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AUDIT DIVISION

2009-2010

MATERIALITY THRESHOLDS

Authorized Committees

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Alternative Dispute Resolution Program

These thresholds include criteria for referring matters to the Commission's Alternative Dispute Resolution (ADR) program. The criteria for referring matters to ADR are an addition to the criteria for referring matters to the Office of General Counsel and are aimed at efficiently resolving certain violations arising from audits.

In certain instances, a concurrent MUR or Pre-MUR may be a factor for excluding a finding from referral to ADR. MURS and Pre-MURs must be reviewed to identify the issues involved and how close the MUR is to resolution. After discussions with the Audit Manager, a determination will be made about proposing a referral to ADR.

In general, the Committees that will be referred to ADR include:

- Those where the findings breach our thresholds for inclusion in the interim audit report (IAR) and the Committee's response to the finding reduces the violation to a level that exceeds the threshold for inclusion in the report but is less than the threshold for referral to OGC.

- Those findings where in response to the IAR, the Committee filed amended reports that materially corrected the violation, but the original magnitude of the problem was large. This document includes ADR thresholds for Committees that file materially correct amended reports in response to the IAR.

- Finally, if a referral is to be made to OGC, an evaluation of the referral should be made in conjunction with the Audit Manager to determine if the matter is better suited for the ADR program. Such cases are those where the exclusionary factors are not present, corrective action has been taken, and the case, as a whole, is not one that experience has shown would be a high priority in OGC. If the Audit Manager and the Assistant Staff Director agree, the recommended course of action will be presented to OGC for its comment. The comment period will be 14 calendar days, with OGC being able to extend the review period to a maximum of 30 days. At the end of that period, if no objection is received the referral will be processed.

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Clarifications

1. **Reported Amounts as basis for Threshold Amounts** - For all thresholds, the reported amount will be used if the reported amount is materially correct. If the reported amount is materially misstated, the auditor may use the committee's database provided that it has been reconciled to the bank.

2. **Rounding Threshold Amounts** - To determine the threshold amounts, apply the threshold percentage to the appropriate reported amount and round the result up to the nearest $100. For example, if the reported amount of contributions from individuals is $725,000, the threshold percentage is 3.5%, the threshold amount is $25,400 ($725,000 x .035 = $25,375).

3. **Best Efforts** – The regulations address best efforts to obtain contributor information (11 CFR 104.7) and to obtain records for disbursements (11 CFR 102.9(d)).

Knowing and Willful Violations of the Act

Any matter, whether or not it meets the materiality threshold for inclusion in the interim audit report or referral to the Office of General Counsel, can still be referred to OGC if the auditor suspects there is a Knowing and Willful Violation of the Act (2 U.S.C. 437g (a)(5) and (d)). The auditor in conjunction with the Audit Manager and Assistant Staff Director will review the matter, confer with OGC (GLA), and decide if a referral will be made.

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Receipt of Prohibited Contributions

Regulatory Cites
2 USC §§441 b, c, e & f

Applicable to the following:

- Contributions from corporations, unions, national banks, government contractors, foreign nationals.
- Contributions in the name of another.

How the Threshold is applied:

- The dollar value of the projection of the error for UNRESOVLED apparent prohibited contributions and the UNTIMELY resolved apparent prohibited contributions are totaled and compared to the threshold below.
- The "single event threshold" may be applicable to prohibited contributions that do not meet inclusion in the interim audit report.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar value of the apparent prohibited contributions is greater than [redacted] of the total reported amount of contributions from individuals (as reported on Line 11(a)(iii) of the Detailed Summary Page of FEC Form 3

AND

- the dollar value of the apparent prohibited contributions exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to Office of General Counsel
A referral to OGC will be made if:

- the response to the interim audit report does not reduce the prohibited amount to [redacted] or less of the total reported amount of contributions from individuals

OR

- the dollar value to [redacted] or less

AND

- the required refunds were **not** made.

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However, a referral to OGC or ADR will **NOT** be made if:

- the response to the IAR reduces the prohibited contributions to greater than [redacted] but less than or equal to [redacted] of contributions from individuals.

AND

- the required refunds were made.

How a committee can reduce the apparent prohibited amount

A committee must submit evidence that a contribution was not prohibited or was timely refunded.

Criteria for Referral to Alternative Dispute Resolution

A referral to ADR will be made if:

- the response to the interim audit report does not reduce the prohibited amount to less than or equal [redacted] of the total reported amount of contributions from individuals

OR

- the dollar value to [redacted] or less

AND

- the committee made the recommended refunds

Single Event Threshold (Referral to OGC)

Consider this threshold if the threshold for inclusion in the audit report is not met.

