

# Best Practices for Reporting and Compliance

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February 23, 2012  
11:00 a.m. – 12:30 p.m.  
Tab #6



## Objectives

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- Review filing deadlines and application of “best efforts” for timely filing
- Learn about Reports Analysis Division (RAD) processes and how best to respond to a Request for Additional Information
- Examine recommended internal controls
- Discuss common reporting errors

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# Timely Filing

## I. Reporting - Timely Filing Schedule and Reporting Dates (Review)

 House/Senate Campaigns - 2012 <span style="float: right; transform: rotate(45deg); font-weight: bold;">Review</span>	
Report Type	Coverage and Due Dates
April Quarterly	Covers 1/1 - 3/31; Due 4/15/12
July Quarterly	Covers 4/1 - 6/30; Due 7/15/12
October Quarterly	Covers 7/1 - 9/30; Due 10/15/12
Pre-Election	Covers 1st day of current period to 20 days before election; Due 12 days before election (12G covers 10/1-10/17/12; Due 10/25/12)
Post-General	Covers from 1 <sup>st</sup> day of period to 11/26; Due 12/6/12
Year-End	Covers 11/27 to 12/31; Due 1/31/13

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### A. Quarterly Filing for Campaign Committees

1. Quarterly is mandatory for campaigns (House, Senate, Presidential)

2. Presidential committees are required to file monthly during election years.

**B. House/Senate Campaigns**

1. Authorized committees file quarterly reports in all years.
2. File Quarterly reports due April 15, July 15, October 15 and January 31.
3. File pre-election reports in election years (2012)
4. File pre-primary (or pre-Convention or pre-runoff if applicable) report due 12 days before election.
5. If in general, file Pre-General report due 12 days before general (i.e., 10/25/12).
6. File Post-General Report, due 30 days after general (i.e., 12/06/12).
7. Reporting period always begins the day after close of books of last report filed.

Report Type	Coverage and Due Dates
April Quarterly	Covers 1/1 - 3/31; Due 4/15/12
July Quarterly	Covers 4/1 - 6/30; Due 7/15/12
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Year-End	Covers 11/27 to 12/31; Due 1/31/13

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**C. Quarterly Filing – PACs & Party Committees**

1. Committees that file quarterly in election years file on a semi-annual schedule in non-election years.
2. If a party committee that files quarterly engages in reportable FEA, it must switch to monthly.
3. Reporting period always begins the day after close of books of last report filed.

4. PACs and Party Committees that file Quarterly should file on January 31, April 15, July 15 and October 15 in election years, plus any applicable pre- or post-election reports.
5. See *Reports Due in 2012* at <http://www.fec.gov/pages/fecrecord/2012/january/2012reporting.shtml>



## Monthly Filers – 2012

Review

Report Type	Coverage and Due Dates
February Monthly (M2)	Covers 1/1 – 1/31; Due 2/20
March Monthly (M3)	Covers 2/1 – 2/29; Due 3/20
April Monthly (M4)	Covers 3/1 – 3/31; Due 4/20
May Monthly (M5)	Covers 4/1 – 4/30; Due 5/20
June Monthly (M6)	Covers 5/1 – 5/31; Due 6/20
July Monthly (M7)	Covers 6/1 – 6/30; Due 7/20
August Monthly (M8)	Covers 7/1 – 7/31; Due 8/20
September Monthly (M9)	Covers 8/1 – 8/31; Due 9/20
October Monthly (M10)	Covers 9/1 – 9/30; Due 10/20
12 Day Pre-General (12G)	Covers 10/1 – 10/17; Due 10/25
30 Day Post-General (30G)	Covers 10/18 – 11/26; Due 12/6
Year-End	Covers 11/27 – 12/31; Due 1/31/13

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**D. Monthly Filing – PACs & Party Committees**

1. Monthly is mandatory for national party committees or party committees with reportable FEA. 11 CFR 300.36(c). See also *Reports Due in 2012* at <http://www.fec.gov/pages/fecrecord/2012/january/2012reporting.shtml>
2. File reports on the 20<sup>th</sup> of each month.
3. During election year, file Pre- and Post-General election reports in place of November and December monthly reports.
4. **Monthly filers must file a Year-End Report on January 31 of each year.**
5. Reporting period begins the day after close of books of last report filed.



## Changing Filing Frequency

- ▶ Request at the time a required report is filed under current filing schedule or in a separate Form 99 (Miscellaneous Text Submission)
  - Electronic filers must submit request electronically
- ▶ No more than once per year

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### **E. Changing Filing Schedule**

1. PACs and Party Committees may change their filing schedule from quarterly to monthly or from monthly to quarterly only after notifying the Commission in writing (or electronically, if an e-filer) of their intention. The committee can provide this notification along with a required report filed under the committee's current filing schedule or in a separate Miscellaneous Text Submission (Form 99).
2. The committee should wait to receive a letter from the FEC acknowledging its filing frequency change. The committee will then be required to file the next required report under the new filing schedule. However, party committees that engage in reportable federal election activity (FEA) must automatically switch to monthly filing.
3. May only change filing schedule once per calendar year.



