

## Part IV

# Commission Findings

### **Finding 1. Misstatement of Financial Activity**

#### **Summary**

During audit fieldwork, a comparison of KSDCEC's reported financial activity with its bank records revealed a misstatement of receipts, disbursements, and beginning and ending cash on hand for calendar year 2017, as well as receipts, disbursements, and ending cash on hand for calendar year 2018. Specifically, for 2017, KSDCEC understated receipts, disbursements, beginning and ending cash on hand by \$15,838, \$38,846, \$35,925 and \$12,917, respectively. For 2018, KSDCEC understated receipts, disbursements and ending cash on hand by \$116,641, \$61,315 and \$68,280, respectively. In response to the Interim Audit Report recommendation, KSDCEC filed a Form 99 (Miscellaneous Electronic Submission) correcting the receipt and disbursement misstatements. Additionally, subsequent to its response to the Interim Audit Report, on September 20, 2021, KSDCEC adjusted its beginning and ending cash on hand balances on its most recently filed disclosure report. KSDCEC did not address this finding in its response to the Draft Final Audit Report.

The Commission approved a finding that, in 2017, KSDCEC understated receipts by \$15,838, disbursements by \$38,846, beginning cash on hand by \$35,925, and ending cash on hand by \$12,917; and in 2018, KSDCEC understated its receipts by \$116,641, disbursements by \$61,315, and ending cash on hand by \$68,280.

#### **Legal Standard**

**Contents of Reports.** Each report must disclose:

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

#### **Facts and Analysis**

##### **A. Facts**

During audit fieldwork, the Audit staff reconciled KSDCEC's reported financial activity with its bank records for calendar years 2017 and 2018. The reconciliation determined that KSDCEC misstated receipts, disbursements, and beginning and ending cash for 2017, as well as receipts, disbursements and ending cash for 2018. The following charts detail the discrepancies between KSDCEC's disclosure reports and its bank activity. The succeeding paragraphs explain why the discrepancies occurred.

<b>2017 Committee Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash on hand @ January 1, 2017	\$11,746	\$47,671	(\$35,925) Understated
Receipts	\$605,653	\$621,491	(\$15,838) Understated
Disbursements	\$484,147	\$522,993	(\$38,846) Understated
Ending Cash on hand @ December 31, 2017	\$133,253	\$146,170	(\$12,917) Understated

The beginning cash on hand was understated by \$35,925 and the discrepancy resulted from prior period discrepancies.

The net understatement of receipts resulted from the following:

• Contributions from individuals not reported	\$15,000
• Transfer from affiliated committee not reported	11,290
• Transfer from Non-federal account not supported by bank records	(10,586)
• Unexplained differences	134
<b>Net Understatement of Receipts</b>	<b><u>\$15,838</u></b>

The understatement of disbursements resulted from the following:

• Disbursements not reported or reported incorrectly	\$11,551
• Transfers to Non-federal not reported	15,000
• Transfer to affiliated committee not reported	11,290
• Unexplained differences	1,005
<b>Understatement of Disbursements</b>	<b><u>\$38,846</u></b>

The \$12,917 understatement of the ending cash on hand was a result of the reporting discrepancies described above.

<b>2018 Committee Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash on hand @ January 1, 2018	\$132,996	\$146,170	(\$13,174) Understated
Receipts	\$2,067,670	\$2,184,311	(\$116,641) Understated
Disbursements	\$2,125,931	\$2,187,246	(\$61,315) Understated
Ending Cash on hand @ December 31, 2018	\$74,956 <sup>5</sup>	\$143,236	(\$68,280) Understated

<sup>5</sup> The reported 2018 ending cash on hand does not equal beginning cash on hand plus reported receipts minus reported disbursements. This was due to a mathematical discrepancy in which the reported beginning cash on hand for 2018 did not equal the ending cash on hand reported for 2017.

The understatement of receipts resulted from the following:

• Contributions from individuals not reported or reported incorrectly	\$28,980
• Contributions from political committees not reported	28,187
• Transfers from Non-federal account not reported	53,190
• Unexplained differences	6,284
<b>Understatement of Receipts</b>	<b><u>\$116,641</u></b>

The net understatement of disbursements resulted from the following:

• Disbursements not reported or reported incorrectly	\$20,428
• Disbursements reported but did not clear the bank	(7,454)
• Disbursements reported twice	(35,171)
• Transfers to Non-federal account not reported	64,636
• Payments for salaries and wages not reported	20,204
• Unexplained differences	(1,328)
<b>Net Understatement of Disbursements</b>	<b><u>\$ 61,315</u></b>

The \$68,280 understatement of the ending cash on hand was a result of the reporting discrepancies described above.

### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff discussed this matter with the KSDCEC representatives during the exit conference and provided schedules detailing the misstatements of financial activity. The Audit staff explained each reporting error to the KSDCEC representatives and answered several questions regarding the details of the misstatement. The KSDCEC representatives acknowledged their understanding of the differences. In its response to the exit conference, KSDCEC did not provide any comments on this finding.

The Interim Audit Report recommended that KSDCEC amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission)<sup>6</sup> to correct the misstatements. In addition, the Interim Audit Report recommended that KSDCEC reconcile the cash balance on its most recently filed report and correct any subsequent discrepancies.

### **C. Committee Response to Interim Audit Report**

In response to the Interim Audit Report recommendation, KSDCEC filed a Form 99 correcting the receipt and disbursement misstatements for the 2017 and 2018 calendar years. Additionally, KSDCEC adjusted its beginning and ending cash on hand balances on its most recent report, filed September 20, 2021.

### **D. Draft Final Audit Report**

The Draft Final Audit Report acknowledged that KSDCEC filed amended disclosure reports that corrected the misstatement of receipts and disbursements and adjusted its cash on hand balances on its most recently filed report.

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<sup>6</sup> KSDCEC was advised by the Audit staff 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**

KSDCEC did not address this finding in its response to the Draft Final Audit Report.

**Commission Conclusion**

On July 28, 2022, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that, in 2017, KSDCEC understated its receipts by \$15,838, disbursements by \$38,846, beginning cash on hand by \$35,925, and ending cash on hand by \$12,917; and in 2018, KSDCEC understated its receipts by \$116,641, disbursements by \$61,315, and ending cash on hand by \$68,280.

The Commission approved the Audit staff's recommendation.

## **Finding 2. Recordkeeping for Employees**

### **Summary**

During audit fieldwork, the Audit staff determined that KSDCEC 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 KSDCEC employees totaling \$443,976 for which KSDCEC did not maintain monthly payroll logs. This consisted of payroll which was allocated with federal and non-federal funds. There was no payroll paid exclusively with non-federal funds. In response to the Interim Audit Report recommendation, KSDCEC stated it “has instituted procedures to ensure that time records are maintained for all employees who are paid in part with non-federal funds[.]” KSDCEC did not address this finding in its response to the Draft Final Audit Report.

The Commission approved a finding that KSDCEC did not maintain monthly payroll logs or equivalent records, totaling \$443,976, 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 percent 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 between federal and non-federal accounts as administrative costs;
- Employees who spend more than 25 percent of their compensated time in a given month on federal election activities must be paid only from a federal account; and
- Employees who spend none of their compensated time in a given month on federal election activities may be paid entirely with funds that comply with state law. 11 CFR §106.7(d)(1).

## **Facts and Analysis**

### **A. Facts**

During audit fieldwork, the Audit staff reviewed disbursements for payroll. KSDCEC 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, KSDCEC did not maintain monthly logs for \$443,976<sup>7</sup> in payroll. This amount consists solely of payroll 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. There was no payroll paid exclusively with non-federal funds.

### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff discussed this matter with the KSDCEC representatives during the exit conference and provided a schedule of the payroll transactions. In its response to the exit conference, KSDCEC did not provide any comment on this finding.

The Interim Audit Report recommended that KSDCEC:

- 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, KSDCEC stated it has “instituted procedures to ensure time records are maintained for all employees who are paid in part with non-federal funds[.]”

### **D. Draft Final Audit Report**

The Draft Final Audit Report maintained that KSDCEC was required to maintain payroll logs for its employees paid with a combination of federal and non-federal funds. The Audit staff concluded that KSDCEC did not maintain monthly logs for payroll totaling \$443,976, however, KSDCEC complied with the Interim Audit Report recommendation by instituting procedures to maintain future time records for employees who are paid in part with non-federal funds.

### **E. Committee Response to the Draft Final Audit Report**

KSDCEC did not address this finding in its response to the Draft Final Audit Report.

## **Commission Conclusion**

On July 28, 2022, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that KSDCEC did not maintain monthly payroll logs or equivalent records, totaling \$443,976,

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<sup>7</sup> This total does not include payroll for employees paid with 100 percent federal funds and reported as such (see Part I, Background, Commission Guidance, Request for Early Consideration of a Legal Question – Recordkeeping for Employees, Page 1). Payroll amounts are stated net of taxes and benefits.

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.



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The above-named individual and/or firm is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

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