Prohibited contributions will be referred after the exit conference response period if:

- the prohibited contribution is greater than [redacted]

AND

- the threshold for inclusion in interim audit report has not been met

AND

- the committee has not refunded the prohibited contribution.

Single Event Threshold (Referral to ADR)

Consider this threshold if the threshold for inclusion in the audit report is not met.

Prohibited contributions will be referred after the exit conference response period if:

- the prohibited contribution is greater than [redacted]

AND

- the threshold for inclusion in interim audit report has not been met

AND

- the committee has refunded the prohibited contribution (although untimely and/or subsequent to the date of the audit notification letter).

Applicable Policy

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

- The interim audit report must state whether the committee was in compliance with 11 CFR §103.3(b)(4). To determine compliance, the **sum** of excessive and prohibited contributions must be compared to the available cash.
- The prohibited amount should be refunded or disposed of no later than [redacted] days from the date of deposit (provided that there is sufficient assurance the contributions are being deposited within 2 or 3 days of receipt).
- If a contribution is referable to OGC or ADR at the interim audit report stage (Single Event threshold) the contribution(s) in question will be addressed at the exit conference. The committee will have the 10-day post exit conference response period to demonstrate that the contribution was not from prohibited sources.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Receipt of Contributions and Loans in Excess of the Limitation

Regulatory Cites
2 USC § 441a(a)

Applicable to the following:

- Contributions received from individuals.
- Contributions received from political committees.
- Loans in excess of the contribution limitation by any person.
- Any portion of any loan endorsed or guaranteed by any person in excess of the limitation.

How the Threshold is applied:

- Each category (Individuals; Political Committees & Loans) is tested separately and the appropriate threshold applied.
- For Individuals- There are three separate characteristics: Non-Curable Excessives; Untimely Resolved Excessives; Curable Excessives.
- The dollar value of the projection of the error for "curable" and "untimely resolved" is combined and compared to the thresholds below.
- The "single event threshold" may be applicable to excessive contributions that do not meet inclusion in the interim audit report.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Reviews

Contributions From Individuals (**Non-Curables**)

The matter will be addressed in the interim audit report if:

- the dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from individuals (as reported on Line 11(a)(iii) of the Detailed Summary Page of FEC Form 3)

AND

- the dollar value of apparent excessive contributions exceeds [redacted].

Tolerable Sampling Error=[redacted] or [redacted] of the sample error rate, whichever is greater.

Contributions From Individuals (**Untimely Resolved or Curable**)

The matter will be addressed in the interim audit report if:

- the combined dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from individuals (as reported on Line 11(a)(iii) of the Detailed Summary Page of FEC Form 3)

AND

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- the dollar value of apparent excessive contributions exceeds [redacted].

Tolerable Sampling Error=[redacted] or [redacted] of the sample error rate, whichever is greater.

Contributions From Political Committees

The matter will be addressed in the interim audit report if:

- the dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from political committees

AND

- the dollar value of apparent excessive contributions exceeds [redacted].

Tolerable Sampling Error=[redacted] or [redacted] of the sample error rate, whichever is greater.

Audit Recommendation

The recommendation will:

- present the committee an opportunity to demonstrate that the apparent excessive contributions were not excessive or were timely resolved

AND

- afford the committee an opportunity to resolve any remaining unresolved apparent excessive contribution either through refund, payment to the Treasury, or, if applicable, presumptive redesigation or re attribution.

Criteria for Referral to Office of General Counsel

A referral to OGC will be made if:

Contributions From Individuals (**Non-Curable**)

The response to the interim audit report:

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from individuals

OR

- the aggregate amount to [redacted] or less

AND

- the committee has not made the recommended refunds.

Contributions From Individuals (**Untimely Resolved or Curable Excessives**)

The response to the interim audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from individuals

OR

- the aggregate amount to [redacted] or less.

AND

- the committee did not comply with the recommendation.

Contributions From Political Committees

The response to the interim audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from political committee

OR

- the aggregate amount to [redacted] or less

AND

- the committee has not made the recommended refunds.

How a committee can reduce the apparent excessive amount
A committee must submit either evidence that a contribution was not excessive or evidence that the contribution was timely redesignated or reattributed (either written or presumptive), or timely refunded.

