

October 22, 2010

MEMORANDUM

To:

The Commission

Through:

Alec Palmer

Acting Staff Director

From:

Patricia Carmona

Chief Compliance Officer

Joseph F. Stoltz Assistant Staff Director

Audit Division

Thomas J. Nurthen

Audit Manager

By:

Brenda E. Wheeler

Lead Auditor

Subject:

Audit Division Recommendation Memorandum on Hillary Clinton for

President (A08-05)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit Division recommends the Commission approve the finding as presented in the attached Draft Final Audit Report (DFAR). The Committee declined our offer for a hearing and did not provide a written response to the DFAR. The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

If this memorandum is approved, a Proposed Final Audit Report will be prepared within 30 days of the Commission's vote. Should an objection be received, 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 Voting Ballot Matters. Should you have any questions, please contact Brenda E. Wheeler or Thomas J. Nurthen at 694-1200.

Attachments:

Draft Final Audit Report on Hillary Clinton for President

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on Hillary Clinton for President

January 1, 2007 - December 31, 2008

Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political correnittre 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 tbreshold requirements for substantial compliance with the Act. 1 2 determines mether the committee complied with the limital prohibitions 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 Campaign (p.

Hillary Clinton for President (HCP) is the principal campaign committee for Hillary Clinton can telate for the Democratic Party's nomination for the orice of Insident of the United States. HCFP is headquarted in Washerston, D.C. For more information, soe the part on the Campaigh Assanization, p.2.

Financial Activity

	TO	
•	Recei	DIS

0	Contributions from inividuals	\$ 217,686,817
0	On Political Committees	1,610,538
0	From Asserted Committee	10,000,000
0	Candidate Dogg	13,750,000
0	Offsets to Expend 1 &	
	Other Receipts	9,678,788
	Total Receipts	\$ 252,726,143

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o Expenditures	\$ 223,080,262
Transfers to Affiliates	6,466,215
Contribution Refunds	21,935 <u>,</u> 595
o ther Disbursements	75,403
Total Disbursements	\$ 251,557,475

Finding and Recommendation (p. 3)

• Receipt of Contributions that Exceed Limits

¹ 2 U.S.C. §438(b).

Draft Final Audit Report of the Audit Division on Hillary Clinton for President

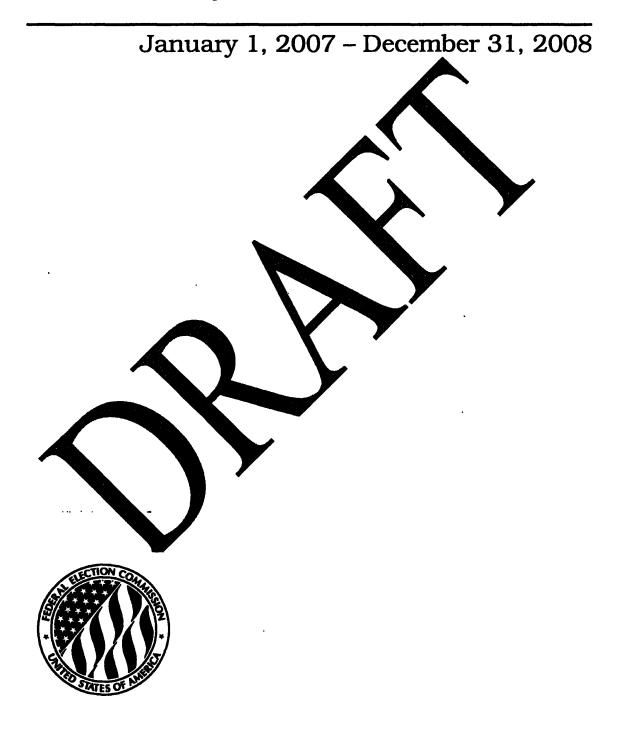


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Part I Background

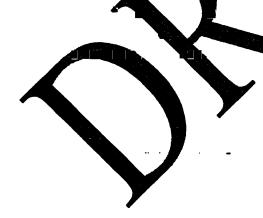
Authority for Audit

This report is based on an audit of Hillary Clinton for President, 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 file a elected committees to determine if the reports filed by a particular committee must the line shold requirements for substantial compliance with the Act. 2 U.S.C. §434(b).

Scope of Audit

Following Commission approved procedures, the wadit 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 bited sources.
- 3. The disclosure of contributions received
- 4. The disclosure of debts and obligations
- 5. The consistency between reported figures and ball of the
- 6. The completeness of the
- 7. Other committee peration recessary to be review.



