

AGENDA DOCUMENT NO. 21-11-A
AGENDA ITEM
For meeting of March 11, 2021



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 11, 2021

MEMORANDUM

To: The Commission

Through: Alec Palmer AP by *KAH*
Staff Director

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

Dayna C. Brown *DCB*
Acting Assistant Staff Director
Audit Division

Nicole Burgess *NB*
Audit Manager

By: Chris Carrell *CJC*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the
Grassroots Victory PAC (A19-14)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presented the Draft Final Audit Report (DFAR) to the Grassroots Victory PAC (GVP) on October 14, 2020 (see attachment). In response to the DFAR, GVP requested an audit hearing on November 6, 2020 and the Commission granted the request on November 30, 2020. The audit hearing was held on January 28, 2021.

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

In response to the DFAR, GVP provided additional information, as noted below.

Misstatement of Financial Activity – Increased Activity

In response to the DFAR, GVP stated it twice asked the Audit staff to explain their choice to work from the original reports rather than the amended reports that were on the public record before the audit began. GVP reiterated that it identified undisclosed disbursements and amended its disclosure reports in August 2018 and indicated that the finding is unwarranted since GVP corrected its disclosure reports prior to the audit notification letter.

At the audit hearing, GVP counsel stated that at the time the audit notification letter was sent in October 2019, there was no misstatement of its financial activity within its filings on the public record because it had corrected its reports on its own volition in August 2018. Counsel further asserted that the Audit staff incorrectly relied on the Misstatement of Financial Activity guidelines within its Materiality Thresholds, rather than the Increased Financial Activity guidelines, and addressed the differing possibilities for referral that exists between the two guidelines. Counsel ultimately requested that the Commission remove the words “Misstatement of Financial Activity” from the title of the finding.

As noted during the audit hearing, the Commission has consistently disclosed increased activity findings as a sub-category of misstatements of financial activity. Additionally, the Audit staff followed all aspects of the Increased Financial Activity review, as outlined in the Commission-approved Materiality Thresholds. As such, the Audit staff recommends that the Commission find that GVP understated disbursements by \$106,674 on the original reports filed over the two-year period ending December 31, 2018.

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

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

If this Audit Division Recommendation Memorandum is not approved on a tally vote, Directive No. 70 states that the matter will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Nicole Burgess or Chris Carrell at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on the Grassroots Victory PAC

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Grassroots Victory PAC

(January 1, 2017 - December 31, 2018)

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.¹ 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 Grassroots Victory PAC is a non-qualified, non-connected political action committee headquartered in Washington, DC. For more information, see the chart on the Committee Organization p. 2.

Financial Activity (p. 2)

·	Receipts	
○	Contributions from Individuals	\$ 612,987
○	Contributions from Other Political Committees	5,000
○	Offsets to Operating Expenditures	26
	Total Receipts	\$ 618,013
·	Disbursements	
○	Operating Expenditures	\$ 36,852
○	Contributions to Federal Committees	110,000
○	Independent Expenditures	8,974
○	Contribution Refunds	8,129
○	Other Disbursements	334,999
	Total Disbursements	\$ 498,954

Finding and Recommendation (p. 3)

- Misstatement of Financial Activity – Increased Activity

¹ 52 U.S.C. §30111(b).



Draft Final Audit Report of the Audit Division on the Grassroots Victory PAC

(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 Grassroots Victory PAC (GVP), 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 consistency between reported figures and bank records;
3. the completeness of records; and
4. other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	
· Date of Registration	February 8, 2016
· Audit Coverage	January 1, 2017 - December 31, 2018
Headquarters	
Washington, DC	
Bank Information	
· Bank Depositories	One
· Bank Accounts	One checking account
Treasurer	
· Treasurer When Audit Was Conducted	Eleanor Collinson
· Treasurer During Period Covered by Audit	Eleanor Collinson (5/17/18-Present), Shelbi Warner (2/8/16-5/16/18)
Management Information	
· Attended FEC Campaign Finance Seminar	Yes
· Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2017	\$ 28,409
Receipts	
○ Contributions from Individuals	612,987
○ Contributions from Other Political Committees	5,000
○ Offsets to Operating Expenditures	26
Total Receipts	\$ 618,013
Disbursements	
○ Operating Expenditures	36,852
○ Contributions to Federal Committees	110,000
○ Independent Expenditures	8,974
○ Contribution Refunds	8,129
○ Other Disbursements	334,999
Total Disbursements	\$ 498,954
Cash on hand @ December 31, 2018	\$ 147,468

