



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 5, 2018

MEMORANDUM

TO: Patricia C. Orrock
Chief Compliance Officer

Thomas E. Hintermister
Assistant Staff Director
Audit Division

FROM: Neven F. Stipanovic *NFS*
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Assistant General Counsel
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SUBJECT: Interim Audit Report on the Oklahoma Democratic Party (LRA 1075)

I. INTRODUCTION

The Office of the General Counsel has reviewed the Interim Audit Report (“IAR”) on the Oklahoma Democratic Party (“the Committee”). The IAR contains three findings: Misstatement of Financial Activity (Finding 1); Misstatement of Levin Fund Activity (Finding 2); and Recordkeeping for Employees (Finding 3). We concur with the findings in the IAR. We recommend, however, that a debt reporting error discussed in the cover memorandum, classified as [REDACTED] by the Audit Division, be classified as [REDACTED] instead. If you have any questions, please contact Joshua Blume, the attorney assigned to this audit.

II. REPORTING OF DEBTS AND OBLIGATIONS (Cover Memorandum)

In its cover memorandum accompanying the transmission of the IAR to this office for review, the Audit Division notes that the IAR does not contain a finding regarding the Committee’s reporting of debts and obligations despite the existence of reporting errors in this

category. The Audit Division notes that the Committee erred in reporting one debt that was extinguished in 2013 but explains that this error was [REDACTED] that did not exceed the Audit Division's materiality thresholds. As explained below, in our view the reporting of this extinguished debt is better classified as [REDACTED].

The Audit Division assigned the reporting errors to [REDACTED]. First, the Committee failed to report ongoing debts to three vendors totaling [REDACTED]. The Audit Division classified these as [REDACTED]. Second, the Committee affirmatively reported ongoing debt to one vendor, with beginning and ending balances of [REDACTED], which had in fact been fully extinguished in 2013. The Audit Division classified this error differently – as [REDACTED] rather than as [REDACTED].

Neither the concept of [REDACTED] nor that of [REDACTED] as set forth in [REDACTED] expressly contemplates the situation discussed here, in which a committee reports a debt that does not actually exist. [REDACTED]

The Audit Division classified the error as [REDACTED] on the ground that the opening and closing balances of the debt were reported inaccurately. Under this classification, the Committee erred by reporting a debt with opening and closing balances of [REDACTED], while the correct balances should have been reported instead as zero. However, a non-existent debt is not conceptually the same as an existing debt reported inaccurately, and classifying it as such would misconstrue the true nature of the error involved. Amending a report to correct an existing debt would cure the error because the amendment would reflect how the debt *should have been* reported. However, a non-existent debt would not be corrected by amending the report because it would continue to report inaccurately that the debt exists, only reflecting zero opening and

closing balances.² Correcting a reported debt that does not exist is most accurately amended by altogether removing the debt from the report.³

[REDACTED]. The error involved here consists in reporting a debt that should not have been reported. [REDACTED]

[REDACTED] We therefore recommend that the Audit Division reclassify the error in question as [REDACTED].

² Indeed, although the Audit Division has identified the erroneous report of the debt's opening and closing balances as the basis for [REDACTED], it could equally have identified any of the other types of [REDACTED] as the basis. A non-existent debt cannot be [REDACTED] for example. In our view, this fact further supports the classification of the error as one of [REDACTED] rather than [REDACTED].

³ [REDACTED]