



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 9, 2001

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA *RJC for RJC*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
OAKLAND DEMOCRATIC CAMPAIGN COMMITTEE

Attached please find a copy of the final audit report and related documents on the Oakland Democratic Campaign Committee which was approved by the Commission on March 28, 2001.

Informational copies of the report have been received by all parties involved and the report may be released to the public on April 9, 2001.

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  
**Oakland Democratic Campaign Committee**

Approved March 28, 2001



FEDERAL ELECTION COMMISSION

999 E STREET, N.W.

WASHINGTON, D.C.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

**REPORT OF THE AUDIT DIVISION  
ON THE  
OAKLAND DEMOCRATIC CAMPAIGN COMMITTEE**

**EXECUTIVE SUMMARY**

The Oakland Democratic Campaign Committee (the Committee) registered with the Federal Election Commission on June 14, 1976.

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 of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The period covered by the audit was January 1, 1997 through December 31, 1998. The findings of the audit were presented to the Committee at an exit conference and later, in an interim audit report. The Committee's responses to those findings are included in the final audit report.

The following is an overview of the findings contained in the final audit report.

**FUNDING OF ALLOCABLE EXPENSES FROM A NON-FEDERAL ACCOUNT —  
11 CFR §§106.5(a)(2), and (g)(1), and 104.10(b)(4)**

From January 1, 1997 through July 14, 1997, allocable expenses totaling \$89,265 were defrayed from a non-federal account. The non-federal account was later reimbursed for the federal share. The Audit staff's analysis of shared expenses indicated that the federal account paid more than its allocable share of the expenses; in the aggregate, no overfunding of expenses by the non-federal account occurred. Nonetheless, disbursements made directly from a non-federal account for allocable expenses are not permitted under the Commission's regulations.

**DISCLOSURE OF JOINT FEDERAL/NON-FEDERAL EXPENSES —  
11 CFR §§104.3(b)(3)(i)(A), 104.10(b)(4)**

Rather than disclosing on Schedule H-4 each disbursement made for a joint federal/non-federal expense, the Committee aggregated as one entry, multiple disbursements to the same payee. In addition, certain other disbursements from a non-federal account, identified as payments for allocable expenses, were not disclosed at all.

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The interim report recommended that the Committee file amended Schedules H-4. However, amended reports filed by the Committee did not include the recommended Schedules H-4.

**MISSTATEMENT OF FINANCIAL ACTIVITY — 2 U.S.C. §434(b)(1), (2) and (4)**

The Committee's disclosure reports were materially understated primarily as a result of the Committee's failure to disclose the activity in 2 accounts maintained for Bingo activity and another Committee account. The Committee filed amended reports to address this issue, however, the amended report totals for receipts and disbursements appear to be overstated.

**DOCUMENTATION FOR DISBURSEMENTS — 2 U.S.C. §432(c)(5) and 11 CFR §102.9(b)(2)**

The Committee failed to maintain adequate records for a material number of disbursements. The interim report recommended that the Committee provide copies of canceled checks or payee generated receipts or invoices for the disbursements, however, these materials were not provided.

**ITEMIZATION OF DEBTS AND OBLIGATIONS — 11 CFR §104.11(a)**

The Audit staff identified 22 disbursements to five vendors that appeared to be partial payments on outstanding debts; however, no debts to these vendors were disclosed on Schedules D (Debts and Obligations Excluding Loans) of the Committee's reports. Vendor-generated documentation to confirm whether there were reportable debts to these vendors was not presented for Audit staff review. The interim report recommended that the Committee provide documentation that the disbursements were not reportable as debts or file Schedules D to disclose the details of the debts related to the disbursements. The Committee filed amended reports to disclose debts to three of the five vendors and accounted for 16 of the 22 disbursements at issue.

