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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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For meeting of January 14, 2021

November 12, 2020

**MEMORANDUM**

To: The Commission

Through: Alec Palmer  
Staff Director *AP*

From: Patricia C. Orrock *PCO*  
Chief Compliance Officer

Dayna C. Brown *zop* for dcb  
Acting Assistant Staff Director  
Audit Division

Erica Lee *EL*  
Audit Program Manager

By: Jonathan Fonseca  
Lead Auditor *JF*

Subject: Audit Division Recommendation Memorandum on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy (A19-10)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presented the Draft Final Audit Report (DFAR) to the National Tooling & Machining Association (NTMA) Committee for a Strong Economy on October 22, 2020 (see attachment). NTMA did not request an audit hearing.

This memorandum provides the Audit staff's recommendation for each finding outlined in the DFAR.

In response to the DFAR, the committee did not provide any additional comments.

**Finding 1. Misstatement of Financial Activity- Increased Activity**

The Audit staff recommends that the Commission find that NTMA understated its receipts by \$93,655 on the original reports filed over the two-year period ending in December 2018.

**Finding 2. Disclosure of Contributions Made to Federal Candidate Committees**

The Audit staff recommends that the Commission find that NTMA failed to correctly disclose contributions made to federal candidate committees totaling \$52,887.

The Office of General Counsel has reviewed this memorandum and concurs with the recommendations.

If this memorandum is approved, the Proposed Final Audit Report will be prepared and circulated within 30 days of the Commission's approval.

**Given the Commission's lack of quorum to approve this Audit Division Recommendation Memorandum on a tally vote, the matter would be placed on an open session agenda in accordance with Directive No. 70, once a quorum is reestablished.**

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Jonathan Fonseca or Erica Lee at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy

cc: Office of General Counsel



# Draft Final Audit Report of the Audit Division on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy

(January 1, 2017 - December 31, 2018)

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## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Committee (p. 2)

The National Tooling & Machining Association (NTMA) Committee for a Strong Economy is a separate segregated fund - trade association. It qualified for multi-candidate status and is headquartered in Cleveland, Ohio. For more information, see the chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

• <b>Receipts</b>	
○ Contributions from Individuals	\$ 131,697
○ Refunds of Contributions Made to Federal Candidates and Other Political Committees	7,500
○ Offsets to Operating Expenditures	8
<b>Total Receipts</b>	<b>\$ 139,205</b>
• <b>Disbursements</b>	
○ Operating Expenditures	22,889
○ Contributions to Federal Candidates/Committees and Other Political Committees	78,510
<b>Total Disbursements</b>	<b>\$ 101,399</b>

## Findings and Recommendations (p. 3)

- Misstatement of Financial Activity – Increased Activity (Finding 1)
- Disclosure of Contributions Made to Federal Candidate Committees (Finding 2)

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<sup>1</sup> 52 U.S.C. §30111(b).



# **Draft Final Audit Report of the Audit Division on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy**

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(January 1, 2017 - December 31, 2018)

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the National Tooling & Machining Association (NTMA) Committee for a Strong Economy, undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 52 U.S.C. §30111(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 52 U.S.C. §30104. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 52 U.S.C. §30111(b).

### **Scope of Audit**

Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:

1. the disclosure of individual contributors' occupation and name of employer;
2. the disclosure of disbursements made to federal candidate committees;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other committee operations necessary to the review.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	
• Date of Registration	October 19, 1976
• Audit Coverage	January 1, 2017 - December 31, 2018
<b>Headquarters</b>	
Cleveland, Ohio	
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	One checking account
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Doug DeRose (02/27/20 - Present) Brigette Scebbi (07/12/19 - 02/26/20)
• Treasurer During Period Covered by Audit	Yvonne Halejko
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Volunteer Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2017</b>	<b>\$ 17,219</b>
<b>Receipts</b>	
○ Contributions from Individuals	131,697
○ Refunds of Contributions Made to Federal Candidates and Other Political Committees	7,500
○ Offsets to Operating Expenditures	8
<b>Total Receipts</b>	<b>\$ 139,205</b>
<b>Disbursements</b>	
○ Operating Expenditures	22,889
○ Contributions to Federal Candidates/Committees and Other Political Committees	78,510
<b>Total Disbursements</b>	<b>\$ 101,399</b>
<b>Cash on hand @ December 31, 2018</b>	<b>\$ 56,017<sup>2</sup></b>

<sup>2</sup> Due to mathematical discrepancies, the amount of cash on hand at December 31, 2018 does not equal the beginning cash on hand plus receipts minus disbursements (difference of \$992).

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

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

A comparison of NTMA's bank records with its originally filed reports revealed that receipts were understated by \$93,655 for calendar years 2017 and 2018. In response to the Interim Audit Report recommendation, NTMA stated they have no further comments. (For more detail, see p. 4.)

