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AUDIT DIVISION

2012 Cycle

MATERIALITY THRESHOLDS

Title 26
Primary/General Presidential Candidates
and
Convention Committees

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TABLE OF CONTENTS

(CTRL+Click to go directly to the page)

Clarifications 3
Knowing and Willful Violations of the Act 3
Receipt of Prohibited Contributions 4
Receipt of Contributions and Loans in Excess of the Limitation 7
Use of General Election Contributions for Primary Expenditures 11
Receipt of Contributions of Currency in Excess of the Limitation 13
Prohibited Contributions from Unregistered Political Organizations 14
Untimely Deposits of Contributions 16
Failure to Itemize Receipts or Expenditures 17
Failure to Itemize Loans, Loan Repayments & Debts and Obligations 19
Failure to Itemize Contributions from Political Committees 21
Omission of Disclosure for Receipts and Expenditures 22
Omission of Occupation and Name or Employer 24
Misstatement of Financial Activity 25
Increased Financial Activity 27
Recordkeeping - Receipts 28
Apparent Non-Qualified Campaign Expenses 29
Advances Made by Committee Staff & Other Individuals 31
Extensions of Credit Made by Commercial Vendors 32
Stale-Dated Checks 33
Other Errors or Omissions 34

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Clarifications

1. **Reported Amounts as basis for Threshold Amounts** - For all thresholds, the reported amount will be used if **the reported amount is materially correct**. If the reported amount is materially misstated, the auditor may use the committee's database to derive the appropriate amount provided it has been reconciled to the bank.

2. **Rounding Threshold Amounts** - To determine the threshold amounts, apply the threshold percentage to the appropriate amount and round the result up to the nearest $100. For example, if the amount of contributions from individuals is $725,000, the threshold percentage is 3.5%, the threshold amount is $25,400 ($725,000 x .035 = $25,375).

3. **Best Efforts** – The regulations address best efforts to obtain contributor information (11 CFR 104.7) and to obtain records for disbursements (11 CFR 102.9(d).

4. **Determining Referable Amounts**– Only violation amounts approved by the Commission are considered in the calculation for determining whether the amount(s) breach the threshold for referral to OGC.

Knowing and Willful Violations of the Act

Any matter that does not meet the materiality threshold for inclusion in the preliminary audit report or referral to the Office of General Counsel, can still be referred to OGC if the auditor suspects there is a Knowing and Willful Violation of the Act (11 CFR 110.9). The auditor in conjunction with the Audit Manager and Assistant Staff Director will review the matter and decide if a referral will be made.

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Receipt of Prohibited Contributions

Regulatory Cites
2 USC §§441 b, c, e & f

Applicable to the following:

- Contributions from corporations, unions, national banks, government contractors, foreign nationals.
- Contributions in the name of another.

How the Threshold is applied:

- The dollar value of the projection of the error for UNRESOLVED apparent prohibited contributions and the UNTIMELY resolved apparent prohibited contributions are totaled and compared to the threshold below.
- The "Single Event Threshold" may be applicable to prohibited contributions that do not meet inclusion in the preliminary audit report.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

- the dollar value of the apparent prohibited contributions is greater than [redacted] of the total reported amount of contributions from individuals (as reported on line 17(a) of the Detailed Summary Page of FEC Form 3P)

OR

- the dollar value of the apparent prohibited contributions is greater than [redacted]

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Criteria for Referral to Office of General Counsel

A referral to OGC will be made if the response to the audit report does not reduce the prohibited amount to

- [redacted] or less of the total reported amount of contributions from individuals and the required refunds were **not** made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

- [redacted] or less and the required refunds were **not** made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

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- [redacted] or less of the total reported amount of contributions from individuals, regardless of whether the committee made the recommended refunds or payment to the U.S. Treasury.

OR

- [redacted] or less of the total reported amount of contributions from individuals, regardless of whether the committee made the recommended refunds or payment to the U.S. Treasury.

