



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 6, 2015

MEMORANDUM

To: The Commission

Through: Alec Palmer
Staff Director

From: Patricia C. Orrock *PCO*
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By: Camilla Reminsky *CR*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the 2012 Democratic National Convention Committee, Inc.

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presents its recommendation below and discusses the finding in the attached Draft Final Audit Report (DFAR). The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

Net Outstanding Convention Expenses

In response to the Preliminary Audit Report, 2012 Democratic National Convention Committee, Inc. (DNCC) requested no adjustments to the NOCE and had no further comments. DNCC had no further response to the DFAR. The Audit staff recommends that the Commission find that DNCC did not receive payments of federal funds in excess of its entitlement.

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

In case of an objection, Directive No. 70 states that the Audit Division Recommendation Memorandum 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 Camilla Reminsky or Marty Favin at 694-1200.

Attachment:

- **Draft Final Audit Report of the Audit Division on the 2012 Democratic National Convention Committee, Inc.**

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the 2012 Democratic National Convention Committee, Inc.

(September 1, 2011- September 30, 2014)

Why the Audit Was Done

Federal law requires the Commission to audit the national committee of a party who receives payments for presidential nominating conventions.¹ The audit examines the receipt and use of Federal funds and whether the committee otherwise complied with the limitations, prohibitions and disclosure requirements of the election law.

Future Action

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

About the Committee (p. 2)

The 2012 Democratic National Convention Committee, Inc. (DNCC) was responsible for the day-to-day arrangements and operations of the Democratic Presidential nomination convention. DNCC is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Federal Funds	\$ 18,248,300
○ Offsets to Convention Expenditures	495,733
Total Receipts	\$ 18,744,033
• Disbursements	
○ Convention Expenditures	\$ 18,558,723
Total Disbursements	\$ 18,558,723

Finding and Recommendation (p. 3)

- Net Outstanding Convention Expenses

¹ 26 U.S.C. §9008(g).

**Draft Final Audit Report of the
Audit Division on the 2012
Democratic National Convention
Committee, Inc.**

(September 1, 2011- September 30, 2014)



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Part I

Background

Authority for Audit

This report is based on an audit of the 2012 Democratic National Convention Committee, Inc. (DNCC), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9008(g) of Title 26 of the United States Code. That section directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the presidential nominating convention involved is held.

Scope of Audit

This audit examined:

1. the disclosure of receipts;
2. the disclosure of disbursements, debts and obligations;
3. the recordkeeping process and completeness of records;
4. the consistency between reported figures and bank records;
5. the accuracy of the Statement of Net Outstanding Convention Expenses;
6. the committee's compliance with requirements concerning expenditures for convention expenses; and
7. other committee operations necessary to the report.

Inventory of Committee Records

The Audit staff routinely conducts an inventory of committee records before it begins the audit fieldwork. DNCC records were materially complete and the fieldwork began immediately.

Part II Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	August 10, 2011
• Audit Coverage	September 1, 2011 - September 30, 2014
Headquarters	Washington DC
Bank Information	
• Bank Depositories	Four
• Bank Accounts	Six
Treasurer	
• Treasurer When Audit Was Conducted	Ar Jrew Tobias
• Treasurer During Period Covered by Audit	Andrew Tobias
Management Information	
• Attended Commission Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ September 11, 2011	\$ 0
Receipts	
o Federal Funds	18,248,300
o Offsets to Convention Expenditures	495,733
Total Receipts	\$ 18,744,033
Disbursements	
o Convention Expenditures	18,558,723
Total Disbursements	\$ 18,558,723
Cash-on-hand @ December 31, 2012	\$ 185,310

Part III Summary

Finding and Recommendation

Net Outstanding Convention Expenses

DNCC received \$18,248,300 in federal funds to finance the Democratic National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff, indicates that DNCC did not receive payments of federal funds in excess of its entitlement.

In response to the Preliminary Audit Report recommendation, the DNCC requested no adjustment and had no further comments. (For more detail, see p. 4.)

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Part IV

Finding and Recommendation

Net Outstanding Convention Expenses

Summary

DNCC received \$18,248,300 in federal funds to finance the Democratic National Convention. The Statement of Net Outstanding Convention Expenses (NOCE), as calculated by the Audit staff, indicates that DNCC did not receive payments of federal funds in excess of its entitlement.