## Filing on Paper

- **No Extensions**
  - Filing dates not extended for weekends or holidays.
  - Must be received on business day preceding filing date.
- **Registered vs. Overnight Mail**
  - If filing using USPS registered mail, keep receipt.
  - “Overnight Mail” means next-day express or priority mail with delivery confirmation or overnight service with online tracking system. Same terms as registered/certified mail. (Keep receipt/tracking number.)

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### F. Other Reporting Considerations for Paper Filers

1. **Statute Prohibits Extensions** (Applicable to Paper and Electronic Filers).
2. **Weekends and Holidays**  
Filing dates not extended for weekends or holidays. Must be received on business day preceding filing date.
3. **Registered vs. Overnight Mail**
  - a) If filing using USPS registered mail, keep receipt.
  - b) “Overnight Mail” means next-day express or priority mail with a delivery confirmation or an overnight service with an online tracking system. File using the same terms as certified/registered mail. (Keep receipt/tracking number.)



## Administrative Fine Program

Review

- Civil money penalties for filing late, or not filing at all.
- Size of fine depends on various factors.

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### **G. Administrative Fines Program (AFP)**

#### **1. Background**

Program for assessing civil money penalties for violations for failure to file reports on time and/or at all.

#### **2. Applies to:**

- a) Late filers
- b) Non-filers
- c) Regulations found at 11 CFR 111.30-111.45.

#### **3. Civil Money Penalties -- Factors in determining:**

The interaction of several factors will determine the size of the penalty (also see calculator on website at [http://www.fec.gov/af/af\\_calc.shtml](http://www.fec.gov/af/af_calc.shtml)):



## Administrative Fine Program

Review

- Election-sensitive reports:
  - ▶ **Late filer** - filed after due date, but more than four days before the applicable election.
  - ▶ **Non-filer** - filed later than that or not at all.
- Non-sensitive reports:
  - ▶ **Late filer** - filed  $\leq$  30 days after the due date.
  - ▶ **Non-filer** - filed  $>$  30 days late or not at all.

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**a) Election Sensitivity**

Election sensitive reports include:

- October Quarterly of election year,
- October Monthly of election year, and
- Pre-election reports for primary, general and special elections.

All other reports are considered nonsensitive.

**b) Whether Committee is a Late filer or a Non-filer**

(1) For Sensitive reports

- (a) Late filer – when report is filed after the due date but more than four (4) days prior to the election.
- (b) Non-filer - report filed after due date and four (4) days or less before the election, or not at all.

(2) For Nonsensitive reports

- (a) Late filer – when report is filed within 30 days after the due date.
- (b) Non-filer – when report is filed 31 or more days after due date, or not at all.
- (c) Can still be considered a “nonfiler” even if report is eventually filed.



## Other Factors

Review

- Prior civil money penalties for reporting violations
- Financial activity in report
- Smaller penalties for activity < \$50,000
- Penalty calculator on FEC website at [http://www.fec.gov/af/af\\_calc.shtml](http://www.fec.gov/af/af_calc.shtml)

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- c) **Prior civil money penalties for reporting violations under the AFP.**
- d) **Financial Activity**
  - (1) Amount of financial activity in the report – total amount of receipts and disbursements.
  - (2) Committees with less than \$50,000 in financial activity during the reporting period in question are subject to reduced penalties under the AFP pursuant to April 2003 revisions to the regulations.
  - (3) July 2009 revisions to the AFP regulations adjusted penalties for inflation.
  - (4) Campaign Finance Analysts will not be able to tell you if you will be fined or how much. You can use the Administrative Fine calculator ([http://www.fec.gov/af/af\\_calc.shtml](http://www.fec.gov/af/af_calc.shtml)) to estimate your fine. Your committee will be notified in writing if the FEC assesses a civil penalty against your committee under the AFP.



## Best Efforts to File on Time

Best efforts\* may be used as a defense for late filing if:

- Committee was prevented from filing report on time by reasonably unforeseen circumstances beyond committee's control and
- Filed the report no later than 24 hours after the end of those circumstances

\*Not the same as best efforts for obtaining contributor information

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- H. Timely Filing/Using Best Efforts (not the same as “best efforts” for obtaining contributor information)**
- 1. Reports required on time;** no extensions (see Basics workshop, Tab 1 materials, for schedule).
  - 2. If report not filed on time,** committees may use “best efforts” defense if committee took normal precautions and trained staff, but failure to report was due to circumstances beyond committee's control and the late report was filed within 24 hours after those circumstances ended (pursuant to April 2007 revisions to AFP regulations).



## Best Efforts to File on Time

Committee may use best efforts defense if late filing is due to:

- Failure of FEC computers/Commission-provided software, despite committee seeking technical assistance from FEC personnel and resources
- Widespread disruption of information transmissions over internet
- Severe weather or other disaster-related event

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- 3. When can best efforts defense be used:**
  - a) Committee may use best efforts defense if failure to report is due to failure of Commission computers or software, despite receiving Commission technical assistance, widespread disruption of information transmissions over the internet, or severe weather or other disaster-related event.



## Best Efforts to File on Time

Committee may **not** use best efforts defense if late filing is due to:

- Negligence;
- Illness, inexperience or unavailability of treasurer or committee staff;
- Committee computer, software or ISP failures;
- Delays caused by committee vendors/contractors;
- Failure to know; or
- Failure to use filing software properly.

