

Finding 2. Recordkeeping for Employees

Summary

During audit fieldwork, the Audit staff determined that CDSCC did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For 2017 and 2018, the Audit staff identified payments to CDSCC employees totaling \$111,812 for which CDSCC did not maintain monthly payroll logs. This consisted of payroll which was allocated with federal and non-federal funds and payroll paid exclusively with non-federal funds. In response to the Interim Audit Report recommendation, CDSCC stated it "...instituted procedures to ensure that time records are maintained for all employees who are paid in part with non-federal funds" and, "...employees who are paid with non-federal funds are outside the scope of the Commission's jurisdiction....".

In response to the Draft Final Audit Report, CDSCC reiterated that it has instituted procedures to ensure that time records are maintained for all employees paid in part with non-federal funds. CDSCC stated that the Draft Final Audit Report did not address its concern regarding the employees who were paid exclusively with non-federal funds. CDSCC cited previous state party audits wherein some Commissioners concluded that the recordkeeping requirements for employees paid exclusively with non-federal funds were outside the scope of the Commission's jurisdiction. CDSCC also noted that maintaining monthly payroll logs for employees paid with exclusively non-federal funds presents "a significant burden for state parties."

The Commission approved a finding that CDSCC did not maintain monthly payroll logs or equivalent records, totaling \$111,812, to document the percentage of time each employee spent in connection with a federal election for calendar years 2017 and 2018.

Legal Standard

- A. Maintenance of Monthly Logs.** Committees must keep a monthly log of the percentage of time each employee spends in connection with a federal election. Allocations of salaries, wages, and fringe benefits are to be undertaken as follows:
- Employees who spend 25% or less of their compensated time in a given month on federal election activities must be paid either from the federal account or have their pay allocated as administrative costs between the federal and non-federal accounts;
 - Employees who spend more than 25% of their compensated time in a given month on federal election activities must be paid only from a federal account; and
 - Employees who spend none of their compensated time in a given month on federal election activities may be paid entirely with funds that comply with State law. 11 CFR §106.7(d)(1).
- B. Formal Requirements Regarding Reports and Statements.** Each political committee shall maintain records with respect to the matters required to be reported which shall provide in sufficient detail the necessary information and data from which

the filed reports may be verified, explained, clarified, and checked for accuracy and completeness. 11 CFR §104.14(b)(1).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed disbursements for payroll. CDSCC did not maintain any monthly payroll logs or equivalent records to document the percentage of time each employee spent in connection with a federal election. These logs are required to document the proper allocation of federal and non-federal funds used to pay employee salaries and wages. For 2017 and 2018, CDSCC did not maintain monthly logs for \$111,812 in payroll.¹ This amount consisted of:

- Payroll totaling \$74,684 for employees reported on Schedule H4 (Disbursements for Allocated Federal and Non-Federal Activity) and paid with an allocation of federal and non-federal funds during the same month;
- Payroll totaling \$4,364 for employees reported on Schedule H4 (Disbursements for Allocated Federal and Non-Federal Activity) and also paid with 100 percent non-federal funds during the same month; and
- Payroll totaling \$32,764 for employees paid exclusively with non-federal funds in a given month.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with CDSCC representatives during the exit conference and provided a schedule of the payroll transactions. The CDSCC representatives stated that “the Commission did not have four votes to include the non-federal payroll as part of a recordkeeping finding and excised that portion of payroll spending from its findings.” The Audit Division has consistently included these types of transactions as findings. Therefore, these transactions were included in the exit conference as a preliminary finding. In its response to the exit conference, CDSCC did not provide any further comments.

The Interim Audit Report recommended that CDSCC provide evidence that monthly time logs were maintained to document the percentage of time an employee spent in connection with a federal election; or provide and implement a plan to maintain monthly payroll logs in the future.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, CDSCC stated it “...instituted procedures to ensure that time records are maintained for all employees who are paid in part with non-federal funds.” CDSCC further noted that the “inclusion of payroll records for those employees who are paid with non-federal funds are outside the scope of the Commission’s jurisdiction and should not have been included in the finding.”

¹ This total does not include payroll for employees paid with 100 percent federal funds and reported as such (see Part I, Background, Commission Guidance, and Request for Early Commission Consideration of a Legal Question, Page 1). Payroll amounts are stated net of taxes and fringe benefits.

The Audit staff concluded that CDSCC did not provide monthly payroll logs for the \$118,812 in payroll. However, CDSCC complied with the Interim Audit Report recommendation by implementing a plan to maintain monthly payroll logs for all employees who are paid in part with the non-federal funds in the future.

The Audit staff maintained that CDSCC was required to maintain payroll logs for its employees paid with exclusively non-federal funds. Absent the provision of monthly logs specific to employees paid with exclusively non-federal funds, CDSCC could provide evidence that records consistent with 11 CFR §104.14(b)(1) were maintained to document that certain employees were involved in exclusively non-federal activities. Additionally, for employees paid with exclusively non-federal funds, CDSCC could also implement and provide a plan to maintain monthly logs or other records consistent with 11 CFR §104.14(b)(1).