**RECEIPT OF CONTRIBUTIONS FROM AN UNREGISTERED POLITICAL PARTY ORGANIZATION — 11 CFR §102.5(b)**

During 1998, the Committee received 16 contributions totaling \$18,800 from an unregistered political party organization. Evidence to demonstrate that permissible funds were used to make the contributions was not presented to the Audit staff. The interim report recommended that the Committee present such evidence or refund the contributions. The Committee presented evidence that \$5,500 had been refunded, albeit untimely. The Committee's response did not address the remaining \$13,300.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION  
ON THE  
OAKLAND DEMOCRATIC CAMPAIGN COMMITTEE**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Oakland Democratic Campaign Committee (the Committee), undertaken by the Audit Division of the Federal Election 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 January 1, 1997, through December 31, 1998. The Committee reported a beginning cash balance on January 1, 1997 of \$137; total receipts for the audit period of \$203,842; total disbursements for the audit period of \$201,297; and an ending cash balance of \$2,682 on December 31, 1998.<sup>1</sup>

**C. CAMPAIGN ORGANIZATION**

The Committee registered with the Federal Election Commission on June 14, 1976 and maintains its headquarters in Berkley, Michigan. The Committee had two Treasurers during the period covered by the audit: Ms. Martha Blom from January 1, 1997 until February 9, 1998, Ms. Marcia Femrite from February 10, 1998 until December 31, 1998. The current Treasurer is Mr. David Woodward.

To manage its financial activity, the Committee maintained nine bank accounts during the audit period; however, it did not maintain a separate allocation

<sup>1</sup> All amounts presented in this report were rounded to the nearest dollar.

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account to pay for shared federal/non-federal expenses. Nine bank accounts were maintained by the Committee or its parent organization, the Oakland Democratic Party, eight of which it considered as non-federal. Based on our review of each accounts' purpose and activity it appeared that only five accounts were non-federal while four accounts are properly classifiable as federal. See Finding II.B.

The Committee's receipts were composed of contributions from individuals, political party committees, other political committees (such as PACs), transfers from affiliated committees, offsets to operating expenditures (such as refunds and rebates), and transfers from non-federal accounts for joint activity.

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

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 (see Finding II.E.);
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions or other receipts 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. proper disclosure of debts and obligations, to include loans (see Finding II.D.);
6. accuracy of total reported receipts, disbursements and cash balances as compared to committee bank records (see Finding II.B.);
7. adequate recordkeeping for transactions (see Finding II.C.);
8. 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 (see Finding II.A.); and,
9. other audit procedures that were deemed necessary in the situation.

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Testing of disbursements was limited because the Committee failed to maintain canceled checks or vendor generated documentation for a material number of disbursements.

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

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. JOINT FEDERAL/NON-FEDERAL ACTIVITY**

Section 106.5(g)(1) of Title 11 of the Code of Federal Regulations states, in part, committees that have established separate federal and non-federal accounts under 11 CFR 102.5(a)(1)(i) shall pay the expenses of joint federal and non-federal activities as follows: (i) pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense; or (ii) establish a separate allocation account into which funds from its federal and non-federal accounts shall be deposited solely for the purpose of paying allocable expenses. Once a committee establishes a separate allocation account, all allocable expenses shall be paid from that account for as long as the account is maintained.

Section 106.5(a)(2)(i) and (iv) of Title 11 of the Code of Federal Regulations states that committees that make disbursements in connection with federal and non-federal elections shall allocate expenses according to this section for the following categories of activity: administrative expenses including rent, utilities, office supplies, and salaries, except for such expenses directly attributable to a clearly identified candidate; and generic voter drives including voter identification, voter registration, and get-out-the-vote drives, or any other activities that urge the general public to register, vote or support candidates of a particular party or associated with a particular issue, without mentioning a specific candidate.

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states that a political committee that pays allocable expenses in accordance with 11 CFR 106.5(g) or 106.6(e) shall also report each disbursement from its federal account or its separate allocation account in payment for a joint federal and non-federal expense or activity. In the report covering the period in which the disbursement occurred, the committee shall state the full name and address of each person to whom the disbursement was made, and the date, amount and purpose of each such disbursement. If the disbursement includes payment for the allocable costs of more than one activity, the committee shall itemize the disbursement, showing the amounts designated for payment of administrative expenses and generic voter drives, and for each fundraising program or exempt activity, as described in 11 CFR 106.5(a)(2) or 106.6(b). The committee shall

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also report the total amount expended by the committee that year, to date, for each category of activity.

