



Final Audit Report of the Commission on the Oklahoma Democratic Party

(January 1, 2015 - December 31, 2016)

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

Financial Activity (p. 3)

• Receipts

○ Contributions from Individuals	\$ 408,448
○ Contributions from Political Committees	230,788
○ Transfers From Affiliated/Other Party Committees	3,091,164
○ Transfers from Non-Federal and Levin Funds	95,089
○ Other Federal Receipts	36,952

Total Receipts **\$3,862,441**

• Disbursements

○ Operating Expenditures	\$ 488,575
○ Transfers to Affiliated/Other Party Committees	3,003,100
○ Federal Election Activity	340,526
○ Other Disbursements	17,189

Total Disbursements **\$3,849,390**

• **Levin Receipts** **\$51,750**

• **Levin Disbursements** **\$60,770**

Commission Findings (p. 4)

- Misstatement of Financial Activity (Finding 1)
- Misstatement of Levin Fund Activity (Finding 2)
- Recordkeeping for Employees (Finding 3)
- Reporting of Debts and Obligations (Finding 4)

¹ 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 Oklahoma Democratic Party (ODP), 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 receipt of excessive contributions and loans;
2. the receipt of contributions from prohibited sources;
3. the disclosure of contributions received;
4. the disclosure of individual contributors' occupation and name of employer;
5. the disclosure of disbursements, debts and obligations;
6. the disclosure of expenses allocated between federal and non-federal accounts;
7. the consistency between reported figures and bank records;
8. the completeness of records; and
9. other committee operations necessary to the review.

Commission Guidance

Request for Early Commission Consideration of a Legal Question

Pursuant to the Commission's "Policy Statement Establishing a Program for Requesting Consideration of Legal Questions by the Commission," several state party committees unaffiliated with ODP requested early consideration of a legal question raised during audits covering the 2010 election cycle. Specifically, the Commission addressed whether monthly time logs under 11 CFR §106.7(d)(1) were required for employees paid with 100 percent federal funds.

The Commission concluded, by a vote of 5-1, that 11 CFR §106.7(d)(1) does require committees to keep a monthly log for employees paid exclusively with federal funds. Exercising its prosecutorial discretion, however, the Commission decided it will not pursue recordkeeping violations for the failure to keep time logs or to provide affidavits to account for employee salaries paid with 100 percent federal funds and reported as such. The Audit staff informed ODP representatives of the payroll log requirement and of the Commission's decision not to pursue recordkeeping violations for failure to keep payroll logs for salaries paid and correctly reported as 100 percent federal. This audit

report does not include any findings or recommendations with respect to ODP employees paid with 100 percent federal funds and reported as such.

Audit Hearing

ODP 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 9, 1984
• Audit Coverage	January 1, 2015 - December 31, 2016
Headquarters	Oklahoma City, Oklahoma
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Three Federal, Two Non-Federal, and One Levin
Treasurer	
• Treasurer When Audit Was Conducted	Rachael Hunsucker (7/19/17 - Present)
• Treasurer During Period Covered by Audit	Donna Russell (5/18/11 - 7/18/17)
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2015	\$ 1,972
Receipts	
○ Contributions from Individuals	\$ 408,448
○ Contributions from Political Committees	230,788
○ Transfers From Affiliated/Other Party Committees	3,091,164
○ Transfers from Non-Federal and Levin Funds	95,089
○ Other Federal Receipts	36,952
Total Receipts	\$3,862,441
Disbursements	
○ Operating Expenditures	\$ 488,575
○ Transfers to Affiliated/Other Party Committees	3,003,100
○ Federal Election Activity	340,526
○ Other Disbursements	17,189
Total Disbursements	\$3,849,390
Cash on hand @ December 31, 2016	\$ 15,023
Levin Cash on hand @ January 1, 2015	\$ 9,675
Total Levin Receipts	51,750
Total Levin Disbursements	60,770
Levin Cash on hand @ December 31, 2016	\$ 655

Part III

Summaries

Commission Findings

Finding 1. Misstatement of Financial Activity

During audit fieldwork, a comparison of ODP's reported financial activity with its bank records revealed a misstatement of receipts and disbursements in calendar year 2015. Specifically, ODP understated receipts by \$30,581 and misstated disbursements by \$36,852. In response to the Interim Audit Report recommendation, ODP amended its disclosure reports correcting the misstatements for the 2015 calendar year. ODP provided no formal response to the Draft Final Audit Report.

