow the steps below). 11 CFR §103.3(b)(1).
 2. If the committee deposits the questionable contribution, it may not spend the funds and must be prepared to refund them. It must therefore maintain sufficient funds to make the refunds or establish a separate account in a campaign depository for possibly illegal contributions. 11 CFR §103.3(b)(4).

3. The committee must keep a written record explaining why the contribution may be prohibited and must include this information when reporting the receipt of the contribution. 11 CFR §103.3(b)(5).
4. Within 30 days of the treasurer's receipt of the questionable contribution, the committee must make at least one written or oral request for evidence that the contribution is legal. Evidence of legality includes, for example, a written statement from the contributor explaining why the contribution is legal or an oral explanation that is recorded by the committee in a memorandum. 11 CFR §103.3(b)(1).
5. Within these 30 days, the committee must either:
 - Confirm the legality of the contribution; or
 - Refund the contribution to the contributor and note the refund on the report covering the period in which the refund was made. 11 CFR §103.3(b)(2).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff identified five contributions totaling \$8,150 from five state and local political organizations. OLC received three of these contributions totaling \$2,150 in January 2011, and transferred them to its non-federal account in June 2011. Along with its entry on its FEC disclosure report of the transfer, OLC included a memo text stating that an employee who handled OLC banking was asked to transfer funds in February 2011. OLC stated that this request occurred during a transitional time and it later discovered that the transfer had never been processed. Upon discovery that the funds had not been transferred, OLC transferred the funds from its federal account to a state account and provided bank statements to the Commission in support of this transaction.

OLC also received a \$5,000 contribution from an unregistered committee in September 2012, which was transferred to its Levin Fund account in January 2013. Along with its entry on its FEC disclosure report of the transfer, OLC included a memo text stating that the contribution was erroneously deposited into the federal account. Both the \$2,150 and \$5,000 contributions above are considered untimely resolved since the transfers from the federal account were made beyond thirty days of each contributions receipt.

Lastly, OLC received a \$1,000 contribution from an unregistered committee in April 2011, which has not been transferred or refunded from its federal account. This contribution is considered unresolved.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with OLC's representatives during the exit conference and provided copies of relevant work papers. Prior to audit fieldwork, OLC transferred \$7,150 of the \$8,150 referred to in the section above from its federal account to its non-federal and Levin Fund accounts. In response to the exit conference, OLC Counsel stated that the committee will research the remaining contribution of \$1,000 and

provide additional information regarding the permissibility of the funds as it becomes available.

The Interim Audit Report recommended that OLC:

- provide evidence that the transfers for the contributions totaling \$7,150 were made timely; and
- provide evidence demonstrating that the remaining contribution of \$1,000 was made with permissible funds; or
- refund the remaining impermissible funds (\$1,000) and provide evidence of such refund (a copy of the front and back of the negotiated refund check); or
- if funds are not available to make the necessary refund, disclose the refund due on Schedule D (Debts and Obligations) until funds become available to make the refund.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, OLC stated it had transferred \$1,000 from its federal account to its state account on March 1, 2016, however, no bank activity documentation to support this transfer was provided. OLC further stated that it plans to disclose this transfer in its 2016 April Monthly report. As such, the Audit staff considers \$7,150 untimely resolved. In addition, the \$1,000 that OLC transferred to its state account will remain outstanding until bank documentation is provided to substantiate the transfer.