### 1. Funding of Allocable Expenses by a Non-federal Account

Our review indicated that for the audit period the Oakland Democratic Party, the Committee's parent organization, maintained nine bank accounts—one account that it considered federal and eight accounts that it considered non-federal. Our review of the associated documentation made available for these accounts identified shared expenses paid directly from one of the non-federal accounts. As noted above, a party committee engaging in both federal and non-federal activities may either pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal accounts to its federal account solely to cover the non-federal share of that allocable expense, or establish a separate allocation account into which funds from its federal and non-federal accounts are deposited solely for the purpose of paying the allocable expenses. The Committee did not follow either of the prescribed methods for payment of allocable expenses.

Instead, from 1/1/97 through 7/14/97, allocable expenses totaling \$89,265 were defrayed using funds from a non-federal account. The federal share of these expenses was \$9,917. The non-federal account was later "reimbursed" \$33,200 by the federal account for the federal share of allocable expenses as determined by the Committee. Subsequent to 7/14/97, the Committee paid for all shared expenses from its federal operating account without receiving reimbursement from the non-federal account for the non-federal share. The Audit staff's analysis of shared expenses indicated that the federal account paid more than its allocable share of the expenses; in the aggregate no over funding of expenses by the non-federal account occurred. Nonetheless, disbursements made directly from a non-federal account in payment of allocable expenses are not permitted under the Commission's allocation regulations.

### 2. Disclosure Of Joint Federal/Non-Federal Expenses

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that "a political committee that pays allocable expenses in accordance with 11 CFR106.5(g) or 106.6(e) shall also report each disbursement from its federal account or its separate allocation account in payment for a joint federal and non-federal expense or activity. In the report covering the period in which the disbursement occurred, the committee shall state the full name and address of each person to whom the disbursement was made, and the date, amount and purpose of each such disbursement."

At 11 CFR §104.3(b)(3)(i)(A) *purpose* is defined as a brief statement or description of why the disbursement was made. Examples of statements or descriptions which meet the requirements of 11 CFR 104.3(b) include the following: *dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses,*

*travel expense reimbursement, and catering costs.* However, statements or descriptions such as *advance, election day expenses, other expenses, expenses, expense reimbursements, miscellaneous, outside services, get-out-the-vote, and voter registration* would not meet the requirements of 11 CFR 104.3(b)(3) for reporting the purpose of an expenditure.

Although shared expenses were paid initially from a non-federal account, the Committee itemized the expenses on Schedules H-4 (Joint Federal/Non-Federal Activity Schedule), which reflected the federal and non-federal share of the allocable expenses. However, the totals reported on these Schedules H-4 were not included in total reported receipts and disbursements, rather, the itemized transactions were labeled “memo worksheet.”

A review of the Committee’s disbursements itemized on Schedules H-4 identified entries for which multiple disbursements to the same payee were aggregated as one entry for the reporting period. For example, six separate payments to one vendor were itemized as a single payment in the amount of the sum of the six payments. This reporting practice occurred during both reporting periods in 1997.

For the reporting period covering 1/1/97 through 6/30/97, the Committee filed Memo Schedules H-4 to disclose expenditures for joint federal/non-federal activity paid from a non-federal account. The Audit staff identified 164 disbursements totaling \$76,714 that were disclosed improperly. The date reported for the disbursements was “1/1/97 thru 6/30/97.” Likewise, for the reporting period covering 7/1/97 through 12/31/97, the Audit staff identified 108 disbursements totaling \$46,626 that were disclosed improperly. The dates for these disbursements were reported as a range of dates. The range varied from entry to entry.

In addition, during the period 7/1/97 through 7/14/97, the Committee made 16 disbursements for shared administrative expenses totaling \$4,630 from a non-federal account. These disbursements were not disclosed. Although disbursements made directly from a non-federal account in payment of allocable expenses are not permitted under the Commission’s allocation regulations, such transactions should be disclosed, albeit in “memo schedule” fashion, to complete the public record.

For 43 other disbursements totaling \$8,724, the reported purpose was either missing, inaccurate or was described as “General Office,” a term, which in the Audit staff’s opinion, does not meet the requirement of 11 CFR §104.3(b) for reporting the purpose of an expenditure.

At the Exit Conference, the Committee was informed of the disclosure errors and advised of the proper way to itemize disbursements.

In the interim audit report, the Audit staff recommended that the Committee file amended Schedules H-4 to correct the disbursement irregularities

discussed above. Further, it recommended that the Committee implement procedures to ensure that, in the future, shared expenses are defrayed in accordance with the Commission's regulations and provide a copy of said procedures as part of its response to this report.