A referral to OGC will **NOT** be made if:

- the response to the IAR reduces the excessive contributions to greater than [redacted] but less than or equal to [redacted] of contributions from individuals

AND

- the required refunds were made.

Criteria for Referral to Alternative Dispute Resolution
A referral to ADR will be made if:

Contributions From Individuals (**Non- Curable Excessives**)
The response to the interim audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from individuals

AND

- the committee has made the recommended refunds.

Contributions From Individuals (**Untimely Resolved or Curable Excessives**)
The response to the interim audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from individuals

AND

- the committee complied with the recommendation.

Contributions From Political Committees
The response to the interim audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from political committee

OR

- the aggregate amount to [redacted] or less

AND

- the committee complied with the recommendation.

Single Event Threshold (Referral to OGC)

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Consider this threshold if the threshold for inclusion in the audit report is not met.

Excessive contributions will be referred after the exit conference response period if:

- the apparent excessive contribution is in excess of the relevant limitation by more than [redacted] (individuals); greater than [redacted] (multicandidate committees)

AND

- the threshold for inclusion in interim audit report has not been met

AND

- the committee has not refunded, reattributed, or redesignated the excessive contribution. Contributions that have been untimely resolved may be referred to ADR.

Single Event Threshold (Referral to ADR)

Consider this threshold if the threshold for inclusion in the audit report is not met.

Excessive contributions will be referred after the exit conference response period if:

- the apparent excessive contribution exceeds the relevant limitation by more than [redacted] (individuals); greater than [redacted] (multicandidate committees)

AND

- the threshold for inclusion in interim audit report has not been met

AND

- the committee has untimely refunded, reattributed, or redesignated the excessive contribution.

Applicable Policy

- The excessive contribution may be redesignated to another election, reattributed to another accountholder (either presumptive or written authorization) or refunded within [redacted] days of deposit (provided that there is sufficient assurance the contributions are being deposited within 2 to 3 days of receipt).
- If a contribution is referable to OGC or ADR at the interim audit report stage (Single Event threshold) the contribution(s) in question will be addressed at the exit conference. The committee will have the 10-day post exit conference response period to demonstrate that the contribution was not excessive.

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Use of General Election Contributions for Primary Expenditures

Regulatory Cites
11 CFR §102.9(e)

Applicable to the following:

- The use of general election contributions received before the primary election for primary expenses. This can also apply to runoff election contributions.

How the Threshold is applied:

- This is determined by subtracting the cumulative amount of general election contributions (less any general election expenses) from the committee's daily cash balance to determine if general election contributions were used to pay primary expenses.
- If the adjusted cash balance from this calculation is negative on any day, then general election contributions were used.
- The same calculation is used to determine if contributions received for a runoff election were used for another election prior to the runoff.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the interim audit report if:

Account maintained with both Primary/General contributions:

- The sum of all negative daily cash balances during the primary election period exceeds [redacted] of the total pre-primary general election contributions received

AND

- The sum of all negative balances during the primary election period is at least [redacted]

AND

- The daily cash balance was negative [redacted] during the primary election period.

Separate accounts:

- Withdrawals (excluding contribution refunds or the transfer of redesignated contributions) during the primary election period that exceed [redacted] of the total pre-primary general election contributions received

AND

- The aggregate dollar value total is at least [redacted].

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Criteria for Referral to Office of General Counsel

A referral to OGC will be made if:

The response to the interim audit report:

- does not reduce the aggregate negative daily balances to less than [redacted] of the total pre-primary general election contributions received

AND

- does not reduce the aggregate negative cash balance to less than [redacted]

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Receipt of Contributions of Currency in Excess of the Limitation

Regulatory Cite
2 USC § 441g

Applicable to the following:

- Currency contributions and contributions using a gift card or similar instrument in excess of $100 per contributor for a campaign for nomination or for election.
- Anonymous cash contributions in excess of $50.

How the Threshold is applied:

- The dollar value of the errors for excessive currency contributions and excessive anonymous contributions are totaled and compared to the threshold below.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar value of the excessive currency and the dollar value of excessive anonymous contributions (added together) is greater than [redacted] of the total reported amount of contributions from individuals

AND

- the dollar value of the excessive currency exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to Office of General Counsel
A referral to OGC will be made if:

- the response to the interim audit report does not reduce the dollar value of the excessive amount to [redacted] or less of the total reported amount of contributions from individuals

OR

- the aggregate excessive amount to [redacted] or less

AND

- the committee did not comply with the recommendation.