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- b) Committee may not use best efforts defense if failure to report is due to unavailability, inexperience or negligence of staff, counsel or organization, failure of committee's computer system, delays caused by vendors, failure to understand or know the law or failure to use filing software properly.

**4. For more information, review**

[http://www.fec.gov/law/cfr/ej\\_compilation/2007/notice\\_2007-7.pdf](http://www.fec.gov/law/cfr/ej_compilation/2007/notice_2007-7.pdf)  
(rules) and

[http://www.fec.gov/law/cfr/ej\\_compilation/2007/notice\\_2007-13.pdf](http://www.fec.gov/law/cfr/ej_compilation/2007/notice_2007-13.pdf)  
(policy statement) and the May and July 2007 *Record* issues.



## Best Practices: Filing

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- ✓ Ensure your staff and vendors understand filing rules and deadlines
- ✓ Update your software regularly
- ✓ Have a current e-mail address on Form 1 to receive courtesy e-mail reminders

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### **Best Practices:**

- Ensure your staff, vendors and counsel understand reporting and filing rules and deadlines.
- Update your software regularly.
- To keep up with filing deadlines, make sure your committee has a current e-mail address on its Form 1 (for receiving courtesy reminders). (To do this, submit a complete electronic Form 1 with a new e-mail address.) Deadlines are also posted online at [http://www.fec.gov/info/report\\_dates.shtml](http://www.fec.gov/info/report_dates.shtml) and in the January Record each year.

## II. RAD Review Process

# RAD Review Process



## Organization of RAD

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### 3 Branches

- Party Non-Party Branch – 21 analysts
  - ▶ Review all Party and PAC reports
  - ▶ 4-5 Month training program and mentored for 6-12 months
- Authorized Branch – 15 analysts
  - ▶ Review all federal candidate committee reports
  - ▶ 2 Month training program and mentored for 6-12 months
- Compliance Branch – 4 analysts
  - ▶ Implement the non-filer and Administrative Fine programs

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**A. Organization of RAD**

**1. Three Branches**

- a) Party/NonParty Branch – reviews all party committees and PAC reports – 21 analysts. New analysts undergo a 4-5 month training process and are then mentored by a more senior analyst for 6 to 12 months.
- b) Authorized Branch – reviews federal candidate committee reports – 15 analysts. New analysts undergo a 2 month training process and are then mentored by a more senior analyst for 6 to 12 months.
- c) Compliance Branch – serve a quality control function for the review branches and implement the Non-Filer and Administrative Fine Programs – 4 analysts.
- d) Recently began cross training analysts to review reports filed by all committee/entity types.



## PAC/Party Analysts

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- Each analyst is assigned 200-400 committees
- PACs are assigned randomly
- Larger PACs assigned to more senior analysts
- National committees assigned to more senior analysts, State party committees assigned by state, Local parties assigned randomly

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**2. Committee Assignments – Party/Non-Party Branch**

- a) Party/Non-Party Branch analysts are assigned anywhere from 200 to 400 committees (parties and PACs).
- b) PACs are assigned randomly with the larger ones being assigned to more senior analysts.

- c) National party committees are assigned to the more senior analysts. State party committees are assigned by state, so that the assigned analyst reviews both the Democratic and Republican state parties. Local party committees are assigned randomly.



## Authorized Branch Analysts

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- Each analyst is assigned 200-350 committees
- House and Senate campaigns assigned by state
- Presidential and Delegate committees are assigned to senior analysts
- All others are assigned at random

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- 3. Committee Assignments – Authorized Branch**
- a) Authorized Branch analysts are assigned anywhere from 200 to 350 committees and filing entities (House, Senate, Presidential, Delegate, Joint Fundraising, Independent Expenditures and Electioneering Communications).
  - b) House and Senate campaign committees are assigned by state.
  - c) Presidential and Delegate committees are assigned to more senior analysts.
  - d) All others are assigned randomly.



## Analyst Responsibilities

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- Review assigned committees' reports by established deadlines
- Assist committees by phone and log calls
- Meet with committees by request
- Participate in FEC conferences
- Special projects

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- 4. Analyst Responsibilities**
  - a) Review all reports filed by assigned committees by established deadlines.
  - b) Customer service role – assist committees on the phone on a daily basis and log phone calls. Meet with committees by request.
  - c) Participate in FEC Conferences and Roundtables.
  - d) Special Projects



## RAD Review and Referral Policy

- Categories of review include:
  - ▶ Mathematical Discrepancies
  - ▶ Failure to Provide Supporting Schedules
  - ▶ Failure to Properly Itemize Contributions from Individuals
  - ▶ Prohibited, Excessive and Impermissible Contributions
  - ▶ Improper Itemization of Disbursements
- RFAI threshold
- Policy is confidential and is approved by the Commission

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### **B. RAD Review of Reports**

#### **1. RAD Review and Referral Policy**

- a) Internal policy contains categories of review the analyst checks, such as: Prohibited, Excessive and Impermissible Contributions, Mathematical Discrepancies, Failure to Provide Supporting Schedules and Failure to Properly Itemize Contributions from Individuals and Disbursements, to name a few.
- b) Policy has established thresholds for making determinations on whether to send a Request for Additional Information (RFAI).
- c) Thresholds are confidential and policy is approved by the Commission.