However, a referral to OGC will **NOT** be made if the response to the report reduces the prohibited contributions:

- Less than or equal to [redacted] of total contributions from individuals and the required refunds were made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

- Less than [redacted] or less of the total reported amount of contributions from individuals and the required refunds were made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

How a committee can reduce the apparent prohibited amount

A committee must submit evidence that a contribution was not prohibited or was timely refunded.

Single Event Threshold (Referral to OGC)

Consider this threshold if the threshold for inclusion in the audit report is not met.

Prohibited contributions will be referred after the exit conference response period if:

- the prohibited contribution is greater than [redacted]

AND

- the threshold for inclusion in preliminary audit report has not been met

AND

- the committee has not refunded the prohibited contribution.

Applicable Policy

- The preliminary audit report must state whether the committee was in compliance with 11 CFR §103.3(b)(4). To determine compliance, the **sum** of excessive and prohibited contributions must be compared to the available cash.
- The prohibited amount should be refunded or disposed of no later than [redacted] days from the date of deposit (provided that there is sufficient assurance the contributions are being deposited within 2 or 3 days of receipt).

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- Contributions that require referral under the Single Event Threshold will be addressed at the exit conference. The committee will have the 10-day post exit conference response period to demonstrate that the contribution was not from prohibited sources.

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Receipt of Contributions and Loans in Excess of the Limitation

Regulatory Cites
2 USC § 441a

Applicable to the following:

- Contributions received from individuals.
- Contributions received from political committees.
- Loans in excess of the contribution limitation by any person.
- Any portion of any loan endorsed or guaranteed by any person in excess of the limitation.

How the Threshold is applied:

- Each category (Individuals; Political Committees & Loans) is tested separately and applied to the threshold separately.
- For Individuals- There are three separate characteristics: Non-Curable Excessives; Untimely Resolved Excessives; Curable Excessives.
- The dollar value of the projection of the error for "curable" and "untimely resolved" is combined and compared to the thresholds below.
- The "Single Event Threshold" may be applicable to excessive contributions that do not meet inclusion in the preliminary audit report.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Reviews

Contributions From Individuals (**Non-Curables**)

The matter will be addressed in the preliminary audit report if:

- the dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from individuals or political committees (as reported on lines 17(a) or 17(b) & 17(c) of the Detailed Summary Page of FEC Form 3P).

OR

- the dollar value of the apparent excessive contributions is greater than [redacted].

Tolerable Sampling Error=[redacted] or [redacted] of the sample error rate, whichever is greater.

Contributions From Individuals (**Untimely Resolved or Curable**)

The matter will be addressed in the preliminary audit report if:

- the combined dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from individuals (as reported on lines 17(a) or 17(b) & 17(c) of the Detailed Summary Page of FEC Form 3P)

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Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Contributions From Political Committees

The matter will be addressed in the preliminary audit report if:

- the dollar value of apparent excessive contributions is greater than [redacted] of the total reported amount of contributions from political committees

OR

- the dollar value of the apparent excessive contributions is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate, whichever is greater.

Audit Recommendation

The recommendation will:

- present the committee an opportunity to demonstrate that the apparent excessive contributions were not excessive or were timely resolved

AND

- afford the committee an opportunity to resolve any remaining unresolved apparent excessive contribution either through refund, payment to the Treasury, or, if applicable, presumptive redesignation or reattribution.

Criteria for Referral to Office of General Counsel

A referral to OGC will be made if:

Contributions From Individuals (**Non-Curable**) and Contributions From Political Committees

A referral to OGC will be made if the response to the audit report does not reduce the excessive amount to

- [redacted] or less of the total reported amount of contributions from individuals/political committees[1] and the required refunds were **not** made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

- [redacted] or less and the required refunds were **not** made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

- [redacted] or less of the total reported amount of contributions from individuals/political committees[1], regardless of whether the committee made the recommended refunds or payment to the U.S. Treasury.

OR

- [redacted] or less of the total reported amount of contributions from individuals/committees[1], regardless of whether the committee made the recommended refunds or payment to the U.S. Treasury.