How a committee can reduce the apparent excessive amount
A committee can reduce the amount of the errors by submitting evidence that a contribution was not excessive or evidence that the contribution was timely refunded or disposed of. To be timely, contributions must be refunded or disposed of in an acceptable manner within [redacted] days of deposit, provided that there is sufficient assurance that contributions are being deposited within 2 to 3 days of receipt.

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Criteria for Referral to ADR
A referral to ADR will be made if:

- The response to the interim audit report does not reduce the dollar value of the excessive amount to [redacted] or less of the total reported amount of contributions from individuals

OR

- the aggregate excessive amount to [redacted] or less

AND

- the committee did comply with the recommendation.

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Contributions from Unregistered Political Organizations

Regulatory Cite
11 CFR 102.5(b)

Applicable to the following:

- Contributions received from unregistered political organizations in excess of [redacted] per year.

How the Threshold is applied:

- The recipient political committee must demonstrate that the funds it received from the unregistered political organization were from ***permissible sources*** (such as a letter from the contributing organization attesting to the permissibility of the contribution). Although the contribution may be deemed permissible, it will still be considered excessive if in excess of the relevant limitation for an individual.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar value of the apparent excessive contribution is greater than [redacted] of total reported contributions (The sum of Lines 11a(iii), 11(b), 11(c))

AND

- the dollar value of the excessive contributions exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to the Office of General Counsel

A referral to OGC will be made if;

- the response to the interim audit report does not reduce the prohibited amount to [redacted] or less of total reported contributions (The sum of Lines 11a(iii), 11(b), 11(c))

- **OR**

- the aggregate excessive amount to [redacted] or less

AND

- the committee did not comply with the recommendation.

How a committee can reduce the apparent prohibited amount

A committee must submit the following

- Evidence that the contributing organization's funds were from permissible sources

OR

- Evidence that the contribution was timely refunded or disposed of. To be timely, contributions must be refunded or disposed of in an acceptable manner within [redacted] days

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of deposit, provided that there is sufficient assurance that contributions are being deposited within 2 to 3 days of receipt.

Criteria for Referral to Alternative Dispute Resolution

A referral to ADR will be made if:

- the response to the interim audit report does not reduce the prohibited amount to [redacted] or less of total reported contributions (The sum of Lines 11a(iii), 11(b), 11(c))

OR

- the aggregate excessive amount to [redacted] or less

AND

- the committee did comply with the recommendation.

Criteria for Referral to the Reports Analysis Division

A referral to RAD will be made after the response to the interim audit report is received if:

- an unregistered political organization makes aggregate contributions which have not been refunded or transferred out, greater than [redacted] during the audit period.
- The referral should include relevant parts of the committee's response to the interim audit report.
- RAD will address registration of the unregistered committee. Audit will address the receipt of the contribution.

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Untimely Deposits of Contributions

Regulatory Cites
11 CFR §103.3(a)

Applicable to the following:

- Contributions from individuals.
- Contributions from political committees and party committees.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

This matter will be addressed in the interim audit report if:

- the total dollar value of the untimely deposits is greater than [redacted] of the total amount of all deposits

AND

- the dollar value of the untimely deposits exceed [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criterion for Referral to Alternative Dispute Resolution
A referral to ADR will be made if:

- the response to the interim audit report does not reduce the amount of untimely deposits to [redacted] or less of the total amount of all deposits

AND

- the dollar value of the untimely deposits exceed [redacted].

How a committee can demonstrate contributions were not errors
To reduce the amount of untimely deposits/transmittals a committee must demonstrate that the deposits were made timely.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Failure to Itemize Receipts or Expenditures

Regulatory Cites
2 USC § 434(b) & (e)

Applicable to the following:

- Contributions from individuals (including in-kind and earmarked), (Schedule A, Line 11(a)(i))
- Transfers from Other Authorized Committees (Schedule A, Line 12)
- Offsets to Operating Expenditures (refunds, rebates, returns of deposits) (Schedule A, Line 14)
- Other Receipts (dividends, interests, etc.) (Schedule A, Line 15)
- Operating Expenditures (Schedule B, Line17)
- Transfers to Other Authorized Committees (Schedule B, Line 18)
- Refunds of Contributions (Schedule B, Line 20)
- Other Disbursements (Schedule B, Line 21)

How the Threshold is applied:

- The categories of receipts or categories of expenditures should be combined, whenever possible.
- For example, all receipt itemization errors should be evaluated against the threshold calculated based on total receipts.