## Review of Reports

- Thresholds are applied on a per report basis. Exception: increased and decreased activity on amended reports is also assessed on a two year election cycle basis.
  - If reoccurring reporting issues exist on multiple reports, a committee may receive multiple RFAIs identifying the same issue.
  - RAD does not consider previous responses to RFAIs.
    - Exception: Responses relating to best efforts procedures apply for the two year election cycle
- It's possible to see an issue questioned on one report, but not on another.

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- d) Review is conducted and thresholds are applied on a per report basis. (Exception: increased and decreased activity on amended reports is also assessed on a two year election cycle basis.)
  - 1) This means a committee may receive a RFAI which includes the same issue already addressed in response to a RFAI referencing a different report.
    - Exceptions include outlining Best Efforts procedures which would apply to the two year cycle.
  - 2) There may be several issues that are aggregated together to meet a single threshold, so it's possible to see an issue questioned on one report that isn't included in an RFAI on for another report.
- e) Policy is reassessed every election cycle and revisions/changes made based on input from RAD and other offices (such as OGC), and Commissioners.



## Request for Additional Info

- If internal thresholds are met, analyst sends RFAI with response due date in upper right corner
- No extensions
- Responses assessed by analysts, team leaders
- Analysts do not reply to committee responses

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## Request for Additional Info

RQ-2  
FEDERAL ELECTION COMMISSION  
WASHINGTON, DC 20543  
October 21, 2011

Emma De Fazio, Treasurer  
120 National Street North  
Milwaukee, WI 53123

Identification Number: C8000000

Referred: July Monthly Report (07/11) (02011) and September Monthly Report (09/11) (02011)

Dear Ms. De Fazio:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. An adequate response must be received at the Commission by the response date noted above. An itemization of the information needed follows:

• Commission Regulations require that a committee disclose the identification of all individuals who contribute in excess of \$200 in a calendar year. (11 CFR §104.3(a)(9)(i)) Identification for an individual is defined as the full name, mailing address, occupation and name of employer. (11 CFR §100.12) Your report discloses contributions from individuals for which the identification is not complete.

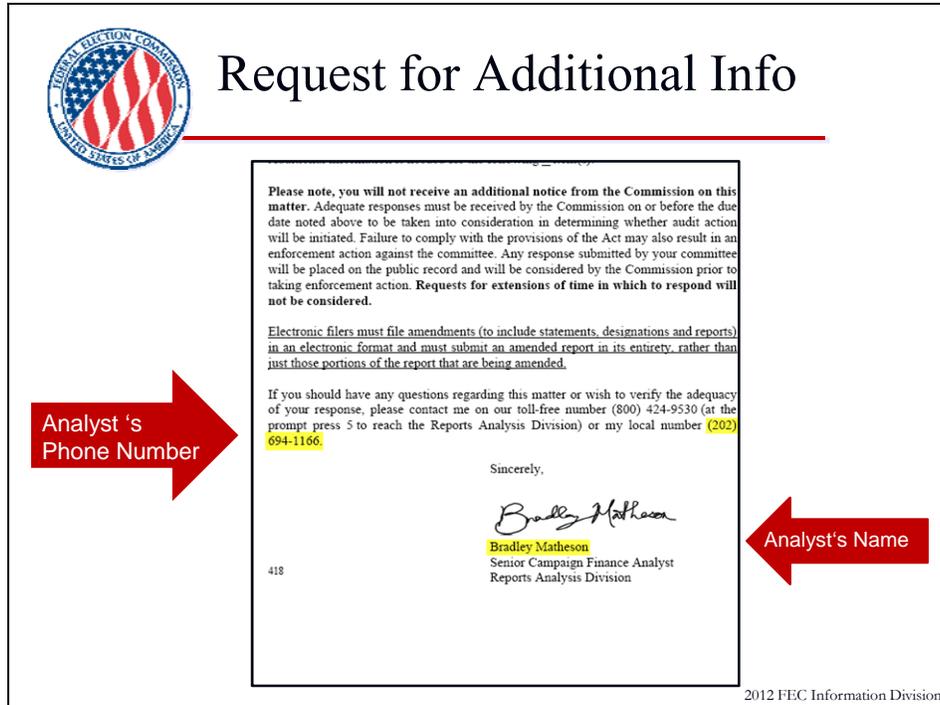
You must provide the missing information, or if you are unable to do so, you must demonstrate that "best efforts" have been used to obtain the information. To establish "best efforts," you must provide the Commission with a detailed description of your procedures for requesting the information. Establishing "best efforts" is a three-fold process.

