



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 19, 2014

MEMORANDUM

To: The Commission

Through: Alec Palmer
Staff Director

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

Thomas E. Hintermister *TH*
Assistant Staff Director
Audit Division

Marty Favin *MLF*
Audit Manager

Alex Boniewicz *AB*
Audit Manager

By: Randy Harris *RH*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the Tennessee
Democratic Party (TDP) (A12-03)

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.

Filing of Levin Schedules

In response to the Interim Audit Report, TDP reiterated that when notified by the Audit staff, the missing Levin schedules were filed with the Commission to correct this inadvertent omission. No additional response to the DFAR was submitted.

The Audit staff recommends that the Commission find that TDP failed to file Levin Schedules.

TDP did not request an audit hearing.

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 Randy Harris or Marty Favin at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on the Tennessee Democratic Party**

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Tennessee Democratic Party

(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.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 the matter discussed in this report.

About the Committee (p. 2)

The Tennessee Democratic Party is a state party committee headquartered in Nashville, Tennessee. For more information, see the chart on the Committee organization, p. 2.

Financial Activity (p. 3)

• Receipts	
○ Contributions from Individuals	\$1,371,485
○ Political Committee Contributions	160,485
○ Transfers from Affiliates	426,007
○ Transfers from Non-federal and Levin Accounts	647,358
○ Other Receipts	79,155
Total Receipts	\$2,684,490
• Disbursements	
○ Operating Expenditures	\$1,536,893
○ Transfers to Affiliates	10,185
○ Independent Expenditures	20,100
○ Coordinated Party Expenditures	975
○ Federal Election Activity	1,091,186
○ Other Disbursements	46,828
Total Disbursements	\$2,706,167
• Levin Receipts	\$150,000
• Levin Disbursements	\$137,180

Finding and Recommendation (p. 4)

Filing of Levin Schedules

¹ 2 U.S.C. §438(b).

**Draft Final Audit Report of the
Audit Division on the
Tennessee Democratic Party**

(January 1, 2011 - December 31, 2012)



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Part I Background

Authority for Audit

This report is based on an audit of the Tennessee Democratic Party (TDP), 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 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. 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. 2 U.S.C. §438(b).

Scope of Audit

Following Commission-approved procedures, the audit staff evaluated various risk factors and as a result, this audit examined:

1. the receipt of excessive contributions;
2. the disclosure of individual contributors' occupation and name of employer;
3. the disclosure of disbursements, debts and obligations;
4. the disclosure of expenses allocated between federal, non-federal, and Levin accounts;
5. the consistency between reported figures and bank records;
6. the disclosure of independent expenditures;
7. the completeness of records; and
8. other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	May 19, 1983
• Audit Coverage	January 1, 2011-December 31, 2012
Headquarters	Nashville, Tennessee
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Five federal, Three non-federal, One Levin
Treasurer	
• Treasurer When Audit Was Conducted	Wade Munday
• Treasurer During Period Covered by Audit	Mat Langley: January 1, 2011-October 10, 2011 David Garrison: October 11, 2011- December 31, 2012
Management Information	
• Attended Commission Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ January 1, 2011	\$ 45,680
Receipts	
o Contributions from Individuals	1,371,485
o Political Committee Contributions	160,485
o Transfers from Affiliates	426,007
o Transfers from Non-federal and Levin Accounts	647,358
o Other Receipts	79,155
Total Receipts	\$ 2,684,490
Disbursements	
o Operating Expenditures	1,536,893
o Transfers to Affiliates	10,185
o Independent Expenditures	20,100
o Coordinated Party Expenditures	975
o Federal Election Activity	1,091,186
o Other Disbursements	46,288
Total Disbursements	\$ 2,706,167
Cash-on-hand @ December 31, 2012	\$ 23,804²
Levin Cash-on-hand @ January 1, 2011	\$ 0
Total Levin Receipts	\$ 150,000
Total Levin Disbursements	\$ 137,180
Levin Cash-on-hand @ December 31, 2012	\$ 12,820

² TDP's ending cash-on-hand was understated by \$199 due to immaterial reporting errors.

