Chapter 3
Finances/Recordkeeping

Bank Accounts
In many cases, an entity or organization that establishes a general purpose committee will set up a separate bank account to receive contributions and make expenditures. Unless the committee is receiving contributions for the purpose of making contributions to state candidates, there is no requirement to set up a separate account. However, a separate account is the best means of ensuring that the Act’s recordkeeping requirements are met.

Contributions received by general purpose committees that make contributions to state candidates are subject to the contribution limits discussed in Chapter 2. If a committee receives contributions over the limits for other purposes (such as making independent expenditures, or making contributions to local candidates or to state or local ballot measure committees), the committee must deposit those contributions in a separate bank account. Some organizations establish one committee with multiple accounts and some establish a separate committee for each account. (See Chapter 2 for additional information about bank account requirements for committees subject to state contribution limits.)

Contributions received by a committee may not be commingled with any individual’s personal funds.

Recordkeeping
An accurate and organized record must be kept of all campaign receipts and expenditures. All individuals who handle receipts and make expenditures must be aware of and practice the recordkeeping procedures required by the Political Reform Act and FPPC regulations that are outlined in this manual. While others may be involved, the treasurer, as listed on the committee’s Statement of Organization (Form 410), remains legally responsible for the accuracy of the records.

Record Retention
Committees must keep all records, including original source documentation, for a period of four years from the date the campaign statement relating to the records was filed.

Example: The California General Contractors’ PAC filed its first campaign statement on January 31, 2006. The records associated with completing that statement, such as receipts and information on contributors, must be retained until January 31, 2010.

Records of Receipts
Two types of records are required for receipts: a daily record, showing how much money was received on any given day; and a contributor record, with detailed information on each contributor of $25 or more. The daily record requirement may be met simply with bank statements, copies of checks received, or other documentation that provides the required information listed below.

Receipts Under $25
A daily lump sum total must be kept for contributions received under $25 and miscellaneous receipts under $25.

Contributor Record
Contributions: $25 to $99.99
For each monetary or nonmonetary contribution or loan of $25 or more, the date received, amount of the contribution, and full
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name and street address, including zip code, of the contributor must be documented. In addition, the total amount received from the contributor over the course of the current calendar year (the "cumulative amount") must be recorded.

Date Received
A monetary contribution is received on the date that the committee, or an agent of the committee, obtains possession or control of the cash, check, or other form of contribution, not the date it is deposited in the bank account. Contributions received by electronic methods such as wire transfer, credit card or debit account transactions are also received on the date the committee obtains possession or control of the funds. The following list provides examples:

- A contributor makes a contribution over the telephone. The contribution is "received" by the committee on the date the contributor gives his or her debit/credit account information to the committee.
- A contributor makes a contribution via the Internet and the committee reviews the online transaction before the contribution is processed. The contribution is "received" by the committee on the date the committee receives the payment information.
- A contributor makes a contribution via the Internet and the contribution is made by direct deposit without review and before transaction reports are produced. The contribution is "received" by the committee when the committee has possession of the funds.
- A contributor agrees to make contributions via "installment" payments by authorizing the committee to periodically charge his or her credit card or withdraw funds from his or her account. The contribution is "received" when the committee, or an agent of the committee, obtains possession or control of the funds for each installment payment. The contribution reported is only the amount of each installment payment when received. Installment payments scheduled to take place in the future, but not yet received, are not reportable.

A monetary contribution collected by means of payroll deductions or membership dues by a membership organization for its sponsored committee is "received" by the committee on the earlier of the following:

- The date the committee obtains actual possession or control of the contribution;
- Within 60 days after the receipt of the payment by the committee’s sponsor.

Example: A trade association collects its membership dues in January of each year. Members can voluntarily contribute funds to the association’s sponsored PAC. Most members write one check for both the membership dues and the PAC contribution. On February 15th, the trade association transfers all of the PAC contributions to the PAC bank account. Since the contributions are given to the sponsored PAC within 60 days of receipt, the PAC reports receipt of the contributions on February 15th.

When contributions are collected by a sponsor through payroll deductions or membership dues, the sponsor is acting as an intermediary for the employees or members. The committee must itemize each individual employee or member whose money is transmitted to the committee if the individual's or member’s contributions total $100 or more during a calendar year.

