



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 22, 2010

MEMORANDUM

To: The Commission

Through: Alec Palmer
Acting Staff Director

From: Patricia Carmona *PC*
Chief Compliance Officer

Joseph F. Stoltz *JFS*
Assistant Staff Director
Audit Division

Thomas J. Nurthen *TJN*
Audit Manager

By: Brenda E. Wheeler *B.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 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 Campaign (p. 2)

Hillary Clinton for President (HCFP) is the principal campaign committee for Hillary Clinton, candidate for the Democratic Party's nomination for the office of President of the United States. HCFP is headquartered in Washington, D.C. For more information, see the chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 217,686,817
○ Other Political Committees	1,610,538
○ From Affiliated Committees	10,000,000
○ Candidate Loans	13,750,000
○ Offsets to Expenditures & Other Receipts	9,678,788
Total Receipts	\$ 252,726,143
• Disbursements	
○ Operating Expenditures	\$ 223,080,262
○ Transfers to Affiliates	6,466,215
○ Contribution Refunds	21,935,595
○ Other 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

January 1, 2007 – December 31, 2008

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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 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 and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of debts and obligations.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the 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 - December 31, 2008
Headquarters	Washington, D.C.
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Eight
Treasurer	
• Treasurer When Audit Was Conducted	Shelly S. Moskwa
• Treasurer During Period Covered by Audit	Shelly S. Moskwa
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2007	\$ 0
○ Contributions from Individuals	217,686,817
○ Other Political Committees	1,610,538
○ From Affiliated Committees	10,000,000
○ Candidate Loans	13,750,000
○ Offsets to Expenditures & Other Receipts	9,678,788
Total Receipts	\$252,726,143
○ Operating Expenditures	223,080,262
○ Transfers to Affiliates	6,466,215
○ Contribution Refunds	21,935,595
○ 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 \$11,400. The contributions were either designated to the general election by the contributing committee or presumptively redesignated by HCFP. HCFP has provided documentation that the contributions have been refunded. In response to the interim audit report recommendation, HCFP's legal counsel notes that the amount is a tiny part 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 were brought to HCFP's attention, they took appropriate steps to return the funds. (For more detail, see p. 4)

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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 \$21,400. The contributions were either designated to the general election by the contributing committee or presumptively redesignated by HCFP. HCFP has provided documentation that the contributions have been refunded. In response to the interim audit report recommendation, HCFP's legal counsel notes that the amount is a very small part 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 were brought to HCFP's attention, they took appropriate steps to return the funds.

Legal Standard

A. Authorized Committee Limits. An authorized committee may not receive more than a total of \$2,300 per election from any one person or \$3,000 per election from a multicandidate political committee. 2 U.S.C. §§ 41a(a)(1)(A), (2)(A), and (f); 11 CFR §§110.1(a) and (b), 110.2(b), and 110.9.

B. Handling Contributions that Appear Excessive. If a committee receives a contribution that appears to be excessive, the committee must either:

- Return the questionable check to the donor, or
- Deposit the check to a personal account and:
 - o Have enough money in the account to cover all potential refunds;
 - o Keep a written record explaining why the contribution may be illegal;
 - o Include an explanation on Schedule A if the contribution has to be itemized before its legality is established;
 - o Seek a reattribution or a redesignation of the excessive portion, following the instructions provided in the Commission regulations; and
 - o If the committee does not receive a proper reattribution or redesignation within 30 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 copies of refund checks totaling \$21,400. The refund checks have been negotiated and traded to the appropriate bank account.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that HCFP provide any comments it deemed necessary with respect to this matter. In response, HCFP's legal counsel notes that the amount is a tiny part 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 were brought to HCFP's attention, they took appropriate steps to return the funds.

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