Criterion for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the aggregate dollar value of receipts/expenditures that were required to be itemized but were not, is greater than [redacted] of the total dollar value of all transactions itemized for the specific category(receipts/disbursements)

AND

- the aggregate dollar value of receipts/expenditures that were required to be itemized but were not, exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

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- the response to the interim audit report does not reduce the unitemized amount to [redacted] or less of the total dollar value of all transactions itemized for the specific category (receipts/disbursements)

AND

- the aggregate dollar value of receipts/expenditures that were required to be itemized but were not, is greater than [redacted]

AND

- the committee did **not** comply with the recommendation.

How a committee can demonstrate a transaction was itemized:
The committee can reduce the amount in error by demonstrating that the transactions were itemized on reports filed prior to the audit notification letter or show the transactions were not required to be itemized.

Criteria for Referral to ADR
The matter will be referred to ADR if:

- the aggregate dollar value of receipts or expenditures that were required to be itemized but were not is greater than [redacted] of the dollar value of transactions itemized for the specific category

AND

- the aggregate dollar value of receipts or expenditures that were required to be itemized but were not, is greater than [redacted]

AND

- the committee did comply with the recommendation.

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Failure to Itemize Loans, Loan Repayments & Debts and Obligations

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

Tested 100% only

- Loans Received (Schedules A and C, Line 13)
- Loans Repayments Made (Schedule B, Line 19)

Tested 100% or DUS

- Debts and Obligations owed by the Committee (Schedule D, Line 10)
- Debts and Obligations owed to the Committee (Schedule D, Line 9)

How the Threshold is applied:

- This threshold is applied separately to each category.
- For Debts and Obligations owed by the Committee (Schedule D, Line 10) tested on a sample basis, all disbursement sample items are testable for potential debt reporting.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be address in the interim audit report if:

- the aggregate dollar value of the unreported amount for the category tested is greater than [redacted] of the aggregate dollar value of transactions that should have been reported (correct reportable) for each category during the audit period

AND

- the aggregate dollar value of the unreported amount for the category is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to the Office of General Counsel

The matter will be referred to OGC if:

- the response to the interim audit report does not reduce the aggregate dollar value of the unreported amount for the category tested to [redacted] or less of the total dollar value of disbursements

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AND

- the aggregate dollar value of the unreported amount is greater than [redacted]

AND

- the committee did not comply with the recommendation.

How a committee can demonstrate a transaction was itemized:
The committee can reduce the amount in error by demonstrating that the transactions were itemized on reports filed prior to the audit notification letter or by showing that the transaction did not require itemization.

Criteria for Referral to ADR
The matter will be referred to ADR if:

- the response to the interim audit report does not reduce the aggregate dollar value of the unreported amount for the category tested to [redacted] or less of the total dollar value of disbursements

AND

- the aggregate dollar value of the unreported amount for the category is greater than [redacted]

AND

- the committee did comply with the recommendation.

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nor does it create substantive or procedural rights.
For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Failure to Itemize Contributions from Political Committees

Regulatory Cite
2 USC § 434(b) & (e)

Applicable to the following:

- Contributions received from political committees.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be included in the interim audit report if:

- the dollar value of contributions from political committee not itemized is greater than [redacted] of the total reported amount of the contributions received from political committees

AND

- the aggregate dollar value of contributions not itemized from political committee is greater than [redacted]

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

- the response to the interim audit report does not reduce the dollar value of contributions from political committee that were not itemized to [redacted] or less

AND

- the aggregate dollar value is greater than [redacted]

AND

- the committee did not comply with the recommendation.

How a committee can demonstrate a transaction was itemized:
To reduce the dollar value of contributions from political committees that were not itemized a committee must demonstrate that the contributions were itemized on reports filed prior to the audit notification letter.

Criteria for Referral to Alternative Dispute Resolution
The matter will be referred to ADR if:

- the response to the interim audit report does not reduce the dollar value of contributions from political committees that were not itemized to [redacted] or less

AND

- the aggregate dollar value is greater than [redacted]

AND

- the committee complied with the recommendation.