##### **Finding 2. Disclosure of Contributions Made to Federal Candidate Committees**

During audit fieldwork, the Audit staff determined that NTMA failed to properly disclose the required information for contributions made to federal candidate committees totaling \$52,887. In response to the exit conference, NTMA filed amended disclosure reports that corrected the errors. In response to the Interim Audit Report recommendation, NTMA stated they have no further comments. (For more detail, see p. 5.)

## Part IV

# Findings and Recommendations

### Finding 1. Misstatement of Financial Activity – Increased Activity

#### Summary

A comparison of NTMA's bank records with its originally filed reports revealed that receipts were understated by \$93,655 for calendar years 2017 and 2018. In response to the Interim Audit Report recommendation, NTMA stated they have no further comments.

#### Legal Standard

**A. Reporting Requirements.** All political committees other than authorized committees of a candidate shall file either:

- Quarterly reports. 52 U.S.C. § 30104(a)(4)(A); or
- Monthly reports in all calendar years shall be filed no later than the 20th day after the last day of the month and shall be complete as of the last day of the month, except that, in lieu of filing the reports otherwise due in November and December of any year in which a regularly scheduled general election is held, a pre-general election report shall be filed in accordance with 52 U.S.C. § 30104(a)(2)(A)(i), a post-general election report shall be filed in accordance with 52 U.S.C. § 30104(a)(2)(A)(ii), and a year-end report shall be filed no later than January 31 of the following calendar year. 52 U.S.C. § 30104(a)(4)(B)

**B. 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, in addition to examining NTMA's most recent reports filed prior to audit notification, the Audit staff compared its originally filed reports with its bank records. The purpose of this additional reconciliation was to identify the degree to which NTMA had misstated its original filings.

The Audit staff calculated that NTMA understated receipts by \$93,655 on the original reports filed for the two-year period ending December 31, 2018. Most of the understatement was due to NTMA not reporting any receipts on its originally filed

reports covering calendar year 2017. NTMA subsequently amended its reports to materially disclose the receipts.

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

The Audit staff discussed this matter with NTMA representatives during the exit conference and provided the relevant schedule. In response to the exit conference, NTMA representatives commented that the understated receipts reported on the original disclosure reports were corrected on amended disclosure reports (other than \$7,350 which was due to reporting voided checks incorrectly). As noted above and at the exit conference, the Audit staff compared NTMA's original reports to its bank records to identify the degree to which NTMA misstated the activity disclosed on its original filings. NTMA underreported its receipts by \$93,655 between the time the original reports were filed on or near their respective due dates and when the amendments were filed in 2017, 2018 and 2019.

The Interim Audit Report recommended that NTMA provide any additional comments it deemed relevant to this matter.

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

In response to the Interim Audit Report recommendation, NTMA stated they have no further comments.

## **Finding 2. Disclosure of Contributions Made to Federal Candidate Committees**

### **Summary**

During audit fieldwork, the Audit staff determined that NTMA failed to properly disclose the required information for contributions made to federal candidate committees totaling \$52,887. In response to the exit conference, NTMA filed amended disclosure reports that corrected the errors. In response to the Interim Audit Report recommendation, NTMA stated they have no further comments.

### **Legal Standard**

**Reporting Contributions to Candidate Committees.** Contributions to candidates and political committees must be itemized, regardless of amount. This information includes:

- The amount of the expenditures;
- The date when the expenditures were made;
- The name and address of the payee;
- The purpose of the expenditures 52 U.S.C. § 30104(b)(5)(A) and 11 CFR §104.3(b)(3)(i); and
- The candidate's name and office sought (including the state and, if applicable, Congressional district) 11 CFR § 104.3(b)(3)(v).

## **Facts and Analysis**

### **A. Facts**

During audit fieldwork, the Audit staff reviewed NTMA's disbursement records and disclosure reports for proper reporting of contributions made to federal candidate committees. This review identified 51 contributions totaling \$52,887 that were either incorrectly disclosed or missing the required disclosure information. The majority of these errors were the result of the candidate's office sought, district or state not being disclosed. Additionally, in-kind contributions made to federal candidates were incorrectly disclosed as direct contributions.

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

The Audit staff discussed this matter with NTMA representatives at the exit conference and provided a schedule of the disclosure errors noted above. In response to the exit conference, NTMA filed amended reports that corrected the disclosure errors. NTMA also stated they have now hired an accounting firm to prepare and file disclosure reports and that a staff member attended the FEC regional conference in February 2020, to increase their knowledge of campaign finance law and reporting requirements.

The Interim Audit Report recommended that NTMA provide any additional comments it deemed relevant to this matter.

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

In response to the Interim Audit Report recommendation, NTMA stated they have no further comments.