Part III

Summary

Finding and Recommendation

Misstatement of Financial Activity – Increased Activity

A comparison of GVP's bank activity with its original reports filed with the Commission revealed that disbursements were understated by \$106,674 for calendar years 2017 and 2018. In response to the Interim Audit Report recommendation, GVP stated that the report should be modified to reflect that the reports on file when the audit began accurately disclosed their financial activity. (For more detail, see p. 4.)

Part IV

Finding and Recommendation

Misstatement of Financial Activity – Increased Activity

Summary

A comparison of GVP's bank activity with its original reports filed with the Commission revealed that disbursements were understated by \$106,674 for calendar years 2017 and 2018. In response to the Interim Audit Report recommendation, GVP stated that the report should be modified to reflect that the reports on file when the audit began accurately disclosed their financial activity.

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(2)(A)(i), a post-general election report shall be filed in accordance with 52 U.S.C. § 30104(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 GVP's most recent reports filed prior to the audit notification, the Audit staff compared GVP's originally filed reports with its bank records. The purpose of this additional reconciliation was to identify the degree to which GVP had misstated its original filings.

The Audit staff calculated that GVP understated its disbursements by \$106,674 on the original reports filed over the two-year period ending December 31, 2018. Most of the

understatement (\$98,342) was due to GVP not reporting any disbursements from May 2017 through November 2017. GVP subsequently amended its reports to disclose the disbursements that took place during this time.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with GVP representatives during the exit conference and provided the relevant schedule. In response to the exit conference, GVP stated that the finding confirms that it had unreported disbursements for calendar years 2017 and 2018. GVP further stated that it made proactive efforts, prior to Commission action, to correct the public record by amending its reports in August 2018 to disclose the unreported disbursements. GVP also stated that it is unclear why the Audit staff compared its bank activity to its original reports given that GVP amended its reports in August 2018. As noted above, the Audit staff compared GVP's original reports to its bank records to identify the degree to which GVP misstated the activity disclosed on its original filings. GVP underreported its disbursements by \$106,674 between the time the original reports were filed on or near their respective due dates and when the amendments were filed in August 2018.

The Interim Audit Report recommended that GVP provide any additional comments it deemed necessary with respect to this matter.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, GVP stated the auditors found no new information that the Committee had not already disclosed to the Commission. According to GVP, it was not the audit that "revealed" GVP understated its disbursements by \$106,674, it was GVP's proactive response in August 2018. GVP explained that, in early 2018 they discovered unreported disbursements for its September, October, and November 2017 Monthly reports and amended those reports. To discover the source of these discrepancies GVP hired a compliance firm to review its past reports and financial activities. This review identified additional undisclosed disbursements as well as some previously reported contributions and disbursements that required amendment and resulted in GVP amending its reports in August 2018. GVP stated that the Interim Audit Report did not explain why the Audit staff worked from their original reports rather than their amended reports that were on the public record before the audit began. Further, GVP stated the Interim Audit Report should be modified to reflect that the GVP accurately disclosed its financial activity on its own volition, through amended reports that preceded the audit.

The Audit staff notes that, as highlighted in the Facts section above, it reviewed GVP's original reports and amended reports during the course of the audit. GVP is correct in stating that in August 2018, prior to the October 2019 audit notification, it amended its disclosure reports to accurately disclose missing financial activity. However, it was GVP's responsibility to accurately and timely disclose all financial activity on the respective due date of the required report. As such, the Audit staff maintains that GVP's original reports understated its disbursements by \$106,674.