In addition, a comparison of ODP's bank activity with its original reports filed for 2015 and 2016 also revealed a material misstatement of receipt and disbursement activity. In response to the Interim Audit Report recommendation, ODP had no further comments. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP understated receipts by \$30,581 and misstated disbursements by \$36,852 for calendar year 2015. Additionally, the Commission approved a finding that ODP understated receipts by \$1,796,094 and disbursements by \$1,759,832 on the original reports filed over the two-year period ending December 31, 2016. (For more detail, see p. 7.)

Finding 2. Misstatement of Levin Fund Activity

During audit fieldwork, a comparison of ODP's Levin Fund reported financial activity with its bank records revealed a misstatement of receipts and disbursements for calendar years 2015 and 2016. In 2015, ODP understated Levin receipts by \$21,750 and understated Levin disbursements by \$29,087. In 2016, ODP understated Levin receipts by \$20,000 and understated Levin disbursements by \$24,364. In response to the Interim Audit Report recommendation, ODP amended its disclosure reports correcting the misstatements for the 2015 and 2016 calendar years. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP understated Levin receipts by \$21,750 and understated Levin disbursements by \$29,087 for calendar year 2015. Additionally, the Commission approved a finding that ODP understated Levin receipts by \$20,000 and understated Levin disbursements by \$24,364 for calendar year 2016. (For more detail, see p. 10.)

Finding 3. Recordkeeping for Employees

During audit fieldwork, the Audit staff determined that ODP did not maintain any monthly payroll logs, as required, to document the percentage of time each employee

spent in connection with a federal election. For 2015 and 2016, the Audit staff identified payments to ODP employees totaling \$39,410 for which ODP did not maintain monthly payroll logs. This consisted of payroll which was allocated with federal and non-federal funds. There was no payroll paid exclusively with non-federal funds. ODP representatives responded, during fieldwork and the exit conference, that it did not maintain payroll logs for employees during calendar years 2015 and 2016, but has implemented a process to record this information in conjunction with employees' timesheets. In response to the Interim Audit Report recommendation, ODP had no further comments. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP did not maintain monthly payroll logs or equivalent records totaling \$39,410 to document the percentage of time each employee spent in connection with a federal election for calendar years 2015 and 2016. (For more detail, see p. 13.)

Finding 4. Reporting of Debts and Obligations

During audit fieldwork, the Audit staff noted that ODP failed to disclose or erroneously disclosed debts and obligations to four entities, totaling \$45,887. In response to the Interim Audit Report recommendation, ODP filed amended disclosure reports for 2015 and 2016 to disclose these debts and obligations, which materially corrected the public record. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP failed to disclose debts and obligations totaling \$23,187 and erroneously disclosed debts and obligations totaling \$22,700. (For more detail, see p. 15.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of ODP's reported financial activity with its bank records revealed a misstatement of receipts and disbursements in calendar year 2015. Specifically, ODP understated receipts by \$30,581 and misstated disbursements by \$36,852. In response to the Interim Audit Report recommendation, ODP amended its disclosure reports correcting the misstatements for the 2015 calendar year. ODP provided no formal response to the Draft Final Audit Report.

In addition, a comparison of ODP's bank activity with its original reports filed for 2015 and 2016 also revealed a material misstatement of receipt and disbursement activity. In response to the Interim Audit Report recommendation, ODP had no further comments. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP understated receipts by \$30,581 and misstated disbursements by \$36,852 for calendar year 2015. Additionally, the Commission approved a finding that ODP understated receipts by \$1,796,094 and disbursements by \$1,759,832 on the original reports filed over the two-year period ending December 31, 2016.