The Committee filed amended reports for the audit period; however, the amendments did not include the amended Schedules H-4 recommended in the interim report. Also, the Committee did not provide a copy of procedures for ensuring that shared expenses are defrayed in accordance with Commission regulations.

## **B. MISSTATEMENT OF FINANCIAL ACTIVITY**

Sections 434(b)(1), (2) and (4) of Title 2 of the United States Code state, in part, that a political committee shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and disbursements for the reporting period and calendar year.

The Committee reported financial activity from its federal operating account and certain shared expenses, as memo entries, from one of its non-federal accounts. However, as described below, the Committee maintained other accounts, transactions from which should have been reported as well.

### **1. Bingo Accounts**

The Oakland Democratic Party is licensed by the State of Michigan to operate two Bingo games per week, Special Bingo on Thursday and Executive Bingo on Saturday. In 1995, the Committee received authorization from the State of Michigan Bureau of State Lottery to designate the proceeds from these games for federal rather than local elections. The Bingo licenses, which are required to be prominently displayed at the licensed premises where the games are conducted, state that the licenses have been issued to the Democratic Executive Committee Oakland County. However, evidence to demonstrate that the Bingo participants were aware that the proceeds of the Bingo games would be used to fund federal election activity was not present in the records presented for Audit staff review.

In accordance with state guidelines, a separate bank account was used to facilitate each night's game: the Oakland County Democratic Party Special Bingo Account for the Thursday night games and the Executive Committee of the Oakland Democratic Party account for the Saturday night games. Deposits into each account consisted only of receipts from each night's Bingo. These receipts consisted of admission charges and were paid in cash. According to the Committee official who administered the Bingo games, customers playing Bingo were allowed to purchase Bingo cards valued at no more than \$23 a night.

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Disbursements from each account were only for expenses associated with operating the Bingo and for transferring the net proceeds to another Committee account. Expenses included rental of the Bingo facilities (halls); security guards, printing of tickets, game cards etc., payments to workers (who are limited by law to \$10 per night, each); advertising and payment of prizes. According to MI guidelines, payments for prizes exceeding \$50 must be made by written instrument. In addition to bank records, the Committee was required by state law to maintain records of the transactions of each game including lists of names of individuals who won prizes and the amounts won. The bank and other Bingo records were maintained at the Bingo location. The Committee filed quarterly or monthly reports with the Bureau of State Lottery, disclosing the receipts and disbursements pertaining to the Bingo games.

During the audit period, the Committee paid prizes using the cash received from the sale of the Bingo cards. Winners of prizes completed a written voucher with their name, address, and signature and name of the cashier. This written voucher was apparently sufficient to meet the requirement that prizes be paid by a written instrument. If the funds received from the sale of the Bingo cards were insufficient to pay the prizes in cash, checks were written from the applicable Bingo account. Using the reports filed with the MI Bureau of State Lottery and the Bingo bank accounts, the Audit staff calculated that approximately \$1.43 million in gross receipts and disbursements related to Bingo activities; about \$790,000 in activity did not pass through the Committee's accounts. This amount represented the payment of prizes in cash using funds collected as admission charges.

Net proceeds from the Bingo games, totaling \$106,900 were transferred to the Oakland Democratic Campaign Committee Federal Operating Account. The transfers, \$50,400 in 1997 and \$56,500 in 1998, generally were itemized on Schedule A of the Committee's disclosure reports on line 11.a.i., Contributions from Individuals, as lump sum transfers. Information pertaining to the individual contributors was not included. Most of the receipts and all of the disbursements associated with the Bingo games were not reported.

Guidance on the reporting of Bingo activity can be found in Commission AO 1981-48, which, among other things, states that one method to account for the proceeds would be to record the name of the event, the date(s) contributions were received for that event, and the total amount of contributions received on each day for that event. The Commission did not require the political committee to record the names and address of individuals contributing less than \$50 at a single event, although it did state that if the political committee retains information on the names of its contributors, it should also track the amount donated by such persons to the committee on a calendar year basis for aggregation purposes in accordance with 2 USC §432(c)(3) and 11 CFR 102.9(a)(2).