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nor does it create substantive or procedural rights.
For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Omission of Disclosure Information for Receipts and Disbursements

Regulatory Cites
2 USC § 434(b) and 11 CFR §104.3

Applicable to the following:

- Contributions from individuals (including in-kind and earmarked), (Schedule A, Line 11(a)(i))
- Contributions from political committees (Schedule A, Lines 11(b) and (c))
- Transfers from Other Authorized Committees (Schedule A, Line 12)
- Offsets to Operating Expenditures (refunds, rebates, returns of deposits) (Schedule A, Line 14)
- Other Receipts (dividends, interests, etc.) (Schedule A, Line 15)
- Operating Expenditures (Schedule B, Line17)
- Transfers to Other Authorized Committees (Schedule B, Line 18)
- Refunds of Contributions (Schedule B, Line 20)
- Other Disbursements (Schedule B, Line 21)
- Debts and Obligations (Schedule D)

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking adequate disclosure information, such items will not be considered errors.
- The categories of receipts/expenditures should be combined, whenever possible. For example, all receipt disclosure errors should be evaluated against the threshold calculated based on total receipts.

Criterion for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the aggregate dollar value of disclosure errors is greater than [redacted] of the total reported amount of receipts/expenditures itemized on the committee's reports

AND

- the aggregate dollar value of disclosure errors exceeds [redacted].

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

- the response to the interim audit report does not reduce the amount of disclosure errors to [redacted] or less of the amount of receipts/expenditures itemized on the committee's reports.

AND

- the aggregate dollar value of disclosure errors is greater than [redacted]

AND

- the committee did not comply with the recommendation.

How a committee can demonstrate a transaction was correctly disclosed
To reduce the dollar value of disclosure errors the committee must demonstrate that the disclosure was correct or that best efforts were made to obtain, maintain and submit the required information.

Criteria for Referral to Alternative Dispute Resolution
The matter will be referred to ADR if:

- the response to the interim audit report does not reduce the amount of disclosure errors to [redacted] or less of the amount of receipts/expenditures itemized on the committee's reports

AND

- the aggregate dollar value of disclosure errors is greater than [redacted]

AND

- the committee complied with the recommendation.

Approved May 3, 2011

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Omission of Occupation and Name of Employer

Regulatory Cites
2 USC § 434(b) and 11 CFR § 104.3

Applicable to the following:

- The threshold is applied to contributions from individuals that are itemized on the committee disclosure reports.

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking adequate disclosure information, such items will not be considered errors.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar value of itemized contributions having missing or inadequate occupation/name of employer is greater than [redacted] of the dollar value of all itemized contributions requiring such disclosure.

AND

- the aggregate dollar value exceeds [redacted]

Tolerable Sampling Error= [redacted] or [redacted] of the error, whichever is greater.

Criterion for Referral to Alternative Dispute Resolution
The matter will be referred to ADR if:

- the aggregate dollar value of itemized contributions having missing or inadequate occupation/name of employer is greater than [redacted] of all itemized contributions requiring such disclosure.

AND

- the aggregate dollar value is greater than [redacted].

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Misstatement of Financial Activity

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

- Discrepancies between reported financial activity (receipts, disbursements, and cash on hand) and the activity reportable according to the bank reconciliation.

How the Misstatement is Presented in the Report:

- If only receipts or disbursements are materially misstated, the finding will explain the beginning cash on hand, ending cash on hand, receipt, and disbursement misstatements in order for the committee to file complete and accurate amendments.
- If only cash on hand is materially misstated, the committee will be requested to amend its latest report filed to correct the cash on hand balance Receipt and disbursement discrepancies should be presented to the committee at the exit conference even though these will not appear in the audit report.

Criteria for Inclusion in the Audit Report:
The matter will be addressed in the interim audit report if:

Misstated Activity (Receipts or Expenditures) Threshold

- if the reported amount of receipt or expenditures, when compared to the correct reportable amount per the bank, is misstated by greater than [redacted]

AND

- the misstated amount of receipts or expenditures is greater than [redacted].

Absolute Value of Misstated Activity (Receipts or Expenditures) Threshold

- if the sum of the absolute values of the identified receipt or expenditure errors (disregarding signs), when compared to the correct reportable amount of receipts or expenditures per the bank, is greater than [redacted]

Cash on Hand Threshold

- the reported amount of cash on hand (either beginning or ending) is misstated by greater then [redacted] of either the correct reportable amount of receipt or expenditures, whichever is greater.

AND

- the misstated amount exceeds [redacted]

Criteria for Referral to the Office General Counsel

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

After determining if the response to the interim audit report has reduced the misstated amount of receipts or expenditures (See "How a committee can reduce the misstated amount"), the matter will be referred to OGC if any of the conditions are met in #1, #2 or #3 below:

1. Receipts and Expenditures

- The reported amount of receipts or expenditures was misstated by greater than [redacted]

AND

- the reported amount of receipts or expenditures was misstated by more than [redacted]

2. Receipts and Expenditures

- Amended reports do not reduce the misstated amount of receipts or expenditures to less than the threshold for inclusion in the interim audit report.