Part II Overview of Campaign

Campaign Organization

Important Dates	Hillary Clinton for President
Date of Registration	January 22, 2007
Audit Coverage	January 1, 2007 Seember 31, 2008
Headquarters	Washington D.
Bank Information	A
Bank Depositories	Typo
Bank Accounts	att
Treasurer	
Treasurer When Audit Was Conducted	Shelly S. Skwa
Treasurer During Period Covered by A	Shelly S. Most va
Management Information	
Attended FEC Campaign Change Seminar	Yes
Used Commonly Available Campaign	
Management Software Backage	Ves.
Who Handled Accounting and	
Recordkeeping Tocks	Paid Staff

Over lew of Financial Activity (Audited Amounts)

Cash on hand @ Jackary 1, 2007	\$ 0
o Contributions free land viduals	217,686,817
o Other Political Committees	1,610,538
o From Affiliated Committees	10,000,000
o Candidate Loans	13,750,000
o Offsets to Expenditures & Other Receipts	9,678,788
Total Receipts	\$252,726,143
o Operating Expenditures	223,080,262
o Transfers to Affiliates	6,466,215
o Contribution Refunds	21,935,595
o Other Disbursements	75,403
Total Disbursements	\$251,557,475
Cash on hand @ December 31, 2008	\$ 1,168,668

Part III Summary

Finding and Recommendation

Receipt of Contributions that Exceed Limits

The Audit staff's review of contributions from other political committees indicated that HCFP failed to timely resolve excessive contributions totaling \$1,400. The contributions were either designated to the general election by the contributing committee or presumptively redesignated by HCFP. HCFP has provided assumentation that the contributions have been refunded. In response to the interim audit poort recommendation, HCFP's legal counsel notes that the assount is a ting, art of total receipts and went on to explain that the excessive contributions were due to three minor database errors inadvertently overlooked by HCFP. When the contributions have brought to HCFP's attention, they took appropriate steps that turn the funds. (For more detail, see p. 4)



Part IV Finding and Recommendation

Receipt of Contributions that Exceed Limits

Summary

The Audit staff's review of contributions from other political committees indicated that HCFP failed to timely resolve excessive contributions totaling \$21400. The contributions were either designated to the general election by the contributing committee or presumptively redesignated by HCFP. HCFP has provided accumentation that the contributions have been refunded. In response to the interest according recommendation, HCFP's legal counsel notes that the armunt is a link part of total receipts and went on to explain that the excessive contributions were that to three minor database errors inadvertently overlooked by HCF. Whon the contribute to HCFP's attention, they took appropriate steel return the funds. were brought

Legal Standard

A. Authorized Committee Limits. An authorized consistee may not receive more 2000 per election from a than a total of \$2,300 per election from one person or 3 multicandidate political committee. 2 U.S. 41a(a)(1)(A), (2)(A), and (f); 11 CFR §§110.1(a) and (b), 110.2(b), and 110.9.

- B. Handling Contributions hat Appear Excessive. If a committee receives a contribution that apply is to be ressive, the committee must either:
 - Return the que mable sleck to the dollar, or
 - Deposit the checks al account and:
 - enough, oney in the recount to cover all potential refunds;
 - and explaining why the contribution may be illegal;
 - Include the explanation of the contribution has to be itemized by the its legality is established;

 Seek a reattinution or a redesignation of the excessive portion, following
 - a instructions provided in the Commission regulations; and
 - o Il compattee does not receive a proper realtribution or redesignation with days after receiving the excessive contribution, refund the excessive portion to the donor. 11 CFR §§103.3(b)(3), (4) and (5) and 110.1(k)(3)(ii)(B).
- C. General Election Contributions. If a candidate is not a candidate in the general election, any contributions made for the general election shall be refunded to the contributors or redesignated in accordance with 11 CFR §§110.1(b)(5) or 110.2(b)(5), as appropriate. 11 CFR §102.9(e)(3).

Facts and Analysis

A review of contributions from other political committees revealed HCFP received excessive contributions from ten political committees totaling \$21,400 which were unresolved. The contributions were either designated to the general election by the contributing committee or presumptively redesignated to the general election by HCFP. Since the Candidate did not run in the general election, these contributions were required to be refunded. At all times, HCFP maintained sufficient funds to make the necessary refunds.

The Audit staff discussed this matter at the exit conference and provided HCFP representatives with a schedule of the apparent excessive contributions. In response to the exit conference, HCFP provided the Audit staff with correst of refund checks totaling \$21,400. The refund checks have been negotiated and trailed to the appropriate bank account.

Interim Audit Report Recommendation and Committee Asponse

The Audit staff recommended that HCFP provide any comments it deemed accessary with respect to this matter. In response, HCFP's legislacous servotes that the amount is a tiny part of total receipts and went on to explain that has excessive contributions were due to three minor database errors inadvenently overlooked to HCFP. When the contributions were brought to HCFP's praction, they took appropriate steps to return the funds.