First, your original solicitation must include a clear and conspicuous request for the contributor information and must inform the contributor of the requirements of federal law for the reporting of such information. (11 CFR §104.70(x))

Response Due Date:  
November 21, 2011

Response  
Due Date

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The image shows a sample letter titled "Request for Additional Info" from the Federal Election Commission. The letter is enclosed in a rectangular border. In the top left corner of the letter is the FEC logo. The main text of the letter includes a warning that no additional notice will be sent, a note about electronic filing requirements, and contact information for Bradley Matheson. Two red arrows point to specific parts of the letter: one points to the contact phone number (202) 694-1166, and the other points to the analyst's name, Bradley Matheson. The letter is signed "Sincerely, Bradley Matheson" with a handwritten signature above the typed name. The typed name is followed by "Senior Campaign Finance Analyst" and "Reports Analysis Division". The number "418" is printed in the bottom left corner of the letter's content area. The footer of the letter reads "2012 FEC Information Division".

**Request for Additional Info**

Please note, you will not receive an additional notice from the Commission on this matter. Adequate responses must be received by the Commission on or before the due date noted above to be taken into consideration in determining whether audit action will be initiated. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action. Requests for extensions of time in which to respond will not be considered.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended.

If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1166.

Sincerely,  
*Bradley Matheson*  
Bradley Matheson  
Senior Campaign Finance Analyst  
Reports Analysis Division

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**C. Request for Additional Information (RAFI)**

- 1. If internal thresholds are met, an RAFI is sent**, with a Response Due Date in the upper right hand corner of the letter, extensions are not granted. The committee analyst's name and contact telephone number are also provided in the letter.



## Responding to RFAs

- Analysts do not contact committees in every case when a response is not sufficient
- Committee should contact its analyst before and/or after filing a response
- Analysts do not make legal conclusions
- Analysts can not categorize your activity
- In some cases, RAD consults OGC before sending an RFAI and when assessing a committee's response

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**2. Responses are assessed by the analysts and in some cases, team leaders.**

- a) Analysts do not reply to responses.
- b) Contact is not made with committees in every case when a response is not sufficient. Further explanation below.
- c) Committees are encouraged to contact their assigned analyst prior to responding if unsure about how to respond or after a response is filed to ensure an adequate response is received.
- d) Keep in mind that analysts can't make legal conclusions or give guidance on a legal conclusion being made by a committee. In addition, they cannot determine what category your activity falls under (i.e., independent expenditures or coordinated party expenditures).
- e) In some cases, RAD consults with OGC before sending a RFAI and when making a response assessment.



## Responding to RFAs

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- File amendment to add, change or delete actual entries on FEC report
- Use miscellaneous text submission (Form 99) for narrative responses that do not affect actual entries within a report (e.g., demonstrating best efforts)

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- 3. Must amend report when changing information that affects entries on a report.** This would include additions, changes or deletions.
- 4. Miscellaneous Text Submission (Form 99)**  
Used for narrative responses that do not affect actual entries within a report. (For example, when outlining procedures for “Best Efforts” in obtaining contributor information.)



## Audit Consideration Factors

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- Level of financial activity
- Responses to RFAs
  - ✓ Late or no response
  - ✓ Inadequate response
- Election results (Authorized Committees only)
- Number of amendments filed is NOT a factor
- Number of RFAs received is NOT a factor if responses were adequate and timely

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### D. Referrals to the Audit Division

#### 1. Factors for making referrals to the Audit Division

- a) Level of financial activity,
- b) Responses to RFAs
  - (i) Late or no response
  - (ii) Inadequate responses
- c) **For Authorized Committees only** - Election Results

#### 2. The number of amendments filed is not a factor

#### 3. The number of RFAs is not a factor if responded to adequately and on time.



## OGC & ADRO Referrals

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- Policy includes referral thresholds
- RAD calls committee before referring to OGC or ADRO to explain RFAI and request response
- Adequate and timely response may prevent referral

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- E. Referrals to OGC (Office of General Counsel) and ADRO (Alternative Dispute Resolution Office)**
1. Internal policy includes thresholds for determining whether a matter should be referred to OGC or ADRO.
  2. Committee will receive a phone call from RAD prior to a referral to ADRO or OGC to explain RFAI and request a response.
  3. An adequate response is required by the timeframe given to prevent the matter from being referred.



## Contact Information

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- Ensure that committee's most current mailing address, email address and phone number appear on Statement of Organization (FEC Form 1). Often RFAs are returned by the Post Office due to an incorrect mailing address.
- RAD's process for sending RFAs has changed. Most RFAs are now sent via email to the Committee's official email address disclosed on the Statement of Organization.

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4. Committees should ensure that they have provided the most current mailing address, email address and phone numbers on their Statement of Organization (FEC Form 1). Often RFAs are returned by the Post Office due to an incorrect mailing address.
5. RAD's process for sending RFAs has changed. Most RFAs are now sent via email to the Committee's official email address, as disclosed on the Statement of Organization (FEC Form 1). Committees will have the option to continue to receive RFAs on paper through the mail.

**III. Recommended Internal Controls**

**Recommended  
Internal Controls**

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## Internal Controls

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- A process designed to ensure:
  - Effective and efficient operations
  - Reliable financial reporting
  - Compliance with laws and regulations
  - Protection of the organization's assets
- Formalize in writing
- Educate Staff
- Verify that professional compliance firms use internal controls and best practices

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### A. **Internal Committee Controls**

1. Internal controls are processes designed to ensure that an organization's goals are met with respect to:
  - Effective and efficient operations
  - Reliable financial reporting
  - Compliance with laws and regulations; and
  - Protection of the organization's assets.
2. Formalize policies in writing
3. Educate committee staff on policies and procedures
4. Verify that professional compliance firms use internal controls and best practices consistent with FEC resources.



