



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 26, 2013

MEMORANDUM

TO: Lynn Fraser
Director of Alternative Dispute Resolution

THROUGH: Alec Palmer
Staff Director

FROM: Patricia C. Orrock
Chief Compliance Officer

Patricia C. Orrock
Digitally signed by Patricia C. Orrock
DN: cn=Patricia C. Orrock, o=FEC,
ou=Office of Compliance,
email=porrock@fec.gov, c=US
Date: 2013.06.26 16:20:33 -0400

Thomas E. Hintermister
Assistant Staff Director
Audit Division

Thomas Hintermister
Digitally signed by Thomas Hintermister
DN: cn=Thomas Hintermister, o=Federal
Election Commission, ou=Audit
Division, email=thintermister@fec.gov,
c=US
Date: 2013.06.26 15:45:46 -0400

Kendrick Smith
Audit Manager

Alex R.
Boniewicz
Digitally signed by Alex R. Boniewicz
DN: cn=Alex R. Boniewicz, o=Federal
Election Commission, ou=Audit
Division, email=aboniewicz@fec.gov,
c=US
Date: 2013.06.26 15:45:46 -0400

Zuzanna Pacious
Audit Manager

Zuzana O. Pacious
Digitally signed by Zuzanna O.
Pacious
DN: cn=Zuzanna O. Pacious, o=US
Government, ou=FEC, cn=Brenda Wheeler
Date: 2013.06.26 15:14:14 -0400

Brenda Wheeler
Lead Auditor

Brenda Wheeler
Digitally signed by Brenda Wheeler
DN: cn=US, o=U.S. Government,
ou=FEC, cn=Brenda Wheeler
Date: 2013.06.26 15:11:58 -0400

SUBJECT: California Republican Party/V8 (A09-15) – Referral Matter

On June 13, 2013, the Commission approved the Final Audit Report of the Commission (FARC) on the California Republican Party/V8. The report was released to the public on June 25, 2013. In accordance with the Materiality Thresholds for Unauthorized Committees, the FARC includes a matter that meets the criteria for referral to the Office of Alternative Dispute Resolution.

Finding – Misstatement of Levin Financial Activity

These reporting violations occurred from August 14, 2008, thru October 17, 2008; and the statute of limitations would begin to run August 14, 2013.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Brenda Wheeler or Kendrick Smith at 694-1200.

Attachment: Finding – Misstatement of Levin Financial Activity.

cc: Reports Analysis Division

13190293547

Commission Finding

Misstatement of Levin Financial Activity

Summary

During audit fieldwork, a comparison of CRP's reported Levin activity with bank records revealed a material misstatement of receipts and disbursements in 2008. CRP understated receipts and disbursements by \$50,071 and \$54,000, respectively. In response to the Interim Audit Report recommendation, CRP filed amended reports to correct the misstatements.

The Commission approved the finding that CRP misstated its Levin fund activity for calendar year 2008.

Legal Standard

A. Reporting. If a state, district or local party committee's combined annual receipts and disbursements for federal election activity (FEA) are \$5,000 or more during the calendar year, then it must disclose receipts and disbursements of federal funds and Levin funds used for FEA. 11 CFR §300.36(b)(2).

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

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

Facts and Analysis

A. Facts

As part of fieldwork, the Audit staff reconciled CRP's reported Levin activity with bank records for 2008. The following chart outlines the discrepancies concerning the beginning cash-on-hand balance, receipts, disbursements and the ending cash-on-hand balance. The succeeding paragraph addresses the reasons for the misstatements.

13190293548

2008 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash-on-Hand Balance @ January 1, 2008	\$14,988	\$14,443	\$545 Overstated
Receipts	\$556,470	\$606,541	\$50,071 Understated
Disbursements	\$559,692	\$613,692	\$54,000 Understated
Ending Cash-on-Hand Balance @ December 31, 2008	\$11,766	\$7,292	\$4,474 Overstated

CRP overstated the beginning cash-on-hand balance by \$545. CRP did not explain the reason for the overstatement but it likely resulted from prior-period discrepancies. The \$50,071 understatement of receipts resulted mostly from contributions from individuals that CRP did not report; the understatement of disbursements by \$54,000 resulted from a vendor payment that CRP did not report, and the \$4,474 overstatement of the ending cash-on-hand balance was the result of the misstatements previously described.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the reporting errors and presented relevant work papers to the CRP representative at the exit conference. The representative stated that he would review the matter.

The interim Audit Report recommended that CRP amend its reports to correct the misstatement for 2008 and amend its most recently filed report to correct the cash-on-hand balance with an explanation that the change resulted from a prior-period audit adjustment. Further, CRP should have reconciled the cash balance of its most recent report to identify any subsequent discrepancies that may have had an impact on the \$4,474 adjustment recommended.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, CRP amended its reports to correct the misstatements. Specifically, CRP amended Schedule A to disclose receipt of \$50,000 from five individuals and payment to a vendor on Schedule B for \$54,000. Prior to the issuance of this report, CRP transferred the remaining funds in its Levin account to a non-federal account, resolving the remaining discrepancies.

D. Draft Final Audit Report

In the Draft Final Audit Report, Audit staff acknowledged that CRP filed amended disclosure reports that corrected the misstatements. CRP did not address this matter in its response to the Draft Final Audit Report.

Commission Conclusion

On April 11, 2013, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that CRP misstated its Levin fund activity for calendar year 2008. The Commission approved the Audit staff's recommendation.

13190293549