[1] For individuals the determination is based on [redacted] of contributions from individuals; for political committees the determination is based on [redacted] of contributions from political committees.

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However, a referral to OGC will **NOT** be made if the response to the report reduces the excessive contributions to:

- Less than or equal to [redacted] of total contributions from individuals/political committees[1] and the required refunds were made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

OR

- Less than [redacted] or less of the total reported amount of contributions from individuals/political committees[1] and the required refunds were made or payment to the U.S. Treasury within 30 calendar days of service of the audit report.

Contributions From Individuals (**Untimely Resolved or Curable Excessives**)
The response to the audit report

- does not reduce the apparent excessive contributions to [redacted] or less of total reported amount of contributions from individuals

AND

- the committee did not comply with the recommendation.

How a committee can reduce the apparent excessive amount
A committee must submit either evidence that a contribution was not excessive or evidence that the contribution was timely redesignated or reattributed (either written or presumptive), or timely refunded.

Single Event Threshold (Referral to OGC)

Consider this threshold if the threshold for inclusion in the audit report is not met.

Excessive contributions will be referred after the exit conference response period if:

- the apparent excessive contribution is greater than [redacted] (individual); is greater than [redacted] (political committee)

AND

- the threshold for inclusion in the preliminary audit report has not been met

AND

- the committee has not refunded, reattributed, or redesignated the excessive contribution. Contributions that have been untimely resolved will not be referred under the Single Event Threshold.

Applicable Policy

- The excessive contribution may be redesignated to another election, reattributed to another accountholder (either presumptive or written authorization) or refunded within [redacted] days of deposit (provided that there is sufficient assurance the contributions are being deposited within 2 to 3 days of receipt).
- Contributions that require referral under the Single Event Threshold will be addressed at the exit conference. The committee will have the 10-day post exit conference response period to demonstrate that the contribution was not excessive.

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Use of General Election Contributions for Primary Expenditures

Regulatory Cites
11 CFR §102.9(e)

Applicable to the following:
The use of general election contributions received before the primary election for primary expenses.

How the Threshold is applied:

- This is determined by subtracting the cumulative amount of general election contributions (less any general election expenses) from the committee's daily cash balance to determine if general election contributions were used to pay primary expenses.
- If the adjusted cash balance from this calculation is negative on any day, then general election contributions were used.

Criteria for Inclusion in the Audit Report:
The matter will be addressed in the preliminary audit report if:

Account maintained with both Primary/General contributions:

- The sum of all negative daily cash balances between the date the first general election contribution was received and the end of the period covered by the audit exceeds [redacted] of the total pre-primary general election contributions received

AND

- The sum of all negative balances between the date the first general election contribution was received and the end of the period covered by the audit is at least [redacted].

Separate Accounts:

- Withdrawals (excluding contribution refunds or the transfer of redesignated contributions) from the general election account made prior to the end of the period covered by the audit exceed [redacted] of the total pre-primary general election contributions received

AND

- The aggregate dollar value total is at least [redacted].

Criteria for Referral to Office of General Counsel
A referral to OGC will be made if:

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the response to the audit report does not reduce the amount of general election contributions spent on primary expenditures to a level less than the threshold for inclusion in the preliminary audit report.

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Receipt of Contributions of Currency in Excess of the Limitation

Regulatory Cite
2 USC § 441g

Applicable to the following:

- Currency contributions in excess of $100 per contributor per year.
- Anonymous cash contributions in excess of $50.

How the Threshold is applied:

- The dollar value of the errors for excessive currency contributions and excessive anonymous contributions are totaled and compared to the threshold below.

Criteria for Inclusion in the Audit Report:

100% Review and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

- the dollar value of the excessive currency and the dollar value of excessive anonymous contributions (added together) is greater than [redacted] of the total reported amount of contributions from individuals

AND

- The dollar value of the excessive currency exceeds [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater

Criteria for Referral to Office of General Counsel

A referral to OGC will be made if:

the matter was raised in the preliminary audit report and the Committee's response to the audit report does not reduce the excessive amount to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can reduce the apparent excessive amount

A committee can reduce the amount of the errors by submitting evidence that the contribution; was not excessive; was timely refunded or timely disposed of in an acceptable manner. To be timely, contributions must be refunded or disposed of in an acceptable manner within [redacted] days of deposit, provided that there is sufficient assurance that contributions are being deposited within 2 to 3 days of receipt.