3. Absolute Value of Misstated Activity (Receipts or Expenditures)

- the sum of the absolute values of the identified receipt or expenditure errors (disregarding signs)was greater than [redacted] of the respective correct reportable amounts.

How a committee can reduce the misstated amounts:
The committee can reduce the misstated amount by demonstrating that the audited reports were materially correct or misstated by a lesser amount.

Criteria for Referral to Alternative Dispute Resolution
The matter will be referred to ADR if:

Receipts and Expenditures

- the threshold for referral to OGC has not been breached

AND

- the misstated amount of receipts or expenditures is between [redacted] and [redacted]

AND

- greater than [redacted].

Absolute Value of Misstated Activity (Receipts or Expenditures)

- the sum of the absolute values of the identified receipt/expenditure errors (disregarding signs) is between [redacted] and [redacted].

Applicable Policy

- The calculation of the dollar amount of the absolute value does **not** include the amount of "unexplained differences."
- If differences between bank and reported amounts are the result of timing differences, discuss with Audit Manager not pursuing this part of the misstatement finding. For

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example, [redacted] in contributions are received on December 15, 2007 but not deposited until January 15, 2008 and reported in the report covering January.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Increased Financial Activity

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

- Any Committee that was assigned RAD referral points for '**increased reported activity**' (Receipts or Disbursements)-Refer to RAD referral.

Criteria for Inclusion in the Audit Report:
The matter will be addressed in the interim audit report if:

Misstated Activity (Receipts or Expenditures) Threshold

- the reported amount of receipts or expenditures as **originally reported,** when compared to the correct reportable per bank for receipts or expenditures, is misstated by greater than [redacted]

AND

- the misstated amount of receipts or expenditures is greater than [redacted].

Criteria for Referral to ADR
The matter will be referred to ADR if:

Receipts and Expenditures

- receipts or expenditures as **originally reported** when compared to the correct reportable per bank is misstated by greater than [redacted]

AND

- the misstated amount of receipts/expenditures is greater than [redacted], excluding amounts previously referred to ADR by RAD for the audit period.

Applicable Policy

- For increased activity, the original reports filed are compared to the correct reportable per the bank.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Recordkeeping - Receipts

Regulatory Cites
2 USC § 432(c)

Applicable to the following:

- The failure to maintain contributor records (copies of contributor checks for amounts > $50 or credit card processing records) or other documentation for receipts.

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking records, such items will not be considered errors.

Criterion for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar amount of the undocumented receipts (other than loans) is greater than [redacted] of the total amount of reported receipts (other than loans)

AND

- the dollar amount of the undocumented receipts (other than loans) exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criterion for Referral to the Office of General Counsel
The matter will be referred to OGC if:

- the response to the interim report does not reduce the dollar amount of undocumented receipts (other than loans) to [redacted] or less

AND

- the dollar amount of the undocumented receipts (other than loans) is greater than [redacted].

How a committee can reduce the amount of undocumented receipts:
The committee can reduce the dollar amount of undocumented receipts (other than loans) by locating and submitting the missing documents, or demonstrating best efforts. See the Error Definitions for the procedure to be followed in obtaining missing records without compromising the sample.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Recordkeeping-Disbursements

Regulatory Cites
2 USC §§ 432(c) & (d)

Applicable to the following:

- The failure to obtain and maintain canceled checks, invoices, and other documentation for expenditures.

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking records, such items will not be considered errors.

Criterion for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the interim audit report if:

- the dollar amount of the undocumented disbursements is greater than [redacted] of the total amount of reported disbursements

AND

- the dollar amount of the undocumented disbursements exceeds [redacted]

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater

Criterion for Referral to the Office of General Counsel
The matter will be referred to OGC if:

- the response to the interim report does not reduce the undocumented amount of disbursements to [redacted] or less

AND

- the dollar amount of the undocumented disbursements is greater than [redacted].

How a committee can reduce the amount of undocumented disbursements:
The committee can reduce the dollar amount of undocumented disbursements by locating and submitting the missing documents or demonstrate best efforts. Obtaining records from a third party does not demonstrate that the committee's records were complete.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Failure to File 48 Hour Notices

Regulatory Cite
11 CFR §104.5(f)

Applicable to the following:

- Contributions of $1,000 or more received after the 20th day but more than 48 hours, before 12:01 A.M. of the day of an election.

