

March 1, 2021

Mr. Thomas Hintermeister
Assistant Staff Director
Audit Division
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Dear Mr. Hintermeister:

This letter will serve as the response of the Democracy Engine, Inc. PAC (“DEI”) to the Interim Audit Report (“IAR”) of the Federal Election Commission’s Audit Division (“the Audit Division”) for the period covering the DEI’s financial activities for 2017 and 2018.

By way of background (which is substantially covered in the IAR), DEI is a separate segregated fund of Democracy Engine, Inc., a for profit corporation. Prior to 2019, DEI had not engaged in any financial activity for several years and had no cash on hand. As a result, it is believed that the bank in which DEI’s depository account force closed its account some time in 2012. Between 2012 and the end of 2018, DEI did not receive any contributions nor make any expenditures. In 2019, prior to notification of this Audit, DEI opened a new depository account and has been operating in accordance with all Commission regulations since that time. As acknowledged and described in the IAR, as of 2020, DEI has restructured the process of its conduit activities and all such activity now passes through a depository account of DEI.

The response to each of the Audit Division’s three findings is as follows:

Finding #1

Although the Commission’s regulations at 11 C.F.R. § 103.2 appear to “require” the maintenance of a campaign depository, such requirement should not be placed upon a dormant committee that has no receipts or disbursements and no cash on hand. To be sure, in today’s banking environment, banks are hesitant, if not unwilling to allow a customer to maintain a zero-balance account over a period of time and will usually force close dormant accounts. Accordingly, as in our experience, it is our understanding that our designated depository institution force closed our account. See generally “What Happens to Inactive Bank Accounts” found at mybanktracker.com/news/inactive-bank-accounts. Since DEI did not have any new income or expenditures, there was no mechanism to open a new account since banks generally require an opening deposit to create a new depository account.

The only activity undertaken by DEI during the 2018 election cycle was to serve as a conduit for contributions in accordance with the Commission’s regulations at 11 C.F.R. § 110.6. All funds received and disbursed in connection with this conduit activity was done through credit card processing and DEI utilized a third-party vendor, Democracy Engine, LLC (“DELLC”), to process the credit card contributions to each benefitting committee that received contributions in

connection with its conduit fundraising activities. Under an arrangement with DELLC, DEI would direct all earmarked contributions to a merchant processing account established by DELLC and DELLC would deduct its usual and normal charge for processing contributions and remit the remaining funds to each committee either through a check or Automated Clearing House transfer. All fees and costs associated with this process were paid for by the benefitting campaigns and not by DEI. Thus, DELLC served, by analogy, as the check processor for each donor to collect and remit their earmarked contribution to their desired candidate as contemplated by Commission regulations.

After further reflection, DEI acknowledges that, since none of its conduit activities passed through a committee depository account, DEI should have disclosed all such activities during the 2018 election cycle as memo entries in accordance with 11 C.F.R. § 110.6(c)(1)(v). Therefore, DEI proposes to amend all reports for the 2018 cycle to reflect all activities as “memo entries.” See IAR at p. 6. To the extent the Audit Division agrees with this assessment, DEI requests an additional fifteen days after the March 8th response deadline to prepare and file such amended reports.

Finding #2

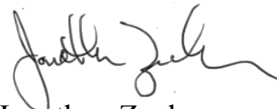
DEI acknowledges that it should have, at a minimum, filed a miscellaneous disclosure with the Commission to notify it that its depository institution had forced closed its depository account due to inactivity. It believes that no additional information was required until a new depository account was established. DEI filed a timely amendment to its Statement of Organization in 2019 when a new depository account was established.

Finding #3

Based upon our explanation and description of activities above, DEI objects to this finding and characterization that it failed to maintain sufficient records to verify reported activity. By filing the proposed amendments described in Finding 1, DEI believes that this finding is moot and that sufficient records have been provided by DELLC to verify the conduit activity as properly characterized above and in proposed amended reports.

If you require any further information, or have any other questions, please call me at [REDACTED] or email me at jonathan@democracyengine.com.

Sincerely,



Jonathan Zucker
Treasurer
Democracy Engine, Inc. PAC