This AO does not address the reporting of expenses related to the Bingo activity but it references an earlier Commission AO, AO 1976-22, which also

addresses the reporting of Bingo activity. AO 1976-22 states that expenditures for bingo events are considered expenditures by the sponsoring committee and must be reported. It further states that the awarding of cash prizes in currency rather than by written instrument is permissible under the Act, provided that currency for cash prizes in amounts exceeding \$100 for any one bingo event is obtained by a check payable to petty cash which is drawn on the Committee's Bingo account or its federal account.

According to AO 1981-48 the Committee was not required to itemize individual contributors since receipts from each individual were less than \$50. However, since all net proceeds were transferred into a federal account, it appears that the Bingo accounts should have been considered federal bank accounts, and therefore gross receipts and expenses should have been reported.

During 1997, the Committee had gross Bingo receipts totaling \$729,055 and gross disbursements totaling \$719,580. Therefore, for 1997, the Committee's receipts were understated by a net amount of \$678,655 (\$729,055 less reported net proceeds of \$50,400) and disbursements were understated by \$719,580. During 1998, the Committee had gross Bingo receipts totaling \$708,848 and gross disbursements totaling \$716,086. Therefore, in 1998, the Committee's receipts were understated by a net amount of \$652,348 (\$708,848 less reported net proceeds of \$56,500) and disbursements were understated by \$716,086.

In the interim report, the Audit staff recommended that the Committee:

- provide an explanation as to why the Bingo accounts (Oakland County Democratic Party Special Bingo Account and the Executive Committee of the Oakland Democratic Party account) should not be considered federal accounts; or
- disclose all of the financial activity which resulted from the operation of the Bingo games (cash transactions as well as those reflected in the Bingo bank accounts), including Schedules A (Itemized Receipts) and Schedules B (Itemized Disbursements) detailing those receipts and disbursements that were required to be itemized.

The Committee filed amended reports for each reporting period. However, the amounts for total receipts and disbursements were greater than the totals calculated by the Audit staff. The amended reports for calendar year 1998 included copies of "Bingo Weekly Cash Reconciliation" forms corresponding to each report period. These forms were required by State of Michigan Bureau of State Lottery to be completed to account for receipts and disbursements relative to each bingo game and are the same forms that were reviewed by the Audit staff during audit fieldwork. The Audit staff was unable to reconcile information on these forms with the totals reported by the Committee on the amended reports and therefore cannot comment on the accuracy of the amended report totals. See Section 4, Summary, below.

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The amended reports also included Schedules A and B itemizing receipts and disbursements related to the bingo activity. However, the Schedules B did not include itemization of individuals who received prizes in amounts aggregating in excess of \$200 in the calendar year. Based on a review of the bingo bank account records available during audit fieldwork, the Committee paid at least \$44,800 in prizes in amounts requiring itemization.

## 2. Oakland County Democratic Committee Regular Account

The Committee maintained this account to accept payments for Democratic Party membership dues and federal fundraising events made by MasterCard or Visa credit cards. During the audit period, deposits into this account totaled \$10,183 and consisted of payments from individuals. Disbursements totaled \$10,655 and included \$4,900 in transfers to the federal operating account, \$2,150 in transfers to a non-federal account and the remaining \$3,605 in fundraising and miscellaneous expenses. Except for the \$4,900 in transfers to the federal operating account, the Committee's reports did not reflect the activity in this account. The transfers were itemized on Schedule A for line 11.a.i., Contributions from Individuals, as lump sum transfers.

Based on the nature of the receipts (payments from individuals for membership dues and federal fundraisers) and the disbursements (transfers to a federal account, expenses for fundraisers, etc.) the Audit staff concludes that during the audit period, this account was a federal account and its activity should have been included on the Committee's disclosure reports. Therefore, the Committee's reported receipts and disbursements were understated. In 1997 receipts were understated by a net amount \$4,643 (total receipts of \$5,393 less reported transfers of \$750) and disbursements by \$5,851. In 1998 receipts were understated by a net amount \$695 (total receipts of \$4,845 less reported transfers of \$4,150) and disbursements by \$4,804.

In the interim report, the Audit staff recommended that the Committee provide an explanation as to why the Oakland County Democratic Committee Regular Account should not be considered a federal account; or file amended reports for each reporting period in calendar years 1997 and 1998 to disclose all of the financial activity which occurred in the Oakland County Democratic Committee Regular Account including Schedules A (Itemized Receipts) and Schedules B (Itemized Disbursements) detailing those receipts and disbursements that were required to be itemized.