Part III

Summary

Finding and Recommendation

Filing of Levin Schedules

A review of Levin activity indicated that TDP received and disbursed Levin funds during calendar year 2012 that totaled \$150,000 and \$137,180, respectively. TDP did not, however, disclose this activity on Schedule L (Aggregation Page: Levin Funds), Schedule L-A (Itemized Receipts of Levin Funds), or Schedule L-B (Itemized Disbursements of Levin Funds). After the Audit staff brought this omission to TDP's attention, TDP filed the missing schedules. In response to the Interim Audit Report recommendation, TDP stated that its omission of Levin schedules L on its Post-General report was inadvertent and the information for those schedules was entered into its compliance software for inclusion on the Post-General report. However, the data was omitted when the report was filed. (For more detail, see p. 5.)

Part IV

Finding and Recommendation

Finding 1. Filing of Levin Schedules

Summary

A review of Levin activity indicated that TDP received and disbursed Levin funds during calendar year 2012 that totaled \$150,000 and \$137,180, respectively. TDP did not, however, disclose this activity on Schedule L (Aggregation Page of Levin Funds), Schedule L-A (Itemized Receipts of Levin Funds), or Schedule L-B (Itemized Disbursements of Levin Funds). After the Audit staff brought this omission to TDP's attention, TDP filed the missing schedules. In response to the Interim Audit Report recommendation, TDP stated that its omission of Levin schedules L on its Post-General report was inadvertent and the information for those schedules was entered into its compliance software for inclusion on the Post-General report. However, the data was omitted when the report was filed.

Legal Standard

A. Reporting.

If a state, district or local party committee's combined annual receipts and disbursements for federal election activity (FEA) total \$5,000 or more during the calendar year, the committee must disclose receipts and disbursements of federal funds and Levin funds used for FEA. 11 CFR §300.36(b)(2).

B. Contents of Levin Reports. Each report must disclose:

- the amount of cash on-hand for Levin funds at the beginning and end of the reporting period;
- the total amount of Levin fund receipts for the reporting period and for the calendar year;
- the total amount of Levin fund disbursements (including allocation transfers) for the reporting period and the calendar year; and
- certain transactions that require itemization on Schedule L-A (Itemized Receipts of Levin Funds) or Schedule L-B (Itemized Disbursements of Levin Funds) – itemize receipts and disbursements of \$200 or more to or from any person for Federal election activities. 11 CFR §300.36(b)(2).

Facts and Analysis

A. Facts

The Audit staff reviewed TDP's Levin activity and noted that TDP received \$150,000 and disbursed \$137,180 during the 2012 Post-General reporting period (October 18, 2012 – November 26, 2012).³ For this period, the beginning cash balance was \$0 and the

³ This was TDP's only Levin activity for the period covered by the audit.

ending cash balance was \$12,820. TDP did not, however, file the required Schedules L, L-A and L-B until the Audit staff brought the omission to TDP's attention during audit fieldwork. A TDP representative acknowledged that TDP did not file the schedules due to an error during transmission of the reports required for the reporting period.

TDP maintained a separate bank account for its Levin fund receipts and disbursements. The 2012 Levin fund receipts consisted of transfers from TDP's non-federal account. The 2012 Levin fund disbursements consisted mainly of a transfer to TDP's non-federal account and payments for voter identification and get-out-the-vote programs.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this issue with TDP representatives during the exit conference. TDP representatives reiterated that TDP did not disclose the Levin fund activity due to an oversight and that as soon as the Audit staff notified TDP of this omission, it filed the missing Levin schedules with the Commission.

The Audit staff recommended that TDP submit any additional information or comments it considered relevant to the matter.

C. Committee Response to the Interim Audit Report

In its response, TDP reiterated that an amended report was filed when notified of the omission. Further, TDP explained that although the Levin fund data was entered into the reporting software for inclusion on the Post-General report, it was inadvertently excluded from the report when the report was filed. TDP also noted that this was the first time in several years that it had reportable Levin activity which also contributed to this oversight.