## Minimum Safeguards: Banking and Cash

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- Limit number of bank accounts
- Open bank accounts using committee's name and Employer Identification Number
- Investigate control options offered by bank
- Use an "imprest" system for petty cash funds

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### **B. Minimum Safeguards: Banking and Cash**

- Limit the number of committee bank accounts to those absolutely required to manage the committee's business.
- Open bank committee bank accounts using the name of the committee and the Employer Identification Number (EIN) rather than in the name of a person.
- Investigate control options offered by the committee's bank. For example, banks may be able screen checks drawn on committee accounts during their processing for compliance with agreed-upon criteria.
- Use an "imprest" system for petty cash funds. The imprest fund involves replenishing petty cash only when properly-approved vouchers and /or petty cash log entries are presented justifying all expenditures. The amount of the replenishment is equal to the difference between the stated amount of the fund and the remaining balance. For accountability, only one person should be in charge of the fund. A petty cash fund of not more than \$500 should be adequate in most cases. No cash disbursements in excess of \$100 are permitted.



## Minimum Safeguards: Separating Duties

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- Authorize checks > \$1,000 in writing or require two signatures for them
- Place an individual who does not have banking authority in charge of receiving incoming checks and monitoring receipts
- Review and reconcile bank statements each month and to reports prior to filing
  - ▶ Done by a person other than a check signer or the person handling the committee's accounting

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### C. **Minimum Safeguards: Separating Duties**

- Treasurer should authorize checks in excess of \$1,000 or require two signatures for them. Place an individual who does not have banking authority in charge of receiving incoming checks and monitoring receipts.
- Make a list of receipts when the mail is opened. Person opening the mail and preparing list of receipts should be independent of the accounting function.
- Review transactions on bank statements and reconcile the statements to the accounting records each month in a timely manner. Prior to filing each FEC report, someone other than a check-signer or person handling the committee's accounting should reconcile the bank and accounting records and the disclosure reports.



## Additional Controls

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- ✓ Limit number of persons authorized to sign checks
- ✓ Prohibit facsimile signatures or signature stamps
- ✓ Record receipts as mail is opened
- ✓ Consider using lockbox service to process receipts
- ✓ Mail checks promptly and directly to payees
- ✓ Require that checks hand-delivered by committee be signed for by person receiving them

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### **D. Additional Controls**

- Limit the number of persons with access to committee funds and persons authorized to sign checks.
- Prohibit facsimile signatures or automatic signatures.
- Record receipts as the mail is opened.
- Consider use of a lockbox service for receipts.
- Mail any checks promptly and directly to payees.
- Require a signature for any checks that are hand-delivered to a committee.



## Internal Controls Resources

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- Best Practices for Committee Management (Brochure)  
<http://www.fec.gov/pages/brochures/bestpractices.shtml>
- Best Practices: Internal Controls and Recordkeeping (Video)  
<http://www.youtube.com/watch?v=c46BW9VUyto>
- Internal Controls for Political Committees (Audit Handout)  
[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: Safe Harbor for Misreporting Due to Embezzlement  
[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  
<http://www.fec.gov/pdf/record/2007/may07.pdf>

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## Responding to Misappropriation

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- Contact the FEC
  - RAD Analyst can help with reporting challenges
  - OGC can help with *sua sponte* submission
- Consult with Counsel
  - To determine if *sua sponte* submission or complaint is appropriate
- Notify law enforcement
- Do best to file complete and accurate reports by the established deadlines

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## Reporting after Misappropriation

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- File Miscellaneous Documents (Form 99s)
  - Provide detail about embezzlement and if the reported cash-on-hand reflects committee's bank balance
- If reported cash-on-hand is incorrect:
  1. Adjust beginning COH manually and use memo text to refer to the miscellaneous document, OR
  2. Make a one-time COH adjustment on Schedule B "Other Disbursements" line stating "Cash-on-hand adjustment due to unauthorized disbursements."

