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MEMORANDUM

October 4, 2021

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SUBJECT: Draft Final Audit Report of the Audit Division – Connecticut
Democratic State Central Committee (LRA 1112)

The Office of the General Counsel has reviewed the Draft Final Audit Report (“Report”) on the Connecticut Democratic State Central Committee (“Committee”). The Report contains five findings: (1) Contributions from Unregistered Political Organizations; (2) Recordkeeping for Employees; (3) Reporting of Debts and Obligations; and (4) Reporting of Apparent Independent Expenditures. We concur with the findings, and comment on Finding 2. If you have any questions, please contact Danita Alberico, the attorney assigned to this audit.

The Report found that the Committee did not maintain any monthly logs to document the percentage of time each employee spent in connection with a federal election. For 2017 and 2018, the Audit Division identified payments to Committee employees totaling \$111,812¹ for which the Committee did not maintain monthly logs. This amount includes payroll expenses totaling \$32,764 for employees paid exclusively with nonfederal funds. The Audit Division found that the Committee was required to, but did not, maintain monthly logs for its employees, including those paid with exclusively nonfederal funds. The Audit Division concludes in the Report that the Committee did not provide monthly logs. We recommend that with respect to employees involved in exclusively nonfederal activities, however, the Audit Division give the Committee an opportunity to provide a record sufficient to verify that those employees were involved in exclusively nonfederal activities.

Depending on the percentage of time an employee spends on federal activities, Commission regulations dictate which accounts a committee may use to pay for the salary and benefit of the employee. Accordingly, salaries and benefits for employees who spend more than 25% of their compensated time on federal election activity (“FEA”) or activities in connection with a federal election in a given month must be paid only from a federal account. 52 U.S.C. § 30101(20)(A)(iv); 11 C.F.R. § 106.7(d)(1)(ii); see also 52 U.S.C. § 30125(b). Salaries and benefits for employees who spend 25% or less of their time on FEA or activities in connection with a federal election must either be paid from a federal account or be allocated as administrative costs. 11 C.F.R. §§106.7(c)(1), 106.7(d)(1)(i). Employees who spend none of their compensated time on FEA or activities in connection with a federal election may be paid entirely from a nonfederal account if the funds comply with state law. 11 C.F.R. §106.7(d)(1)(iii).

Commission regulations also require political committees to maintain records that provide in sufficient detail the necessary information and data from which filed reports and statements may be verified, explained, clarified, and checked for accuracy and completeness. 11 C.F.R. § 104.14 (b)(1). The Commission, however, has no way of knowing whether an employee spent no time on federal election-related activities unless it can review documentation that indicates that information. We do not believe that a monthly log is necessary to verify this information since only one type of activity (the percentage of time an employee spent in connection with a federal election) must be tracked and verified. Instead, we conclude that a record prepared in accordance with section 104.14(b)(1) would be sufficient for verification purposes. A simplified record for these types of employees would also be less burdensome than a monthly log for a committee to create and maintain. Therefore, we recommend that the Audit Division give the Committee an opportunity to provide records consistent with 11 C.F.R. § 104.14 (b)(1) to show that certain employees were involved in exclusively nonfederal activities.

¹ This amount in payroll does not include payments to employees paid 100% with federal funds. See Proposed DFAR, at Part 1. Background, Commission Guidance, at 1.