How the Threshold is applied:

- Tested separately on a 100% basis.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be included in the interim audit report if:

- the dollar value of the notices **not** filed and/or filed late (added together) is greater than [redacted] of the total amount of notices required to be filed

AND

- the dollar amount of notices not filed or filed late(added together) is greater than [redacted].

Criteria for Referral to the Reports Analysis Division

The matter will be referred to the Administrative Fines Program through RAD if:

- the response to the interim audit report does not reduce the dollar value of the notices **not** filed and/or filed late (added together) to [redacted] or less of the total amount of notices required to be filed

AND

- the dollar amount of notices not filed or filed late is greater than [redacted].

How a committee can reduce the amount of 48 hour notices not filed:

The committee can reduce the amount of 48 hour notices not filed by demonstrating that the notices were in fact filed timely or that the contributions were received outside of the 48 hour notice period and did not require a notice.

If the Final Audit Report contains other matters that are being referred to OGC, this matter will still be referred to RAD.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Advances Made by Committee Staff & Other Individuals

Regulatory Cite
11 CFR §116.5

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the interim audit report if:

- the unreimbursed amount is greater than [redacted] of total amount of reported contributions from individuals

OR

- the unreimbursed amount per individual is greater than [redacted], at any time.

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

- the response to the interim audit report does not reduce the unreimbursed amount to [redacted] or less of the total reported contributions from individuals

OR

- the response to the interim audit report does not reduce the unreimbursed amount per individual to [redacted] or less.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Extensions of Credit Made by Commercial Vendors

Regulatory Cite
11 CFR §116.3

How to apply this Threshold

- If you are using a combination of invoices, each invoice must be outstanding for more than [redacted] days.
- This threshold is applied ***separately*** to each vendor.

Criterion for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the interim audit report if:

[redacted] or more is owed and outstanding for greater than [redacted] days from the date of incurrence; generally the invoice date.

Criteria for referral to the Office of General Counsel
The matter will be referred to OGC if:

- the committee has not demonstrated that the vendor has acted in the ordinary course of the vendor's business

OR

- the response to the interim audit report does not reduce outstanding amount owed to less than [redacted] or the number of days to [redacted] or less.

How a committee can demonstrate a vendor acted in the ordinary course of business:
The committee or vendor submits documentation that the committee was treated like any other client, to include billing practices, attempts to collect the outstanding amount, etc.

For a committee to reduce the outstanding amount owed or the number of days an amount was outstanding, it must demonstrate the amount owed was less than [redacted] or that the amount was not outstanding more than [redacted] days.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Personal Use of Funds

Regulatory Cite
11 CFR §113.1(g)

How to apply this Threshold

- Any use of funds in a campaign account of a person or former candidate to fulfill a commitment, obligation or expense of any person that would exist irrespective of the candidate's campaign or duties as a Federal officeholder.

Criterion for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the interim audit report if the dollar value of identified personal use of funds exceeds [redacted].

Criterion for referral to the Office of General Counsel
The matter will be referred to OGC if the response to the interim audit report does not reduce the amount representing personal use of funds to less than [redacted].

How a committee can demonstrate the funds were not spent on personal use:
The committee can submit documentation or information which demonstrates that the transactions represent expenses that were incurred in connection with the campaign.

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For more information, see http://www.fec.gov/law/procedural_materials.shtml.

Other Errors or Omissions

Applicable to the following:
The errors or omissions detailed below generally would not be mentioned in the audit report, unless (1) the Committee fails to amend its filings or practices; or (2) there appears to be a willful violation of the Act with respect to the error or omission.

- Imperfections relating to FEC Form 1 and amendments thereto (i.e., disclosures of depositories, officers, candidates supported, etc.).
- Failure to include the 2 USC § 441d notice.
- Imperfections relating to FEC Form 2 and amendments thereto (i.e. disclosure of authorized committees, etc).
- Disclosure of receipts or expenditures on the incorrect FEC Form 3 line number.

Applicable to the following:
The matters detailed below generally will be mentioned in the interim audit report and may result in a referral to the Office of General Counsel.

- Commingling of personal funds and Committee funds (2 USC § 432(b)(3)).
- Termination with debts outstanding if total amount is greater than [redacted] (11 CFR § 102.3).
- Expenditures of over $100 in currency, if the excessive amount(s) totals more than [redacted] (2 USC § 432(h)(2)).
- Debt settlement not disclosed and approved in accordance with proper Commission procedures (11 CFR §116.4).

Approved May 3, 2011