



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RECEIVED

By Office of the Commission Secretary at 10:04 am, Feb 04, 2021

AGENDA DOCUMENT NO. 21-12-A
AGENDA ITEM
For meeting of March 11, 2021

February 4, 2021

MEMORANDUM

To: The Commission

Through: Alec Palmer *AP*
Staff Director

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

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

Erica Lee *EL*
Audit Program Manager

By: Jonathan Fonseca *JF*
Lead Auditor

Subject: Proposed Final Audit Report on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy (A19-10)

Attached for your approval is the subject report. The report has been written in accordance with Directive 70. Documents related to this audit report can be viewed in the Voting Ballot Matters folder.

This report is being circulated on a 72-hour no objection basis. Should an objection be received, it is recommended that the report be considered at the next regularly scheduled open session.

If you have any questions, please contact Erica Lee (x 1193) or Jonathan Fonseca (x 1198).

Attachments:

Proposed Final Audit Report on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy



Proposed Final Audit Report on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy

(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 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)

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

Commission Findings (p. 3)

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

¹ 52 U.S.C. §30111(b).



Proposed Final Audit Report on the National Tooling & Machining Association (NTMA) Committee for a Strong Economy

(January 1, 2017 - December 31, 2018)

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Audit Hearing	1
Part II. Overview of Committee	
Committee Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Commission Findings	3
Part IV. Commission Findings	
Finding 1. Misstatement of Financial Activity- Increased Activity	4
Finding 2. Disclosure of Contributions Made to Federal Candidate Committees	5

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.

Audit Hearing

NTMA declined the opportunity for a hearing before the Commission on the matters presented in this report.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	October 19, 1976
• Audit Coverage	January 1, 2017 - December 31, 2018
Headquarters	
Cleveland, Ohio	
Bank Information	
• Bank Depositories	One
• Bank Accounts	One checking account
Treasurer	
• 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
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Volunteer Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2017	\$ 17,219
Receipts	
○ Contributions from Individuals	131,697
○ Refunds of Contributions Made to Federal Candidates and Other Political Committees	7,500
○ Offsets to Operating Expenditures	8
Total Receipts	\$ 139,205
Disbursements	
○ Operating Expenditures	22,889
○ Contributions to Federal Candidates/Committees and Other Political Committees	78,510
Total Disbursements	\$ 101,399
Cash on hand @ December 31, 2018	\$ 56,017²

² 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

Commission Findings

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 and the Draft Final Audit Report, NTMA stated it had no further comments.

The Commission approved a finding that NTMA understated its receipts by \$93,655 on the original reports filed over the two-year period ending in December 2018. (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 and the Draft Final Audit Report, NTMA stated it had no further comments.

The Commission approved a finding that NTMA failed to correctly disclose contributions made to federal candidate committees totaling \$52,887. (For more detail, see p. 5.)

Part IV

Commission Findings

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 and the Draft Final Audit Report, NTMA stated it had no further comments.

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

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 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 provided no further comments.

D. Draft Final Audit Report

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

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, NTMA provided no further comments.

Commission Conclusion

On January 14, 2021, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended 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.

The Commission approved the Audit staff's recommendation.

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 and the Draft Final Audit Report, NTMA stated it had no further comments.

The Commission approved a finding that NTMA failed to correctly disclose contributions made to federal candidate committees totaling \$52,887.

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 it has 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 provided no further comments.

D. Draft Final Audit Report

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

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, NTMA provided no further comments.

Commission Conclusion

On January 14, 2021, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that NTMA failed to correctly disclose contributions made to federal candidate committees totaling \$52,887.

The Commission approved the Audit staff's recommendation.