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Prohibited Contributions from Unregistered Political Organizations

Regulatory Cite
11 CFR 102.5(b)

Applicable to the following:

- Contributions received from unregistered political organizations in excess of an individual's limit.
- The permissibility and potential excessive contribution resulting from unregistered political organizations.

How the Threshold is applied:

- The recipient political committee must demonstrate that the funds it received from the unregistered political organization were from ***permissible sources*** (such as a letter from the contributing organization attesting to the permissibility of the contribution). Although the contribution may be deemed permissible, it will still be considered excessive if in excess of the relevant limitation for an individual.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the preliminary audit report if:

- the dollar value of the apparent prohibited or excessive contribution is greater than [redacted] of total reported contributions from individuals (Line 17(a)).

Tolerable Sampling Error= [redacted] or [redacted] of the error rate whichever is greater

How a committee can reduce the apparent prohibited amount
A committee must submit the following:

- Evidence that the contributing organization's funds were from permissible sources

OR

- Evidence that the contribution was timely refunded or disposed of in an acceptable manner. To be timely, contributions must be refunded or disposed of in an acceptable manner within [redacted] days of deposit, provided that there is sufficient assurance that contributions are being deposited within 2 to 3 days of receipt.

Criteria for Referral to the Office of General Counsel
A referral to OGC will be made if:
the response to the audit report does not reduce the excessive or prohibited amount to a level less than the threshold for inclusion in the preliminary audit report.

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Criteria for Referral to the Reports Analysis Division

A referral to RAD will be made after the response to the audit report is received if:

an unregistered political organization makes aggregate contributions which have not been refunded or transferred out, greater than [redacted] during the audit period.

The referral should include relevant parts of the committee's response to the audit report. RAD will address registration of the unregistered committee. Audit will address the receipt of the permissibility and possible excessive contribution.

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Untimely Deposits of Contributions

Regulatory Cites
11 CFR §103.3(a)

Applicable to the following:

- Contributions from individuals.
- Contributions from political committees and party committees.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

This matter will be addressed in the preliminary audit report if:

- the total dollar value of the untimely deposits is greater than [redacted] of the total amount of all deposits.

Tolerable Sampling Error = [redacted] or [redacted] of the sample error rate whichever is greater

How a committee can demonstrate contributions were not errors
To reduce the amount of untimely deposits/transmittals a committee must demonstrate that the deposits were made timely.

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Failure to Itemize Receipts or Expenditures

Regulatory Cites
2 USC § 434(b) & (e)

Applicable to the following:

Tested 100% only

- Federal Funds (Schedule A-P, Line 16)

Tested 100% or DUS

- Contributions from individuals (including in-kind and earmarked), (Schedule A-P, Line 17(a))
- Transfers from other Authorized Committees (Schedule A-P, Line 18)
- Offsets to Expenditures (refunds, rebates, returns of deposits) (Schedule A-P, Line 20)
- Other Receipts (dividends, interests, etc.) (Schedule A-P, Line 17)
- Operating Expenditures (Schedule B-P, Line 23)
- Transfers to other Authorized Committees (Schedule B-P, Line 24)
- Fundraising Disbursements (Schedule B-P, Line 25)-See How the Threshold is applied.
- Exempt Legal and Accounting Disbursements (Schedule B-P, Line 26)- See How the Threshold is applied
- Refunds of Contributions (Schedule B-P, Lines 28(a), (b), (c))
- Other Disbursements (Schedule B-P, Line 29)

How the Threshold is applied:

