




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A99-50

March 12, 2001

**MEMORANDUM**

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE REPORT OF THE AUDIT DIVISION  
ON THE DEMOCRATIC STATE CENTRAL COMMITTEE OF  
CALIFORNIA - FEDERAL

Attached please find a copy of the final audit report and related documents on the Democratic State Central Committee of California - Federal which was approved by the Commission on February 26, 2001.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library

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**REPORT OF THE AUDIT DIVISION**  
**ON THE**  
***DEMOCRATIC STATE CENTRAL***  
***COMMITTEE OF CALIFORNIA - FEDERAL***

**Approved February 26, 2001**



**FEDERAL ELECTION COMMISSION**  
**999 E STREET, N.W.**  
**WASHINGTON, D.C.**

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OF CALIFORNIA - FEDERAL

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22.07.025.2741



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

**DEMOCRATIC STATE CENTRAL COMMITTEE  
OF CALIFORNIA - FEDERAL**

**EXECUTIVE SUMMARY**

The Democratic State Central Committee of California - Federal (the Committee) registered with the Comptroller General of the United States on September 15, 1975 and filed subsequent amended Statements of Organization to change its name. In December 1991, the Committee amended its registration to change its name to the Democratic State Central Committee of California - Federal.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

No audit findings are included in the audit report. However, a matter noted during the audit is pending before the Commission in another context. When the Commission concludes its consideration of this matter, information will be made public in accordance with Commission procedures.

22.07.025.2743



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRATIC STATE CENTRAL COMMITTEE  
OF CALIFORNIA - FEDERAL**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Democratic State Central Committee of California - Federal (the Committee), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended (the Act). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall 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.

**B. AUDIT COVERAGE**

The audit covered the period from January 1, 1997 through December 31, 1998. During this period, the Committee reported a beginning cash balance of \$282,121; total receipts of \$17,570,452; total disbursements of \$17,418,260; and a closing cash balance of \$434,313<sup>1</sup>. To manage its financial activity, the Committee used nine federal<sup>2</sup> and nine non-federal bank accounts.

<sup>1</sup> All figures in this report have been rounded to the nearest dollar.

<sup>2</sup> Includes three federal custodial bank accounts maintained by Gordon and Schwenkmeyer, Inc. (GSI) on behalf of the Committee. GSI is a fundraising and telemarketing firm located in El Segundo, California.

### **C. COMMITTEE ORGANIZATION**

The Democratic State Central Committee (of California) Federal Candidates Fund registered with the Comptroller General of the United States on September 16, 1975 and filed subsequent amended Statements of Organization to change its name. In December 1991, the Committee filed an amended Statement of Organization changing its name to the Democratic State Central Committee of California - Federal. The Committee maintains its headquarters in Sacramento, California. The Treasurer at the beginning of the audit period was Gary Paul. He was succeeded on July 27, 1997 by Katherine Moret, who continues in this position.

### **D. AUDIT SCOPE AND PROCEDURES**

Although the Committee appears to have met the minimum recordkeeping requirements of 11 CFR § 102.9, the scope of our testing of contributions received from individuals was limited. The Committee maintained copies of contributor checks and deposit batches for all individual contributions. In most cases, the Committee did not include contributions of less than \$50 in the individuals' contribution histories. Also, for \$2,515,213 in contributions solicited and deposited by Gordon and Schwenkmeyer, Inc., records maintained by the Committee in support of these contributions were limited to bank statements and computer files which contained information such as contributor name and address, and contribution date and amount; no contributor-generated documentation was made available.

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. review of expenditures made on behalf of federal candidates;
6. proper disclosure of debts and obligations;

7. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
8. adequate recordkeeping for transactions;
9. proper disclosure of the allocation of costs associated with administrative expenses and activities conducted jointly on behalf of federal and non-federal elections and candidates; and
10. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

A matter noted during the audit is pending before the Commission in another context. When the Commission concludes its consideration of this matter, information will be made public in accordance with Commission procedures.



22.07.025.2747



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

March 5, 2001

Ms. Katherine Moret, Treasurer  
Democratic State Central Committee of California - Federal  
911 20<sup>th</sup> Street  
Sacramento, CA 95814

Dear Ms. Moret:

Attached please find the Report of the Audit Division on the Democratic State Central Committee of California - Federal. The Commission approved the report on February 26, 2001.

The Commission approved Final Audit Report will be placed on the public record on March 12, 2001. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220. Any questions you have related to matters covered during the audit or in the report should be directed to Gary Hache or Marty Favin of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa".

Robert J. Costa  
Assistant Staff Director  
Audit Division

cc: Mr. Lance H. Olson, Counsel

Attachment as stated

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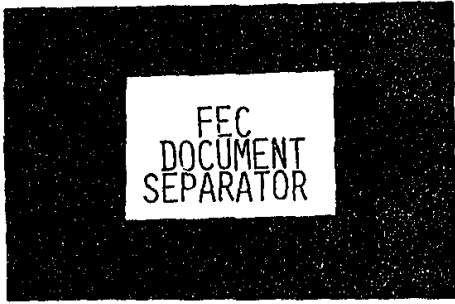
CHRONOLOGY

DEMOCRATIC STATE CENTRAL COMMITTEE  
OF CALIFORNIA - FEDERAL

Audit Fieldwork	10/25/99--2/11/00
Interim Audit Report to the Committee	8/25/00
Response Received to the Interim Audit Report	9/28/00
Final Audit Report Approved	2/06/01

05.25.2000

22.07.025.2751



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DOCUMENT  
SEPARATOR