As stated above, the Committee filed amended reports for each reporting period disclosing amounts for total receipts and disbursements that are greater than those calculated by the Audit staff. Therefore, it appears that total activity from this account was included. Schedules A and B filed with the amendments include those receipts and disbursements required to be itemized from this account.

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1997 Misstatement of Financial Activity

	A	B	C	D	E
	Original Reported Balance	Correct Balance per Audit	Amount Misstated per Original Reports	Amended Report Balances	Amount Misstated per Amended Reports Col. D less B
Beginning Balance	\$ 137	(\$ 144)	(\$ 281)	\$ 2,997	\$ 3,141
Receipts	82,855	766,163	683,308	823,058	56,895
Disbursements	82,527	756,818	674,291	816,402	59,584
Ending Balance	465	9,201	8,736	9,654	453

1998 Misstatement of Financial Activity

	A	B	C	D	E
	Original Reported Balance	Correct Balance per Audit	Amount Misstated per Original Reports	Amended Report Balances	Amount Misstated per Amended Reports Col. D less B
Beginning Balance	\$ 465	\$ 9,201	\$ 8,736	\$ 9,654	\$ 453
Receipts	120,987	769,247	648,260	784,504	15,257
Disbursements	118,769	774,608	655,839	789,359	14,751
Ending Balance	2,683	3,839	1,156	4,798	959

Other items included in the Committee's response were copies of signs posted at the Bingo halls informing participants that funds from the bingo activity were used to fund federal election activity.

**C. DOCUMENTATION FOR DISBURSEMENTS**

Section 432(c)(5) of Title 2 of the United States Code requires the Treasurer of a political committee to keep an account of the name and address of each person to whom any disbursement is made, the date, amount and purpose of the disbursement, and the name of the candidate and office sought by the candidate, if any, for whom the disbursement was made, including a receipt, invoice or canceled check for each disbursement in excess of \$200.

Section 102.9(b)(2) of Title 11 of the Code of Federal Regulations states that in addition to an account of all disbursements kept under 11CFR 102.9(b)(1), the treasurer of a political committee must keep for each disbursement in excess of \$200

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made by or on behalf of the committee, a receipt or invoice from the payee, or a canceled check to the payee.

During the review of the Committee's disbursements, the Audit staff identified 24 disbursements totaling \$30,577 for which the Committee failed to maintain adequate records. For most of these disbursements, an accounting of the transaction was detailed in a check register and the Committee maintained a tissue copy of the check. However, there were no receipts or invoices generated by the payees or canceled checks.

At the Exit Conference held at the completion of audit fieldwork, the Committee was presented with a schedule of the disbursements. A Committee official stated that she would attempt to locate the documents. However, prior to the issuance of the interim audit report no additional documentation had been provided.

In the interim audit report, the Audit staff recommended that the Committee provide copies of the canceled checks for the disbursements noted above or payee generated receipts or invoices. These materials were not provided in the Committee's response.

#### **D. ITEMIZATION OF DEBTS AND OBLIGATIONS**

Section 104.11(a) of Title 11 of the Code of Federal Regulations states that, "Debts and Obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. See 11 CFR 104.3(d). These debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. Where such debts and obligations are settled for less than their reported amount or value, the reporting committee shall include a statement as to the circumstances and conditions under which the debt or obligation was extinguished and the amount paid."

During the review of the Committee's disbursements, the Audit staff reviewed documentation (check registers) that appeared to indicate that partial payments were being made on outstanding debts. At issue were 22 disbursements totaling \$7,156 that were made to 5 vendors. Notations in the Committee's check register describe the purpose for the disbursements as "old debt, on account, partial payment," and referenced, in some instances, a specific fundraiser. The Committee did not file Schedules D (Debts and Obligations Excluding Loans) to disclose these debts. Documentation, such as vendor invoices, receipted bills, or contracts, was not available for Audit staff review. It should be noted that some of these disbursements are included in Finding C., Documentation for Disbursements, discussed above.

At the Exit Conference, the Committee was informed of the requirement to report debts. The Committee official stated she understood why some of these disbursements would have been required to be reported as debts, and she would continue

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looking for information pertaining to agreements and invoices. However, prior to the issuance of the interim audit report, no additional documentation had been provided.