- The categories of receipts/expenditures should be combined, whenever possible. Errors are compared against the population (specific category(s)) that was tested.
- "Fundraising" and "Exempt Legal and Accounting" disbursements are often reported as a lump sum transfer from Line 23. These lump sum transfer amounts should not be included in the testing population. However, if the transactions are itemized separately for Line 25 & 26, the individualized transactions should be combined with Line 23 disbursements for testing and evaluation purposes.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

- the aggregate dollar value of receipts/expenditures that were required to be itemized but were not, is greater than [redacted] of the total dollar value of all transactions itemized for the specific category

OR

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- the dollar value of the receipts/expenditures that were required to be itemized but were not, is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater

Criteria for Referral to the Office of General Counsel

The matter will be referred to OGC if:

the response to the audit report does not reduce the amount not itemized to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can demonstrate a transaction was itemized:

The committee can reduce the amount in error by demonstrating that the transactions were itemized on reports filed prior to the audit notification letter or show the transactions were not required to be itemized.

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Failure to Itemize Loans, Loan Repayments & Debts and Obligations

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

Tested 100% or DUS

- Debts and Obligations owed **by** the Committee (Schedule D-P, Line 12)

Tested 100% only

- Loans Received (Schedules A-P and C-P, Line 19(c))
- Loans Repayments Made (Schedule B-P, Line 27(c))
- Debts and Obligations owed **to** the Committee (Schedule C-P or D-P, Line 11)

How the Threshold is applied:

- This threshold is applied separately to each category. Errors are compared against the population (specific category(s)) that was tested.
- For Debts and Obligations owed by the Committee (Schedule D, Line 10) tested on a sample basis, all disbursement sample items are testable for potential debt reporting.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be address in the preliminary audit report if:

- the aggregate dollar value of the transactions not itemized for the category tested is greater than [redacted] of the aggregate dollar value of transactions that should have been itemized for each category

OR

- the dollar value of the transactions not itemized for the category tested is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Criteria for Referral to the Office of General Counsel

The matter will be referred to OGC if:

the response to the audit report does not reduce the amount not itemized to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can demonstrate a transaction was itemized:

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The committee can reduce the amount in error by demonstrating that the transactions were itemized on reports filed prior to the audit notification letter or by showing that the transaction did not require itemization.

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Failure to Itemize Contributions from Political Committees

Regulatory Cite
2 USC § 434(b) & (e)

Applicable to the following:

- Contributions received from political committees.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be included in the preliminary audit report if:

- the dollar value of contributions from political committee not itemized is greater than [redacted] of the total reported amount of the contributions received from political committees (Lines 17(b) & 17(c))

OR

- the dollar value of contributions from political committees not itemized is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Criteria for Referral to the Office of General Counsel

The matter will be referred to OGC if:
the response to the audit report does not reduce the aggregate dollar value not itemized to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can demonstrate a transaction was itemized:

The committee can reduce the amount in error by demonstrating that the transactions were itemized on reports filed prior to the audit notification letter or by showing that the transaction did not require itemization.

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Omission of Disclosure for Receipts and Expenditures

Regulatory Cites
2 USC § 434(b)

Applicable to the following:

- Contributions from individuals (including in-kind and earmarked), (Schedule A-P, Line 17(a))
- Contributions from political committees (Schedule A-P, Lines 17(b) & (c))
- Contributions from the Candidate (Schedule A-P, Line 17(d))
- Transfers from other Authorized Committees (Schedule A-P, Line 18)
- Offsets to Expenditures (refunds, rebates, returns of deposits) (Schedule A-P, Line 20)
- Other Receipts (dividends, interests, etc.) (Schedule A-P, Line 21)
- Operating Expenditures (Schedule B-P, Line 23)
- Transfers to other Authorized Committees (Schedule B-P, Line 24)
- Fundraising Disbursements (Schedule B-P, Line 25)
- Exempt Legal and Accounting Disbursements (Schedule B-P, Line 26)
- Refunds of Contributions (Schedule B-P, Lines 28(a), (b), (c))
- Other Disbursements (Schedule B-P, Line 29)

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking adequate disclosure information, such items will not be considered errors.
- The categories of receipts/expenditures should be combined, whenever possible. Errors are compared against the population (specified category(s)) that was tested.
- "Fundraising" and "Exempt Legal and Accounting" disbursements are often reported as a lump sum transfer from Line 23. These lump sum transfer amounts should not be included in the testing population. However, if the transactions are itemized separately for Line 25 & 26, the individualized transactions should be combined with Line 23 disbursements for testing and evaluation purposes.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

- the dollar value of disclosure errors is greater than [redacted] of the total reported amount of itemized receipts or expenditures for the specific category

OR

- the dollar value of disclosure errors is greater than [redacted].

