



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**STATEMENT OF VICE CHAIR ANN M. RAVEL,
COMMISSIONER STEVEN T. WALTHER, AND
COMMISSIONER ELLEN L. WEINTRAUB
Audit of the Democratic Party of Illinois (A11-15)**

This audit presents concerns regarding the Democratic Party of Illinois's failure to keep monthly time-logs for payroll payments associated with its non-federal employees. We raised these same concerns in our Statement on the Audit of the Republican Party of Iowa (A11-24). See Attachment A. We continue to assert that the Act and Commission regulations require committees to maintain logs documenting the time that *all* employees spend on federal election activity.

10/23/14
Date

Ann M. Ravel
Ann M. Ravel
Vice Chair

10/23/14
Date

Steven T. Walther
Steven T. Walther
Commissioner

10/23/14
Date

Ellen L. Weintraub
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Commissioner



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Audit of the Republican Party of Iowa (A11-24)

In the Commission's audit of the Republican Party of Iowa ("RPIA"), the Audit Division, in consultation with the Office of General Counsel, recommended that the Commission approve a finding that RPIA failed to maintain monthly time logs for \$476,442 in payroll consisting of both payments allocated between federal and non-federal funds and 100% non-federal funds.¹ We supported this recommendation. The Commission could not agree by the required four votes, however, that \$141,066 of this amount, consisting of payments to employees paid solely out of the RPIA's 100% non-federal account, should be included in the audit finding.² We write to explain why we support recordkeeping requirements for non-federal employees.³

The purpose of the Commission's audit process is to ensure that audited committees are conducting their federal activity in accordance with the Federal Election Campaign Act, as amended ("the Act"). Disbursements for federal activity must be reported to the Commission and made with funds subject to the limitations, prohibitions, and reporting requirements of the Act. Whether and how a state party committee may permissibly allocate the salary, wages, and benefits of its employees between its federal and non-federal accounts is dependent on the percentage of time that its employees spend on federal election activity ("FEA") or activity in connection with federal elections.⁴ To document this time, our regulations require that a state

¹ Documents related to Commission audits can be accessed at www.fec.gov/auditsearch/auditsearch.do.

² See Certification of the Audit Division Recommendation Memorandum on the Republican Party of Iowa, dated January 30, 2014. The Commission could agree only to include \$336,569 worth of payments in the recordkeeping finding. Because our colleagues disagreed with the Audit Division's recommendations as to \$141,066 of 100% non-federal payments in the recommended finding, the Report discusses this issue in the "Additional Issues" section rather than in the Report's "Findings." See Proposed Final Audit Report of the Commission at 10-12.

³ This statement does not address our additional concerns regarding this committee's recordkeeping requirement for its contract workers. We set out those concerns separately in our Statement on the Audits of the Vermont Democratic Party (A11-12), Dallas County Republican Party (A11-14), Democratic Party of South Carolina (A11-19), and Republican Party of Iowa (A11-24), dated March 18, 2014.

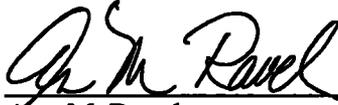
⁴ Salaries and benefits for employees who spend more than 25% of their compensated time on FEA or activities in connection with a federal election in a given month must be paid only from a federal account. 2 U.S.C. § 431(20)(A)(iv); 11 C.F.R. § 106.7(d)(1)(ii); see 2 U.S.C. § 441i(b)(2). Salaries and 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 only from the federal account or allocated as administrative costs. 11 C.F.R. §§ 106.7(c)(1) and 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 with funds that comply with state law. 11 C.F.R. §§ 106.7(c)(1) and 106.7(d)(1)(iii).

party committee “keep a monthly log of the percentage of time *each* employee spends in connection with a Federal election.”⁵ In the audit process, the Commission compares these logs against a committee’s reporting of federal activity to verify that the committee used the proper amount of federal funds to pay for federal activity. In the absence of such documentation, the Commission has no way of determining whether a state party committee has paid its federal employees with impermissible non-federal funds.

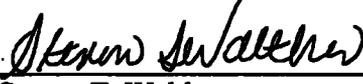
The Commission’s regulations make clear that state party committees have an obligation to maintain appropriate records for *all* employees. The unwillingness to require any documentation for expenses that a committee simply claims to be 100% non-federal severely limits the Commission’s ability to implement the Act. This approach is both contrary to the plain language of the recordkeeping requirements in the Commission’s regulations and creates a perverse incentive for state party committees to avoid keeping records of their activities. On the other hand, requiring committees to keep logs of their employees’ federal activity—even when the percentage of federal activity is zero—provides a strong prophylactic reminder to committees to monitor their employees’ federal and non-federal activity to ensure that all employees who spend any time on federal activity are paid with the appropriate amount of federal funds. Given this benefit, it is not overly burdensome for committees to maintain regular logs for their employees who have spent no time on federal activity.

There is no jurisdictional question here; the Commission is empowered to review records of both state and federal spending for federally-registered political committees.⁶ Our ability to comprehensively audit committees that influence federal elections is central to the Commission’s mission.

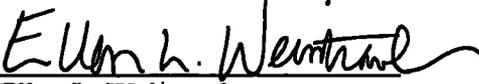
March 18, 2014
Date


Ann M. Ravel
Vice Chair

3/18/14
Date


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Commissioner

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Commissioner

⁵ 11 C.F.R. § 106.7(d)(1) (emphasis added).

⁶ See 2 U.S.C. § 438(b).