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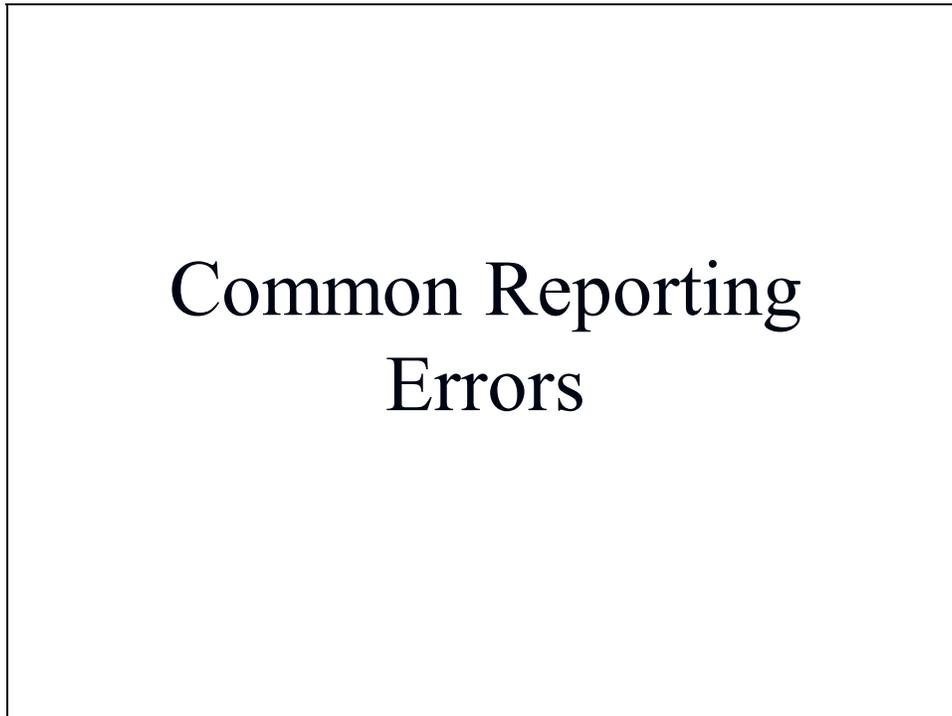
## Reporting after Misappropriation

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- Amend reports filed earlier in the current election cycle to correct errors or omissions
- For prior election cycles, file a miscellaneous document that lists detailed transactions and/or notes about unexplained discrepancies and estimated time frames
- Consult the FEC resources regarding misappropriation and embezzlement

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## IV. Common Reporting Errors

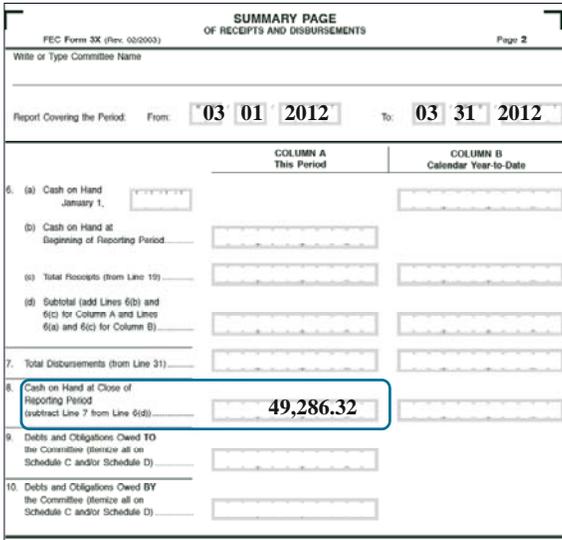


### A. Common Math Errors



## Common Math Errors

- Cash on hand
- Detailed Summary Page
  - Line totals
  - Column B figures (YTD or ECTD)
- Amendments



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## Common Math Errors

- Cash on hand
- Detailed Summary Page
  - Line totals
  - Column B figures (YTD or ECTD)
- Amendments

SUMMARY PAGE OF RECEIPTS AND DISBURSEMENTS		
FEC Form 3X (Rev. 02/2003) Page 2		
Write or Type Committee Name		
Report Covering the Period: From: 03 01 2012 To: 03 31 2012		
	COLUMN A This Period	COLUMN B Calendar Year-to-Date
6. (a) Cash on Hand January 1,		
(b) Cash on Hand at Beginning of Reporting Period	49,286.32	
(c) Total Receipts (from Line 19)		
(d) Subtotal (add Lines 6(b) and 6(c) for Column A and Lines 6(a) and 6(c) for Column B)		
7. Total Disbursements (from Line 31)		
8. Cash on Hand at Close of Reporting Period (subtract Line 7 from Line 6(d))		
9. Debts and Obligations Owed TO the Committee (itemize all on Schedule C and/or Schedule D)		
10. Debts and Obligations Owed BY the Committee (itemize all on Schedule C and/or Schedule D)		

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1. **Cash on hand**  
The ending balance of the last report should match the opening balance of the current report.
2. **Use the Detailed Summary Page to conduct a quality check for Columns A and B.**
  - Ensure that each of the “total” lines equals the sum of the lines supporting that total line.
  - Do the math to ensure that the Column B figures (Year-To-Date or Election-Cycle-To-Date) are correct. Column B from last report + Column A from this report = Column B for this report.
3. **Amendments:**  
Math errors like those mentioned above occur frequently when a committee amends a past report and does not file all subsequent reports. For changes made to an old report, the committee may need to file all subsequent amendments in many cases, including if any contributions or disbursements moved lines, if activity moved to a different report, or if activity is added or removed from that reporting period. A small adjustment on a past report can affect each of the following reports.

## B. Common Schedule Errors

The diagram illustrates the flow of information from a summary table to two FEC forms. On the left is a table with the following data:

13. LOANS:	
(a) Made or Guaranteed by the Candidate.....	\$0.00
(b) All Other Loans.....	\$100,000.00
(c) TOTAL LOANS (add Lines 13(a) and (b)).....	\$100,000.00

An arrow points from this table to two overlapping forms. The top form is 'SCHEDULE C (FEC Form 3) LOANS' with fields for 'NAME OF COMMITTEE', 'LOAN SOURCE', 'Mailing Address', 'City', 'Original Amount', and 'TERMS'. The bottom form is 'SCHEDULE C-1 (FEC Form 3) LOANS AND LINES OF CREDIT FROM' with fields for 'NAME OF COMMITTEE (in Full)', 'LENDING INSTITUTION (LENDER) Full Name', 'Mailing Address', 'City', 'State', and 'Zip Code'. The text '2012 FEC Information Division' is at the bottom right of the diagram.