In response to the Preliminary Audit Report recommendation, the DNCC requested no adjustment and had no further comments.

Legal Standard

A. Entitlement to Payments From the Fund. A national committee of a major party shall be entitled to payments with respect to any presidential nominating convention, in amounts that, in the aggregate shall not exceed \$4,000,000, as adjusted by the Consumer Price Index. The major party entitlement for the 2012 nominating convention was \$18,248,300. 26 U.S.C. §9008(b)(1) & (3).

B. Repayments. Any portion of the entitlement that remains unspent after all convention expenses have been paid shall be returned to the Secretary of the Treasury. The national committee or convention committee shall make an interim repayment of unspent funds based on the financial position of the committee as of the end of the ninth month following the last day of the convention, allowing for a reasonable amount as determined by the Commission to be withheld for anticipated contingencies. The interim repayment shall be made no later than 30 calendar days after the end of the ninth month following the last day of the convention. 11 CFR §9008.12(b)(5).

C. Repayment Determination Procedures. The Commission will follow the same repayment determination procedures, and the committee has the same rights and obligations as are provided for repayment determinations involving publicly funded candidates under 11 CFR 9007.2(c) through (h). 11 CFR §9008.12(c).

D. Net Outstanding Convention Expenses (NOCE). A convention committee shall file, no later than 60 days after the last day of the convention, a statement of that committee's "net outstanding convention expenses." This statement must contain, among other things:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified convention expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9008.10(g).

Facts and Analysis

A. Facts

For the 2012 national conventions, each major political party was entitled to receive federal funds of \$18,248,300 to finance its national presidential nominating convention. The 2012 Democratic National Convention ended on September 6, 2012. The DNCC filed a Statement of Net Outstanding Convention Expenses as of October 21, 2012. The most recent NOCE statement was submitted on September 12, 2013. The Audit staff reviewed the financial activity through December 31, 2013, and estimated the winding down costs in preparing the figures shown below.

2012 Democratic National Convention Committee, Inc
Statement of Net Outstanding Convention Expenses
As of October 21, 2012
Prepared Through September 30, 2014

Assets

Cash in Bank	\$1,288,428	
Accounts Receivable	588,886	
Total Assets		\$1,877,314

Liabilities

Accounts Payable for Qualified Convention Expenditures at 10/21/2012	\$ 456,195	
Winding Down Costs:		
Actual (10/22/12 - 9/30/13)	1,419,452	
Estimated (10/1/14 - 9/31/15) [a]	<u>667</u>	1,420,119
Total Liabilities		<u>\$1,876,314</u>
Net Outstanding Convention Expenses (Surplus) as of October 21, 2012		\$ 1,000
Less: Interim Repayment to the U.S. Treasury on 7/26/13		(\$1,000)
Amount Repayable to the U.S. Treasury		<u>(\$0)</u>

[a] Estimated winding down costs will be compared to actual winding down costs and adjusted accordingly.

The NOCE as calculated by the Audit staff indicates that DNCC did not receive payments of federal funds in excess of its entitlement.

At the exit conference held at the end of audit fieldwork, DNCC representatives were informed of the NOCE as calculated by the Audit staff. This NOCE indicated that the DNCC had a surplus of approximately \$17,000. The Audit staff explained that adjustments to the NOCE calculations would be necessary based upon any additional documentation provided. Such documentation was provided to the Audit staff subsequent to the exit conference and resulted in a reduction of the initial NOCE surplus to a balance of \$1,000. On July 26, 2013, the DNCC made an interim repayment to the United States Treasury in the amount of \$1,000 pursuant to 11 CFR §9008.12(b)(5). Subsequently, DNCC representatives were provided a copy of the NOCE updated by the Audit staff which indicates the amount repayable to the United States Treasury is \$0.

B. Preliminary Audit Report & Audit Division Recommendation

The Preliminary Audit Report recommended that DNCC demonstrate if any adjustment is required to any component of the NOCE statement or provide other comments if it so desired.

C. Committee Response Preliminary Audit Report

In response to the Preliminary Audit Report recommendation, the DNCC requested no adjustments and had no further comments.