Contributions: $100 or More

If contributions totaling $100 or more are received from an individual, in addition to the above information, the contributor’s
occupation and employer must be recorded. If the contributor is self-employed, that fact also must be noted along with the name of his or her business. If a check is received from a business entity, the contributor is the business entity, not the person who signs the check.

A contribution of $100 or more must be returned if the contributor’s name, street address, and, if the contributor is an individual, his or her occupation and employer are not in the committee’s records within 60 days from receipt of the contribution.

Such contributions may be deposited in the committee’s bank account pending receipt of the information, in which case they must be reported on the next campaign statement required to be filed (including late contribution reports).

The Form 460 must be amended within 70 days from its closing date to disclose the missing contributor information unless the contribution is returned to the donor. Late contribution reports need not be amended. The committee also must note in its records the date the contributor information is received, if that date is different than the date the contribution is received.

When a contribution cannot be returned to the contributor within 60 days from the date the contribution was received, the contribution must be paid to the Secretary of State for deposit in the State General Fund. City and county committees must make the payments to the general fund of the local jurisdiction in which the committee is active.

Example) Doctors for Patient Care received a contribution of $100 from Martha Andersen on June 1. The only information the committee’s treasurer had was her name and address as listed on her check. On the committee’s semi-annual statement covering the reporting period through June 30, the treasurer reported receiving $100 from Marsha, listed her name and address, and indicated that the committee would amend its statement when it received her occupation and employer information. By July 31 of that same year, even after writing to Martha, the treasurer still did not have Martha’s occupation and employer. The committee must return $100 to Martha.

Intermediaries
For contributions of $25 or more made through an intermediary (see Chapter 4), records with the above information for both the intermediary and the contributor are required.

Nonmonetary Contributions
If the contribution is nonmonetary and worth $25 or more, a description and the fair market value of the contribution must be recorded. (See “Valuing” in Chapter 4.)

Loans
If the contribution is a loan of $25 or more, the following additional information for the lender must be recorded:

- Interest rate of the loan, if any;
- Due date of the loan, if any; and
- Name and street address of any guarantor and the amount guaranteed, if any. The occupation and employer of any individual who guarantees a loan of $100 or more must also be recorded.
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Documentation

The committee must keep copies of all documents reflecting deposits made and all records reflecting campaign bank account balances, such as bank statements, check registers and passbooks.

The following documents produced or received by the committee also must be kept for receipts of $25 or more: copies of contributor checks; contributor cards; letters of transmittal; notices or writings received from contributors; memoranda or other records that describe the method used to determine the fair market value of donated goods or services (nonmonetary contributions); and loan agreements or other documents that reflect indebtedness. In addition, documentation for electronic transactions must include information collected when debiting the contributor’s account, such as itemized transaction reports (including the credit card confirmation number), debit/credit account transaction records, and credit card receipts or vouchers. Documentation of contributions received over the Internet must include a record of the transaction created and transmitted by the cardholder including the cardholder’s name and street address and card number.

For contributions or other receipts of $100 or more, copies of any letters or other communications sent by the committee to obtain the documents listed above must be kept.

State Candidate Controlled Committees

The documentation maintained by a general purpose ballot measure committee controlled by a candidate for elective state office must include the following for each expenditure of $100 or more:

- the identity of each measure attributed to the expenditure;
- for a measure not yet assigned a designation, a brief description of the purpose of the potential measure; and
- if a single payment benefits multiple measures, the amount attributed to each measure must be identified.

Expenditures

Expenditures: Under $25

A daily lump sum total of all expenditures of less than $25 must be kept.

Expenditures: $25 or More

For expenditures of $25 or more to a single payee, or a series of payments for a single product or service that total $25 or more, the following must be recorded:

- Full name and street address, including zip code, of payee;
- Expenditure amount;
- Date each expenditure was made or, in the case of accrued expenses, the date the goods or services were received; and
- Description of the goods or services received.

Contributions and Independent Expenditures

For expenditures that are contributions or independent expenditures, the amount of the expenditure and also the cumulative amount paid in that calendar year in connection with the candidate, committee, or ballot measure must be recorded.

For all such expenditures of $25 or more, the following information is required:

- Date the contribution or independent expenditure was made;
- Whether the expenditure was an independent expenditure;
- Name of the officeholder or candidate and the office and district he or she holds or
for which he or she seeks nomination or election, or the number or letter of the measure and the jurisdiction in which the measure is to be voted on; and

- Cumulative amount spent on behalf of the candidate, measure, or committee.