### 1. Include correct schedules.

The Detailed Summary Page gives cues as to which schedules will need to be included with the filing. For example, if the committee has an amount on Line 11(a)(i), a Schedule A will need to be included in your filing to support the amount on Line 11(a)(i) of the Detailed Summary Page. If loans are incurred, a Schedule C is needed. The committee may also need to file a Schedule C-1.

### 2. Fill out the schedule completely.

If the committee files electronically, it is helpful to look at the report as it appears filled in on the FEC Forms. Add any missing information, including purposes of disbursement or employer and occupation information.



## Common Schedule Errors

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- Include all information required by each schedule:
  - Full name of contributor
  - Employer/occupation information
  - Purposes of disbursement
  - Purposes for debts
  - “Personal Funds” notation or a Schedule C-1

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### C. Best Efforts Statements



## Best Efforts Statements

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- Can be filed “preemptively” at the beginning of a year or election cycle
- Be sure your statement:
  - Outlines your committee’s set procedure
  - Includes each of the required steps outlined in the campaign or committee guide
- Retain detailed records of your follow-up requests (copies of letters, emails, phone logs)

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**D. Purpose of Disbursement**



## Purpose of Disbursement

Entry must be sufficiently specific, when considered with the identity of the recipient, to provide a clear reason for the payment.

<small>Full Name (Last, First, Middle Initial)</small> <b>A. ABC Consulting</b>		<small>Date of Disbursement</small> <input type="text" value="02"/> <input type="text" value="02"/> <input type="text" value="2012"/>	
<small>Main Address</small> <b>123 Moneyed Lane</b>		<small>Amount of Each Disbursement this Period</small> <input type="text" value="2,500.00"/>	
<small>City, State, Zip Code</small> <b>City, ST 00000</b>		<small>Category/Type</small> <input type="text"/>	
<small>Purpose of Disbursement</small> <b>PAC Fundraising Consulting</b>		<small>Disbursement For:</small> <input type="checkbox"/> Primary <input type="checkbox"/> General <input type="checkbox"/> Other (specify) _____	
<small>Candidate Name</small> _____		<small>Office Sought:</small> <input type="checkbox"/> House <input type="checkbox"/> Senate <input type="checkbox"/> President	
<small>State:</small> _____		<small>County:</small> _____	

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1. FEC regulations require that the “purpose of disbursement” entry for each disbursement be sufficiently specific, when considered with the identity of the recipient, to provide a clear reason for the payment. 11 CFR 104.3(b)(3) and (4).



## Purpose of Disbursement

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- Rule of thumb: Could reader discern why a payment was made simply by reading the description provided?
- Non-exhaustive list available online at <http://www.fec.gov/law/policy.shtml#purpose>

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2. Policy statement includes non-exhaustive lists of acceptable and unacceptable “purpose of disbursement” descriptions intended to provide additional guidance to the regulated community and to foster consistency among filers.
3. As a rule of thumb, the statement suggests that filers consider whether a person unaffiliated with the campaign/committee could discern why a payment was made by reading the description they have provided.
4. List is updated periodically and made available online at <http://www.fec.gov/law/policy.shtml#purpose>.

## E. Excessive Contributions



### Excessive Contributions

- Designate all contributions
- Enter individuals or entities into software once
- Ensure correct committee name disclosed for contributions made/received
- If an unregistered organization gives you money:
  - Check that it's from federally permissible funds
  - Note "Federally Permissible Funds" on your report

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1. **Designate all contributions** – If contributions are undesignated on a report, they will be considered to be given for the next upcoming election, regardless of amount. If a committee gives/receives money for the primary and the general elections at the same time and does not include designations, these contributions will appear excessive on the public record.
2. **Enter individuals/entities into software once.** Individuals/entities entered into software in two different ways can cause excessive contributions, aggregation problems, etc. Be strict with how the committee enters individuals and entities into the software. Conduct regular checks to ensure the integrity of your database.
3. **Ensure you use correct committee names.** Many committee names are similar. If incorrect names are used on reports, contributions can appear excessive.
4. **Contributions from unregistered organizations** Ensure that federally permissible funds were used. If the contribution was permissible, note "Federally Permissible Funds" as additional text on the report.



## Reporting Help

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- RAD Frequently Asked Questions web page
- FECFile Getting Started Manuals
- Campaign and Committee Guides
- FEC YouTube Station
- Extended phone coverage
- Call your analyst! 1-800-424-9530 press 5

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## Workshop Evaluation

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*Help Us Help You!*

Please complete an evaluation  
of this workshop.

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## Next Workshops

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Corporate/Labor/Trade  
Communications and Resources  
or  
Legal Issues – Recent Developments in  
Campaign Finance Law

1:45 – 3:15 pm

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