In the interim audit report, the Audit staff recommended that the Committee provide documentation from the vendors demonstrating that the 22 disbursements noted above were not reportable as debts; or file Schedules D to disclose the details of the debts related to the 22 disbursements noted above.

The Committee filed amended reports that included Schedules D for each of the reporting periods. The Schedules D disclosed debts to three of the five vendors identified by the Audit staff and accounted for 16 of 22 payments (\$5,357) at issue.

#### **E. RECEIPT OF CONTRIBUTIONS FROM AN UNREGISTERED POLITICAL PARTY ORGANIZATION**

Section 102.5(b) of Title 11 of the Code of Federal Regulations states that organizations, that are not political committees under the Act, that make contributions or expenditures must either: establish a separate account to which only funds subject to the prohibitions and limitations of the Act are deposited and from which contributions and expenditures are made; or, demonstrate through a reasonable accounting method that when contributions are made by such organization, sufficient funds subject to the prohibitions and limitations of the Act were received.

During 1998, the Committee received 16 contributions totaling \$18,800 from the Troy Democratic Club, an unregistered political party organization. Evidence to demonstrate that permissible funds were used to make the contributions was not presented during the audit. At the Exit Conference held at the end of audit fieldwork, a Committee official stated that she would find out whether the Troy Democratic Club used federal funds to make the contributions.

In the interim audit report, the Audit staff recommended that the Committee present evidence which demonstrates that the funds used to make the contributions were permissible under the Act or refund \$18,800 to the Troy Democratic Club and present evidence of such refund, such as a copy of the front and back of the negotiated refund check.

The response to the interim audit report included copies of five checks (front only) totaling \$5,500 that were made payable to Troy Democratic Club. The check copies, dated June 7, 2000 through July 18, 2000, had been previously submitted to the FEC in response to a request for additional information (RAI) regarding five contributions from Troy Democratic Club totaling \$5,500 reported on the Committee's 3<sup>rd</sup> quarter 1998 report. These refunds were untimely, occurring between 662 and 693 days after the contributions were received. The response to the interim report contained no other evidence of refunds of the remaining \$13,300.

A review of reports filed by the Committee subsequent to the audit period produced no evidence of refunds to Troy Democratic Club except the \$5,500 noted. Since the Committee did not demonstrate that the funds used by Troy Democratic Club to make the contributions were permissible under the Act, *and* the Committee chose to refund some of the contributions, the Audit staff now views these contributions as impermissible.

22, 07, 025, 2703



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 29, 2001

Mr. David Woodward, Treasurer  
Oakland Democratic Campaign Committee  
PO Box 423  
Troy, MI 48099-0423

Dear Mr. Woodward:

Attached please find the Final Audit Report on Oakland Democratic Campaign Committee. The Commission approved the report on March 28, 2001.

The Commission approved Final Audit Report will be placed on the public record on April 9, 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 Wanda Thomas 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

Attachment as stated

cc: Ms. Wanda Reager

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22.07.025.2705

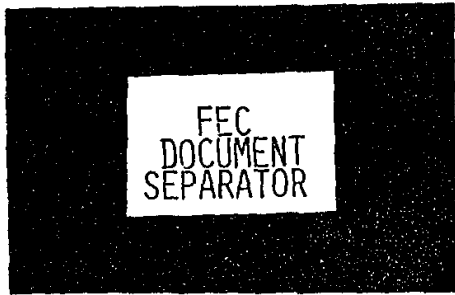
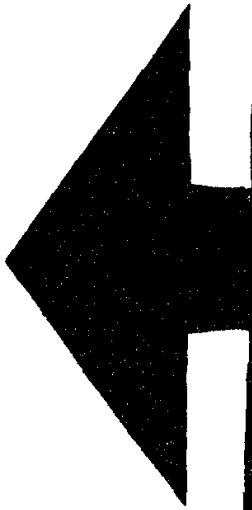
CHRONOLOGY

OAKLAND DEMOCRATIC CAMPAIGN COMMITTEE

Audit Fieldwork	January 11, 2000 – January 20, 2000
Interim Audit Report to the Committee	October 3, 2000
Response Received to the Interim Audit Report	November 27, 2000
Final Audit Report Approved	March 28, 2001

EE 07 025 2706

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FEC  
DOCUMENT  
SEPARATOR