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Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Criteria for Referral to the Office of General Counsel

The matter will be referred to OGC if:

the response to the audit report does not reduce the amount of disclosure errors to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can demonstrate a transaction was correctly disclosed

To reduce the dollar value of disclosure errors, the committee must demonstrate that the disclosure was correct or that best efforts were made to obtain, maintain and submit the required information.

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For more information, see http://www fec.gov/law/procedural_materials.shtml

Omission of Occupation and Name or Employer

Regulatory Cites
2 USC § 434(b) and 11 CFR §104.3

Applicable to the following:

- The threshold is applied to contributions from individuals that are itemized on the committee disclosure reports.

How the Threshold is applied:

- Best Efforts-If during the review "best efforts" are documented for those items lacking adequate disclosure information, such items will **not** be considered errors.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

- the dollar value of itemized contributions having missing or inadequate occupation/name of employer information is greater than [redacted] of the dollar value of all itemized contributions from individuals (Line 17(a)).

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Criteria for Referral to Office of General Counsel

The matter will be referred to OGC if:

the response to the audit report does not reduce the amount of itemized contributions having missing or inadequate occupation/name of employer to a level less than the threshold for inclusion in the preliminary audit report.

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Misstatement of Financial Activity

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

- Discrepancies between reported financial activity (receipts, disbursements, and cash on hand) and the activity reportable according to the bank reconciliation.

How the Misstatement is Presented in the Report:

- If only receipts or disbursements are materially misstated, the finding will explain the beginning cash on hand, ending cash on hand, receipt, and disbursement misstatements in order for the committee to file complete and accurate amendments.
- If only cash on hand is materially misstated, the committee will be requested to amend its latest report filed to correct the cash on hand balance Receipt and disbursement discrepancies should be presented to the committee at the exit conference even though these will not appear in the audit report.

Criteria for Inclusion in the Audit Report:
The matter will be addressed in the preliminary audit report if:

Misstated Activity (Receipts or Expenditures) Threshold

- the reported amount of receipt or expenditures, when compared to the correct reportable amount per the bank, is misstated by greater than [redacted]

AND

- the misstated amount or receipts or expenditures is greater than [redacted].

Absolute Value of Misstated Activity (Receipts or Expenditures) Threshold

- the sum of the absolute values of the identified receipt or expenditure errors (disregarding signs), when compared to the correct reportable amount of receipts or expenditures per the bank is greater than [redacted]

AND

- the misstated amount of receipts or expenditures (disregarding signs) is greater than [redacted].

Cash on Hand Threshold

- the reported cash on hand (either beginning or ending) is misstated by greater than [redacted] of the greater of correct reportable receipts or disbursements

AND

- the misstated amount is at least [redacted].

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For more information, see http://www fec.gov/law/procedural_materials.shtml

Criteria for Referral to the Office General Counsel
The matter will be referred to OGC if:

After determining if the response to the audit report has reduced the misstated amount of receipts or expenditures (See "How a committee can reduce the misstated amount"), the matter will be referred to OGC if any of the conditions are met in #1, #2 or #3 below:

1. **Receipts and Expenditures**

The reported amount of receipts or expenditures is misstated by greater than [redacted].

2. **Receipts and Expenditures**

The response to the audit report does not reduce the misstated amount of receipts or expenditures to less than the threshold for inclusion in the preliminary audit report.

