



# Interim Audit Report of the Audit Division on the Majority Committee PAC

(January 1, 2011 – December 31, 2012)

## 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 matter discussed in this report.

## About the Committee (p. 2)

The Majority Committee PAC is a nonconnected, multi-candidate, House leadership, political action committee, headquartered in Bakersfield, California. The Leadership PAC Sponsor is Congressman Kevin McCarthy. For more information, see the Committee Organization, p. 2.

## Financial Activity (p. 2)

• <b>Receipts</b>	
○ Contribution from Individuals	\$ 304,150
○ Contributions from Political Committees	1,412,986
○ Transfers from Affiliated Committees	220,572
○ Offsets to Operating Expenditures	9,850
<b>Total Receipts</b>	<b>\$ 1,947,558</b>
• <b>Disbursements</b>	
○ Operating Expenditures	\$ 792,934
○ Contributions to Federal Candidates	1,291,922
○ Other Disbursements	10,833
<b>Total Disbursements</b>	<b>\$ 2,095,689</b>

## Finding and Recommendation (p. 3)

Excessive Contributions to Candidates

<sup>1</sup> 52 U.S.C. §30111(b).

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Majority Committee PAC (MCP), 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 consistency between reported figures and bank records;
2. the disclosures of individual contributor's occupation and name of employer;
3. the disclosure of contributions to other political committees
4. travel related expenses; and
5. other committee operations necessary to the review.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	
• Date of Registration	August 24, 2006
• Audit Coverage	January 1, 2011 - December 31, 2012
<b>Headquarters</b>	
Bakersfield, CA	
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Two Federal
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Jill Thomson
• Treasurer During Period Covered by Audit	Conni Brunni: 8/24/06 – 10/18/12 Jill Thomson: 10/19/12 – Present
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

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

<b>Cash-on-hand @ January 1, 2011</b>	<b>\$ 205,040</b>
<b>Receipts</b>	
○ Contributions from Individuals	304,150
○ Contributions from Political Committees	1,412,986
○ Transfers from Affiliated Committees	220,572
○ Offsets to Operating Expenditures	9,850
<b>Total Receipts</b>	<b>\$ 1,947,558</b>
<b>Disbursements</b>	
○ Operating Expenditures	792,934
○ Contributions to Federal Candidates	1,291,922
○ Other Disbursements	10,833
<b>Total Disbursements</b>	<b>\$ 2,095,689</b>
<b>Cash-on-hand @ December 31, 2012</b>	<b>\$ 56,909</b>

## **Part III Summary**

### **Finding and Recommendation**

#### **Excessive Contributions to Candidates**

MCP made direct money contributions to nine federal candidate committees that, when aggregated with in-kind contributions reported only as travel, appeared to exceed the multicandidate contribution limit by \$20,110. The in-kind contributions consisted of airfare paid by MCP for the leadership PAC's Sponsor to speak or make appearances at fundraising events that directly benefitted these committees. The excessive contributions are not eligible for redesignation. The Audit staff recommends that MCP provide evidence demonstrating that these contributions were not excessive or request refunds for the excessive amount of its contributions and provide evidence for those refunds. (For more detail, see p. 4.)

## Part IV

# Finding and Recommendation

### Finding 1. Excessive Contributions to Candidates

#### Summary

MCP made direct money contributions to nine federal candidate committees that, when aggregated with in-kind contributions, appeared to exceed the multicandidate contribution limit by \$20,110. The in-kind contributions consisted of airfare paid by MCP for the leadership PAC's Sponsor to speak or make appearances at fundraising events that directly benefitted these committees. The excessive contributions are not eligible for redesignation. The Audit staff recommends that MCP provide evidence demonstrating that these contributions were not excessive or request refunds for the excessive amount of its contributions and provide evidence for those refunds.

#### Legal Standard

**A. Contribution Defined.** A gift, subscription, loan (except when made in accordance with 11 CFR §§100.82 and 100.83), advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office is a contribution. 11 CFR §100.52(a).

**B. In-Kind Contribution.** The term, *anything of value*, includes in-kind contributions. The provision of services at a charge less than the usual and normal charge results in an in-kind contribution. The usual and normal charge for a service is the commercially reasonable rate that one would expect to pay at the time the services were rendered. The value of such a contribution would be the difference between the usual and normal charge for the services and the amount the political committee was billed and paid. 11 CFR §100.52(d).

**C. Contribution Limits.** No multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000. 52 U.S.C. §30116 (a)(1)(2)(A).

**D. Definition of Multicandidate Committee.** A multicandidate committee is a political committee that:

- Has been registered with the Commission or the Secretary of Senate for at least 6 months;
- Has received contributions for Federal candidates from more than 50 persons; and
- (except for any State political party organization) Has made contributions to 5 or more Federal candidates. 11 CFR § 100.5(e)(3).

**E. Allocation of Expenses Between Candidates.** Expenditures made on behalf of more than one clearly identified federal candidate shall be attributed to each such candidate according to the benefit expected to be derived. In the case of a publication or broadcast communication, the attribution shall be determined by the proportion of space or time devoted to all candidates. This method shall be used to allocate payments involving both clearly identified federal candidates and one or more clearly identified non-federal candidates. 11 CFR §106.1(a).

## **Facts and Analysis**

### **A. Facts**

The Audit staff reviewed MCP's reported contributions to political committees, totaling \$1,292,000, and airfare, totaling \$178,000. From the review of airfare, the Audit staff found in-kind contributions to political committees totaled \$94,000. Of this amount, contributions to nine federal candidate committees, totaling \$20,110<sup>2</sup> appear to be excessive contributions, when combined with direct money contributions.<sup>3</sup> The in-kind contributions consisted of airfare paid by MCP for the leadership PAC's Sponsor to speak or make appearances at fundraising events that directly benefitted these federal candidate committees. The excessive contributions are not eligible for redesignation.

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

At the exit conference, the Audit staff presented a finding for the potentially excessive contributions and explained that they resulted from the aggregation of direct money contributions and in-kind contributions related to airfare. A schedule of the potentially excessive contributions was provided. The Audit staff asked Counsel to provide an explanation and documentation for any item on the schedule for which they believed was incorrect. Counsel agreed and stated that they may need additional clarification for some of the items on the schedule.

In response to the exit conference, Counsel provided a narrative and documentation for three contributions that did not result in excessive contributions. The Audit staff removed these items from the schedule and they are not presented as part of the finding amount.

The Audit staff recommends that, within 30 calendar days of service of this report, MCP:

- Provide evidence demonstrating that the contributions were not excessive.
- Absent such evidence, the Audit staff recommends that MCP seek a refund of the excessive contributions<sup>4</sup> and provide evidence of all refunds received (a copy of the front and back of the endorsed refund check and the bank statement showing the deposit).

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<sup>2</sup> The amount of airfare/in-kind contributions was allocated equally among different committees based upon the number of events attended by the Sponsor.

<sup>3</sup> The amount of direct money contributions was \$65,000.

<sup>4</sup> MCP should also provide evidence to support any difference to the excessive amount as calculated by the Audit staff relating to the nine federal candidate committees.