Legal Standard

Contents of Federal 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. Misstatement of Financial Activity– Most Recent Reports Filed Prior to the Audit

1. Facts

During audit fieldwork, the Audit staff reconciled ODP's reported financial activity with its bank records for calendar years 2015 and 2016. The reconciliation determined that ODP misstated receipts and disbursements for 2015. The following

chart details the discrepancies between ODP's disclosure reports and bank activity. The succeeding paragraphs explain why the discrepancies occurred.

2015 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2015	\$ 3,745	\$ 1,972	\$ 1,773 Overstated
Receipts	\$336,499	\$367,080	\$30,581 Understated
Disbursements	\$347,650	\$357,585	\$ 9,935 Understated
Ending Cash on hand @ December 31, 2015	\$ 11,476 ²	\$ 11,467	\$ 9 ² Overstated

The beginning cash on hand was overstated by \$1,773 and the discrepancy is unexplained, but likely resulted from prior period discrepancies.

The misstatement of 2015 receipts resulted from the following:

• Transfers from Non-federal/Levin accounts not reported or misreported	\$ 4,971
• Contributions from individuals deposited into the Non-federal/Levin Accounts erroneously reported	(15,766)
• Contributions from individuals reported not supported by bank deposits	(18,066)
• Contributions from individuals not reported	57,247
• In-kind contribution not reported as a receipt	3,220
• Unexplained difference	<u>(1,025)</u>
Net Understatement of Receipts	<u>\$ 30,581</u>

ODP understated its 2015 disbursements by \$9,935. However, when evaluating the identified errors, regardless of whether the errors were under-reported or over-reported (absolute value), the Audit staff discovered that ODP misstated its disbursements by \$36,852 as follows:

The misstatement of disbursements resulted from the following:

• In-kind contributions reported twice	\$ 9,660
• In-kind contribution not reported as a disbursement	3,220
• Disbursements reported but did not clear the bank	3,630
• Transfers to the Non-federal/Levin Account not reported ³	15,000

² The reported ending cash on hand does not equal reported beginning cash on hand plus reported receipts minus reported disbursements. This was due to mathematical discrepancies between the reported beginning cash on hand of reporting periods not equaling the ending cash on hand of the prior reporting periods.

³ The unreported transfers consisted of two transfers to the Levin Fund and to the Non-federal account for the excessive portion of a contribution deposited into the Federal account. These transfers were timely made and did not result in an excessive finding.

• Disbursements not reported	5,342
Sum of Disbursement Adjustments	<u>\$36,852</u>

The \$9 overstatement of the ending cash on hand was a result of the reporting discrepancies described above.

2. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter at the exit conference and provided ODP representatives a schedule of the misstated amounts. ODP representatives did not provide any comments.

The Interim Audit Report recommended that ODP amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission)⁴ to correct the misstatements noted above, reconcile the cash balance on its most recently filed report to include these adjustments and correct any subsequent discrepancies.

3. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, ODP amended its disclosure reports to correct the misstatements for the 2015 calendar year.

4. Draft Final Audit Report

The Draft Final Audit Report acknowledged that ODP filed amended disclosure reports that corrected the misstatement of receipts and disbursements.

5. Committee Response to the Draft Final Audit Report

ODP provided no formal response to the Draft Final Audit Report.

Commission Conclusion

On June 20, 2019, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that ODP understated receipts by \$30,581 and misstated disbursements by \$36,852 for calendar year 2015.

The Commission approved the Audit staff's recommendation.

B. Misstatement of Financial Activity – Original Reports Filed

1. Facts

During audit fieldwork, in addition to examining ODP's most recent reports filed prior to audit notification, the Audit staff also compared its originally filed reports with its bank records. The purpose of this additional reconciliation was to identify the degree to which ODP had misstated its original filings.