3. **Absolute Value of Misstated Activity (Receipts or Expenditures)**

The sum of the absolute values of the identified receipt or expenditure errors (disregarding signs) is greater than [redacted] of the respective correct reportable amounts.

How a committee can reduce the misstated amounts:
The committee can reduce the misstated amount by demonstrating that the audited reports were materially correct or misstated by a lesser amount.

Applicable Policy

- The calculation of the dollar amount of the absolute value does **not** include the amount of "unexplained differences."
- If differences between bank and reported amounts are the result of timing differences, discuss with Audit Manager not pursuing this part of the misstatement finding. For example, [redacted] in contributions are received on December 15, 2007 but not deposited until January 15, 2008 and reported in the report covering January.

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Increased Financial Activity

Regulatory Cite
2 USC § 434(b)

Applicable to the following:

- Any committee that filed amended reports prior to the Audit Notification Letter reporting additional receipts or disbursements.
- Increased Activity is calculated over a two calendar year period and includes the misstatement of receipts or disbursements. The differences are calculated for each calendar year and then added together.

Criteria for Inclusion in the Audit Report:
The matter will be addressed in the preliminary audit report if:

Misstated Activity (Receipts and Expenditures) Threshold

- if the reported amount of receipts or expenditures as **originally reported,** when compared to the correct reportable per bank for receipts/expenditures, is misstated by greater than [redacted].

AND

- the misstated amount of receipts or expenditures is greater than [redacted].

Criteria for Referral to Office of General Counsel
The matter will be referred to OGC if:

Receipts and Expenditures

- receipts or expenditures as **originally reported** when compared to the correct reportable per bank, is misstated by greater than [redacted]

AND

- the misstated amount of receipts or expenditures is greater than [redacted], excluding amounts previously referred by RAD for the audit period.

Applicable Policy

- For increased activity, the original reports filed are compared to the correct reportable per the bank.

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Recordkeeping - Receipts

Regulatory Cites
2 USC § 432(c) and (d)
Applicable to the following:

- The failure to maintain contributor records (copies of contributor checks for amounts > $50) or other documentation for receipts.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

The matter will be addressed in the preliminary audit report if:

the dollar amount of the undocumented receipts (other than loans) is greater than [redacted] of the total amount of reported receipts (other than loans).

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

the response to the report does not reduce the amount undocumented receipts (other than loans) to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can reduce the amount of undocumented receipts:
The committee can reduce the dollar amount of undocumented receipts (other than loans) by locating and submitting the missing documents, or demonstrating best efforts. See the Error Definitions for the procedure to be followed in obtaining missing records without compromising the sample.

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Apparent Non-Qualified Campaign Expenses

Regulatory Cites
2 USC §9038(b)(2) and 9007.2(b)(4)

Applicable to the following:

- The failure to obtain and provide to the Commission evidence (supporting documentation) regarding qualified campaign expenses as defined in 11 CFR §§9032.9, 9033.11, 9003.5, or 9002.11.
- The failure to show a connection between expenditures and the campaign (non-campaign related).
- Expenditures made in excess of state or overall limitations.

Criteria for Inclusion in the Audit Report:

100% and Dollar Unit Sample Review

Non Qualified Campaign Expenses - Not Campaign Related or Not Documented Pursuant to 11 CFR §9033.11 or 9003.5

The matter will be addressed in the preliminary audit report if:

- the dollar value of undocumented or non-campaign related (i.e. parking tickets, personal use of funds) disbursements is greater than [redacted] of the total amount of reported disbursements (Line 30)

OR

- the dollar value of non-campaign related disbursements is greater than [redacted].

Tolerable Sampling Error= [redacted] or [redacted] of the sample error rate whichever is greater.

Expenditures in Excess of State or Overall Spending Limitations

In cases where the State or Overall Spending Limitation has been exceeded

- by more than [redacted] of a state limitation

OR

- by more than [redacted] of the overall limitation. (11 CFR §9038.2(b)(2)ii) or 9007.2(b)(2(ii)(A))

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if:

Spending Limitation

- the state limitation has been exceeded by more than [redacted] of the state limitation

OR

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- the amount by which the committee has exceeded the overall spending limitation is greater than [redacted] of the overall limitation.