D. Draft Final Audit Report

The Draft Final Audit Report maintained that CDSCC did not maintain payroll logs for 2017 and 2018 but acknowledged that CDSCC has implemented a plan to maintain monthly payroll logs for all employees who are paid in part with the non-federal funds in the future.

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, CDSCC reiterated that it has instituted procedures to ensure that time records are maintained for all employees paid in part with non-federal funds. CDSCC stated that the Draft Final Audit Report did not address its concern regarding the employees who were paid exclusively with non-federal funds. CDSCC cited previous state party audits wherein some Commissioners concluded that the recordkeeping requirements for employees paid exclusively with non-federal funds were outside the scope of the Commission's jurisdiction.² CDSCC also noted that maintaining monthly payroll logs for employees paid with exclusively non-federal funds presents "a significant burden for state parties."

Commission Conclusion

On December 16, 2021, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that CDSCC failed to maintain monthly payroll logs or equivalent records totaling \$111,812 to document the percentage of time each employee spent in connection with a federal election for calendar years 2017 and 2018.

The Commission approved the Audit staff's recommendation.

² In those audits, the Commission moved the finding to the additional issues section of the respective final audit report since there were not four affirmative votes to include the finding.

Finding 3. Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that CDSCC failed to disclose debts and obligations to three vendors totaling \$33,273. In response to the Interim Audit Report recommendation, CDSCC filed a Form 99 (Miscellaneous Electronic Submission) on June 22, 2021, disclosing the debts and obligations and correcting the public record. In response to Draft Final Audit Report, CDSCC provided no additional comments.

The Commission approved a finding that CDSCC failed to disclose debts and obligations to vendors totaling \$33,273.

Legal Standard

- A. Continuous Reporting Required.** A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 52 U.S.C. §30104(b)(8) and 11 CFR §§104.3(d) and 104.11(a).
- B. Separate Schedules.** A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).
- C. Itemizing Debts and Obligations.**
- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
 - A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed CDSCC's disbursement records and disclosure reports for proper reporting of debts and obligations. This review identified debts owed to three vendors totaling \$33,273³ that CDSCC failed to report on Schedule D during the audit period. Based on a review of the records, these vendors provided health insurance, consulting services and a venue for fundraising events. CDSCC reported debt totaling \$25,248 on Schedule D during the audit period. The Audit staff calculated the debts owed to the vendors based on the invoice date and the subsequent payment date. Debts were outstanding for periods ranging from 31 days to 105 days.

³ Each debt in this amount was counted only once, even if it was required to be disclosed over multiple periods.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with CDSCC representatives at the exit conference and provided a schedule, detailing transactions requiring disclosure on Schedule D. The CDSCC representatives stated:

- The payments made to two vendors represented recurring expenses because they were paid monthly. The Audit staff explained that, according to the vendor invoices CDSCC provided, all of the payments to these two vendors were outstanding for more than 30 days. Some of the invoices included annotations stating that the services would be cancelled if the past due balances were not paid.
- The three payments to the third vendor were all paid within 30 days. The Audit staff explained that one of the three payments was made timely, however, the amount paid was less than the invoiced amount. Therefore, the remaining unpaid balance appears to have been outstanding and should be disclosed as debt, unless CDSCC can clarify otherwise. The remaining two payments to this vendor, according to the contractual agreement provided by CDSCC, were outstanding for more than 30 days.

In response to the exit conference, CDSCC reiterated that it believed the payments to two vendors mentioned above, represented monthly payments, however, CDSCC provided no additional documentation to support that assertion. With regards to the third vendor, CDSCC provided new documentation demonstrating that the remaining outstanding balance for the partial payment was made timely. As a result, this amount was deducted from the overall undisclosed debt balance discussed at the exit conference and is not included in this finding. CDSCC did not provide additional comments on the remaining outstanding balances for the vendors.

The Interim Audit Report recommended that CDSCC provide additional documentation demonstrating that the transactions totaling \$33,273 were not obligations which required reporting on Schedule D. Absent such documentation, the Interim Audit Report recommended that CDSCC amend its reports or file a Form 99 (Miscellaneous Electronic Submission)⁴ to correctly disclose these debts and obligations.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, CDSCC filed a Form 99 (Miscellaneous Electronic Submission) on June 22, 2021, disclosing the debts and obligations and correcting the public record.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that CDSCC filed a Form 99 (Miscellaneous Electronic Submission) on June 22, 2021, disclosing the debts and obligations and correcting the public record.

⁴ The Audit staff advised CDSCC that if it chose to file a Form 99 instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, CDSCC provided no additional comments regarding this matter.

Commission Conclusion

On December 16, 2021, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that CDSCC failed to disclose debts and obligations to vendors totaling \$33,273.

The Commission approved the Audit staff's recommendation.