⁴ ODP was advised by the Audit staff that if it chose to file a Form 99, instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

The Audit staff calculated that ODP understated receipts by \$1,796,094 and disbursements by \$1,759,832 on the original reports filed over the two-year period ending December 31, 2016. These figures include the \$30,581 understatement of receipts and the \$9,935 understatement of disbursements from 2015 discussed in Section A above (Misstatement of Financial Activity – Most Recent Reports Filed Prior to the Audit).

2. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the understatement of receipts and disbursements on its original reports during the exit conference and provided ODP representatives a copy of the relevant schedule. ODP representatives asked questions for clarification but had no comments at the time.

The Interim Audit Report recommended that ODP provide any additional comments it deemed necessary with respect to this matter.

3. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, ODP had no further comments.

4. Draft Final Audit Report

The Draft Final Audit Report acknowledged that ODP did not provide any additional comments with respect to this matter.

5. Committee Response to the Draft Final Audit Report

ODP provided no formal response to the Draft Final Audit Report.

Commission Conclusion

On June 20, 2019, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that ODP understated receipts by \$1,796,094 and disbursements by \$1,759,832 on the original reports filed over the two-year period ending December 31, 2016.

The Commission approved the Audit staff's recommendation.

Finding 2. Misstatement of Levin Fund Activity

Summary

During audit fieldwork, a comparison of ODP's Levin Fund reported financial activity with its bank records revealed a misstatement of receipts and disbursements for calendar years 2015 and 2016. In 2015, ODP understated Levin receipts by \$21,750 and understated Levin disbursements by \$29,087. In 2016, ODP understated Levin receipts by \$20,000 and understated Levin disbursements by \$24,364. In response to the Interim Audit Report recommendation, ODP amended its disclosure reports correcting the

misstatements for the 2015 and 2016 calendar years. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP understated Levin receipts by \$21,750 and understated Levin disbursements by \$29,087 for calendar year 2015. Additionally the Commission approved a finding that ODP understated Levin receipts by \$20,000 and understated Levin disbursements by \$24,364 for calendar year 2016.

Legal Standard

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 and disbursements (including allocation transfers) for the reporting period and for 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). 11 CFR §300.36 (b)(2).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled ODP's reported Levin Fund financial activity with its Levin Fund bank records for calendar years 2015 and 2016. The reconciliation determined that ODP misstated Levin receipts and disbursements for 2015 and 2016. The following chart outlines the discrepancies between ODP's disclosure reports and its Levin Fund bank records. The succeeding paragraphs explain why the discrepancies occurred.

2015 Committee Levin Fund Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2015	\$ 0	\$ 9,676	\$ 9,676 Understated
Receipts	\$10,000	\$31,750	\$21,750 Understated
Disbursements	\$ 7,319	\$36,406	\$29,087 Understated
Ending Cash on hand @ December 31, 2015	\$ 0 ⁵	\$ 5,020	\$ 5,020 ⁵ Understated

The beginning cash on hand was understated by \$9,676 and the discrepancy is unexplained, but likely resulted from prior period discrepancies.

⁵ The reported ending cash on hand does not equal reported beginning cash on hand plus reported receipts minus reported disbursements. This was due to mathematical discrepancies between the reported beginning cash on hand of reporting periods not equaling the ending cash on hand of the prior reporting periods.

The misstatement of 2015 Levin receipts resulted from the following:

- Donations from individuals not reported \$21,750

The misstatement of 2015 Levin disbursements resulted from the following:

- Transfers to the Federal Account not reported \$29,087

The understatement of \$5,020 of the ending cash on hand was a result of the reporting discrepancies described above.