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For more information, see http://www fec.gov/law/procedural_materials.shtml

Advances Made by Committee Staff & Other Individuals

Regulatory Cite
11 CFR §116.5

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the preliminary audit report if:

- the unreimbursed amount is greater than [redacted] of total amount of reported contributions from individuals[2]

OR

- the unreimbursed amount is greater than [redacted] (per individual for **Primary** and **General** committees) **or** [redacted] (per individual for **Convention** committees), at any time.

Criteria for Referral to the Office of General Counsel
The matter will be referred to OGC if
the Committee's response to the audit report does not reduce the unreimbursed amount to a level less than the threshold for inclusion in the preliminary audit report.

How a committee can reduce the amount of undocumented receipts:
A committee can submit evidence that the individual was timely reimbursed.

[2] For convention and general election committees, [redacted] of the grant may be substituted for individual contributions as a reasonable equivalent.

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Extensions of Credit Made by Commercial Vendors

Regulatory Cite
11 CFR §116.3

How to apply this Threshold

- If you are using a combination of invoices, each invoice must be outstanding for more than [redacted] days.
- This threshold is applied ***separately*** to each vendor.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the preliminary audit report if:

- [redacted] or more is owed and outstanding for greater than [redacted] days from the date of incurrence; generally the invoice date.

Criteria for referral to the Office of General Counsel
The matter will be referred to OGC if:

- the committee has not demonstrated that the vendor has acted in the ordinary course of the vendor's business

OR

- the response to the audit report does not reduce outstanding amount owed to less than [redacted] or the number of days to [redacted] or less.

How a committee can demonstrate a vendor acted in the ordinary course of business:
The committee or vendor submits documentation that the committee was treated like any other client, to include billing practices, attempts to collect the outstanding amount, etc.

For a committee to reduce the outstanding amount owed or the number of days an amount was outstanding, it must demonstrate the amount owed was less than [redacted] or that the amount was not outstanding more than [redacted] days.

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Stale-Dated Checks

Regulatory Cite
11 CFR §§9038.6, 9007.6 and 9008.16

Applicable to the following:

- Stale-dated checks not resolved by the committee.

Criteria for Inclusion in the Audit Report:

100% Review

The matter will be addressed in the preliminary audit report if:

- the dollar amount of stale-dated checks exceeds [redacted].

Applicable Policy

- If there is a disgorgement finding for Prohibited and/or Excessive contributions, any stale-dated checks made timely related to contribution refunds will be addressed as part of a finding on stale-dated checks and will not be included in an Excessive/Prohibited finding.

- If the value of the stale-dated checks does not exceed [redacted], no finding will result. The committee will be advised to research and resolve the items identified, however, no attempt will be made to track the committee's resolution of the items.

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Other Errors or Omissions

Applicable to the following:
The errors or omissions detailed below will not be mentioned in the audit report, unless (1) the Committee fails to amend its filings or practices; or (2) there appears to be a willful violation of the Act with respect to the error or omission.

- Imperfections relating to FEC Form 1 and amendments thereto (i.e., disclosures of depositories, officers, candidates supported, etc.).
- Failure to include the 2 USC § 441d notice.
- Disclosure of receipts or expenditures on the incorrect FEC Form 3 or 3P line number.
- Failure to notify prospective contributors in accordance with 11 CFR § 102.5(a)(2)(ii) and (iii).
- Other irregularities to be identified in the future.

Applicable to the following:
The matters detailed below will be mentioned in the preliminary audit report and may result in a referral to the Office of General Counsel.

- Commingling of personal funds and Committee funds (2 USC § 432(b)(3)).
- Termination with debts outstanding if total amount is greater than [redacted] (11 CFR § 102.3).
- Expenditures of over [redacted] in currency, if the excessive amount(s) totals more than [redacted] (2 USC § 432(h)(2)).
- Possible violations of 2 USC § 441f (contributions in the name of another).