

The Perils of Not Balancing Your Committee Checkbook: You Could Lose Your Money or End Up with an Audit!

November 2011

There have been lots of developments relating to political money lately. By now, we have all heard how professional campaign treasurer Kindee Durkee bilked her clients out of millions of dollars. How could this happen, you ask? It turns out it was pretty easy. Nobody was minding the store. You can't just have one person in charge of a committee's finances, be it a campaign committee or a separate segregated fund. These kinds of embezzlements are, sadly, not all that rare. Hearken back to the National Republican Congressional Committee (NRCC) whose treasurer was able to cook the books and, in the process, steal hundreds of thousands of dollars from the NRCC. An aide to Lindsey Graham stole \$280,000 from his campaign, Elizabeth Dole's campaign treasurer stole from her campaign, and - before he got caught - the Lockheed Martin political action committee's (PAC's) assistant treasurer was able to pocket some of that committee's money. The list goes on, but the most brazen of all seems to be Kindee Durkee, who apparently had access to more than 400 bank accounts for more than 100 state and federal candidates, including that of Senator Dianne Feinstein (D-CA), who was having trouble getting access to any information about her own bank accounts because nobody but Durkee was authorized on the account. Bad move.

The Federal Election Commission (FEC) issued some internal controls back in 2007, but it seems that many people think that it will never happen to them so they have not bothered implementing the controls. But if they do, they can take advantage of certain FEC-created safe harbors to avoid fines for misreporting the campaign's activity. Here

Authors

Karen E. Trainer
Senior Reporting Specialist
202.719.4078
ktrainer@wiley.law

they are:

- All bank accounts must be opened in the name of the committee using the committee's Employer Identification Number. Bank accounts should never be opened in the name of an individual using an individual's Social Security number.
- Bank statements must be reviewed for unauthorized transactions and reconciled with the accounting records each month. Further, bank records must be reconciled with disclosure reports prior to filing. The reconciliations must be done by someone other than a check signer or an individual responsible for handling the committee's accounting.
- Checks in excess of \$1,000 must be authorized in writing and/or signed by two individuals. Further, all wire transfers must be authorized in writing by two individuals. The individuals who authorize disbursements or sign checks should be identified in writing in the committee's internal policies.
- An individual who does not handle the committee's accounting or have banking authority receives incoming checks and monitors all other incoming receipts. This individual makes a list of all committee receipts and places a restrictive endorsement, such as "For Deposit Only to the Account of the Payee," on all checks.
- The committee must use an imprest system for petty cash funds, and the value of the petty cash fund should be no more than \$500. An imprest system is one in which the sum of the disbursements recorded in the petty cash log since the last replenishment and the remaining cash always equals the stated amount of the fund. When the fund is replenished, the amount of the replenishment equals the amounts recorded since the prior replenishment and should bring the cash balance back to the stated amount. Only one person should be in charge of the fund. [Click here for more on these best practices.](#)

One of the most important recommendations to come out of the FEC is to reconcile your books every month. It is amazing how often this is not done. But now the FEC is giving you yet another reason to reconcile monthly. It turns out that the Reports Analysis Division (RAD) has just started looking at the aggregate changes committees are making each election cycle. Whereas each report was looked at individually before to see whether it hit an unpublicized threshold for triggering a request for information from the FEC, now RAD is going to look at those changes in the aggregate. For those of you who wait until the end of each election to reconcile your books, this could be a serious problem leading to an audit. And besides that, it is a bad practice. Filing multiple amendments now will mean that the FEC is going to look at the whole picture of what you have done to determine whether further inquiry is merited. If the aggregate changes to your cash-on-hand, or the amount of contributions or disbursements adds up to a lot of money, you are going to get a question and perhaps an audit. Thus, the moral of the story is to keep reconciling your books each month so you are accurately filing your FEC reports. Yes, mistakes do happen and they can be fixed, but there is never a reason for an embezzlement to happen if you keep on top of the committee's accounting and make sure you layer in additional people into the process.