2016 Committee Levin Fund Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2016	\$5,020	\$ 5,020	\$ 0
Receipts	\$ 0	\$20,000	\$20,000 Understated
Disbursements	\$ 0	\$24,364	\$24,364 Understated
Ending Cash on hand @ December 31, 2016	\$ 0 ⁵	\$ 656	\$ 656 ⁵ Understated

The misstatement of 2016 Levin receipts resulted from the following:

- Donations from individuals not reported \$20,000

The misstatement of 2016 Levin disbursements resulted from the following:

- Transfers to the Federal Account not reported \$24,271
 - Bank fees not reported 93
- Understatement of Levin Disbursements** **\$24,364**

The \$656 understatement of the ending cash on hand for Levin activity was a result of the reporting discrepancies described above.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter at the exit conference and provided ODP representatives a schedule of the misstated amounts. ODP representatives had no comments at the time.

The Interim Audit Report recommended that ODP amend its disclosure reports or file a Form 99⁶ to correct the Levin Fund misstatements noted above, reconcile the cash balance for Levin activity on its most recently filed report to include these adjustments and correct any subsequent discrepancies.

⁶ ODP was advised by the Audit staff that if it chose to file a Form 99, instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, ODP amended its disclosure reports correcting the misstatements for the 2015 and 2016 calendar years.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that ODP filed amended disclosure reports that corrected the misstatement of Levin Fund receipts and disbursements for the 2015 and 2016 calendar years.

E. Committee Response to the Draft Final Audit Report

ODP provided no formal response to the Draft Final Audit Report.

Commission Conclusion

On June 20, 2019, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that ODP understated Levin receipts by \$21,750 and understated Levin disbursements by \$29,087 for calendar year 2015. The Audit staff also recommended that the Commission find that ODP understated Levin receipts by \$20,000 and understated Levin disbursements by \$24,364 for calendar year 2016.

The Commission approved the Audit staff's recommendation.

Finding 3. Recordkeeping for Employees

Summary

During audit fieldwork, the Audit staff determined that ODP did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For 2015 and 2016, the Audit staff identified payments to ODP employees totaling \$39,410 for which ODP did not maintain monthly payroll logs. This consisted of payroll which was allocated with federal and non-federal funds. There was no payroll paid exclusively with non-federal funds. ODP representatives responded, during fieldwork and the exit conference, that it did not maintain payroll logs for employees during calendar years 2015 and 2016, but has implemented a process to record this information in conjunction with employees' timesheets. In response to the Interim Audit Report recommendation, ODP had no further comments. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP did not maintain monthly payroll logs or equivalent records totaling \$39,410 to document the percentage of time each employee spent in connection with a federal election for calendar years 2015 and 2016.

Legal Standard

Maintenance of Monthly Logs. Party committees must keep a monthly log of the percentage of time each employee spends in connection with a federal election. Allocations of salaries, wages, and fringe benefits are to be undertaken as follows:

- employees who spend 25 percent or less of their compensated time in a given month on federal election activities must be paid either from the federal account or be allocated as administrative costs;
- employees who spend more than 25 percent of their compensated time in a given month on federal election activities must be paid only from a federal account; and,
- employees who spend none of their compensated time in a given month on federal election activities may be paid entirely with funds that comply with state law. 11 CFR §106.7(d)(1).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed disbursements for payroll. ODP did not maintain any monthly payroll logs or equivalent records to document the percentage of time each employee spent in connection with a federal election. These logs are required to document the proper allocation of federal and non-federal funds used to pay employee salaries and wages. For 2015 and 2016, ODP did not maintain monthly logs for \$39,410 in payroll.⁷ This amount includes payroll for employees reported on Schedule H4 (Disbursements for Allocated Federal and Non-Federal Activity) and paid with an allocation of federal and non-federal funds during the same month. There was no payroll paid exclusively with non-federal funds.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the recordkeeping requirement with ODP representatives during fieldwork and at the exit conference. ODP representatives responded that ODP did not maintain payroll logs for employees during calendar years 2015 and 2016, but has implemented a process to record this information in conjunction with employees' timesheets.

The Interim Audit Report recommended that ODP provide any comments it deemed relevant to this matter.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, ODP had no further comments.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that ODP did not maintain payroll logs for employees during calendar years 2015 and 2016, but had implemented a process to record this information in conjunction with employees' timesheets.

E. Committee Response to the Draft Final Audit Report

ODP provided no formal response to the Draft Final Audit Report.

⁷ This total does not include payroll for employees paid with 100 percent federal funds and reported as such (see Part I, Background, Commission Guidance, Request for Early Commission Consideration of a Legal Question, Page 1). Payroll amounts do not include fringe benefits.

Commission Conclusion

On June 20, 2019, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that ODP did not maintain monthly payroll logs or equivalent records totaling \$39,410 to document the percentage of time each employee spent in connection with a federal election for calendar years 2015 and 2016.

The Commission approved the Audit staff's recommendation.

Finding 4. Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that ODP failed to disclose or erroneously disclosed debts and obligations to four entities, totaling \$45,887. In response to the Interim Audit Report recommendation, ODP filed amended disclosure reports for 2015 and 2016 to disclose these debts and obligations, which materially corrected the public record. ODP provided no formal response to the Draft Final Audit Report.

The Commission approved a finding that ODP failed to disclose debts and obligations totaling \$23,187 and erroneously disclosed debts and obligations totaling \$22,700.

Legal Standard

- A. Continuous Reporting Required.** A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 52 U.S.C. §30104(b)(8) and 11 CFR §§104.3(d) and 104.11(a).
- B. Separate Schedules.** A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).
- C. Itemizing Debts and Obligations.**
 - A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
 - A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed ODP's disbursement records and disclosure reports for proper reporting of debts and obligations. This review identified

debts owed to one vendor and two individuals totaling \$23,187⁸ that ODP failed to report on Schedule D (Debts and Obligations) during the audit period. Based on a review of the records, the vendor provided printing service, and the two individuals were reimbursed for travel expenses⁹ and back pay incurred during a prior election cycle.

This review also identified one credit card vendor with debts and obligations reported on Schedule D totaling \$22,700 during the audit period. The Audit staff's review determined that this vendor's debt had been extinguished since the end of 2013, and therefore was erroneously itemized on Schedule D.

ODP reported debt totaling \$23,375 on Schedule D during the audit cycle. The Audit staff calculated the debts owed to the entities based on the invoice date and the subsequent payment date. Debts were outstanding for periods ranging from 34 days to 3½ years.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the reporting of debts and obligations with ODP representatives at the exit conference and provided a schedule detailing the transactions requiring disclosure or removal from Schedule D. ODP representatives had no specific comments at the time.

The Interim Audit Report recommended that ODP provide documentation demonstrating that these transactions totaling \$23,187 were not obligations which required reporting on Schedule D and the transaction totaling \$22,700 was not erroneously itemized on Schedule D.

Absent such documentation, the Interim Audit Report recommended that ODP amend its reports or file a Form 99¹⁰ to correctly disclose the debts and obligations totaling \$23,187 and remove the erroneously itemized debt totaling \$22,700 from Schedule D.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, ODP filed amended disclosure reports for 2015 and 2016 to disclose these debts and obligations, which materially corrected the public record.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that ODP filed amended disclosure reports that disclosed its debts and obligations, and materially corrected the public record.

⁸ Each debt in this amount was counted only once even if it was required to be disclosed over multiple periods.

⁹ These travel expenses were made on behalf of ODP and incurred from 2011 through 2014. The unreimbursed portions were not reported as memo entry contributions on Schedule A (Itemized Receipts) when incurred during the prior election cycles. No excessive contribution resulted from these unreimbursed travel expenses.

¹⁰ ODP was advised by the Audit staff that if it chose to file a Form 99, instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

E. Committee Response to the Draft Final Audit Report

ODP provided no formal response to the Draft Final Audit Report.

Commission Conclusion

On June 20, 2019, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that ODP failed to disclose debts and obligations totaling \$23,187 and erroneously disclosed debts and obligations totaling \$22,700.

The Commission approved the Audit staff's recommendation.