See Chapter 4 for a detailed discussion and examples of when a contribution is made, and Chapter 5 for the definition of “independent expenditure” and a detailed discussion about making independent expenditures. For recordkeeping purposes and for the purpose of reporting payments in connection with independent expenditures on committee campaign reports (Form 450 or 460), an independent expenditure has been made when a payment is made in connection with the development, production, or dissemination of the communication, or when the communication is disseminated to the public, whichever is earlier.

**Loans Made to Others**

The following additional information must be kept for loans made by the committee: interest rate, if any; due date, if any; and full name and street address of anyone guaranteeing the loan or who is liable directly, indirectly, or contingently for the loan. (For restrictions on loans to others, see Chapter 10.)

**Documentation**

All bank and credit card records for expenditures must be kept.

For expenditures of $25 or more, canceled checks, bills, invoices, or statements; receipts; credit card charge slips, vouchers; contracts; loan agreements and other documents produced or received by the committee reflecting additional obligations also must be kept. Copies of canceled checks may be retained if the copies contain a legible image of the front and back of the canceled check and the copies are obtained from the financial institution.

If no receipt, voucher, or invoice is available, a voucher should be written as soon as possible with the date and amount of the payment, the name of the payee, and a description of the goods or services received. A voucher is not required for payments under $25.

**Additional Expenditure Records for Candidate Controlled General Purpose Ballot Measure Committees**

In addition to the general recordkeeping requirements described above, all candidate controlled committees that make an expenditure of $100 or more for a gift, a meal, or travel must maintain the following information on a dated memorandum or other dated written record:

- Purpose: a description of the political, legislative, or governmental purpose for the expenditure.
- Gift: the date of the expenditure, a description of the gift, and the name of any recipient who received a benefit of $50 or more.
- Meal: the date of the meal, the name of each individual who attended the meal, and whether he or she is a member of the candidate’s household or someone who has authority to approve expenditures of campaign funds.
- Travel: the dates of travel, the destination, the name of each individual who traveled, and whether he or she is a member of the candidate’s household or someone who has authority to approve expenditures of campaign funds.

**Notices to Major Donors, Mass Mailings, Telephone Calls, Form E-530**

A copy or a record of all $5,000 “major donor” notices (see Chapter 4) and a copy of
any mass mailings (see Chapter 5) sent by the committee must be kept. For certain telephone calls supporting or opposing candidates or ballot measures that are made to 500 or more voters (see Chapter 5), a script of the call or a copy of the recorded phone message also must be kept. If the committee is required to file Form E-530 (see Chapter 9), an electronic filing declaration must be prepared, signed, and retained in the committee’s records for five years following the date that the campaign report to which it relates is filed.

Audits
While not all committees are chosen for an audit, all are potentially subject to one. If a general purpose committee has raised or spent more than $10,000 supporting or opposing state candidates or state measures during any calendar year, it will be audited by the Franchise Tax Board. An exception exists for committees that have been audited and found to be in substantial compliance with the Act. These committees will have a 25-percent chance of being audited in any given year.

Treasurer Duties
Every committee must have a treasurer. There are no restrictions on who may be treasurer. The committee may not accept contributions or make expenditures before a treasurer is appointed or while the treasurer’s post is vacant, even if there is an assistant treasurer (see below). If the committee treasurer is unavailable to carry out his or her duties for an extended time, a new treasurer should be designated and the committee’s Statement of Organization (Form 410) amended.

Treasurers or assistant treasurers must sign and verify all reports and statements filed. The verification indicates under penalty of perjury that:

- The signer has used all reasonable diligence in preparing the statement; and
- To the best of his or her knowledge, the statement is both true and complete.

The signer is legally responsible for the accuracy and completeness of the document, even if it is prepared by a third party, including a professional accountant. An unsigned statement is considered “not filed” and subject to late fines.

Treasurer
A treasurer is required to:
Establish a system of recordkeeping sufficient to ensure that receipts and expenditures are recorded promptly and accurately in compliance with the Act’s recordkeeping and disclosure requirements. Following the recordkeeping guidelines in this manual ordinarily constitutes compliance with this requirement. In addition, the treasurer is required to:

- Maintain campaign records personally or monitor records kept by others.
- Take steps to ensure all of the Act’s requirements are met regarding receipt, expenditure, and reporting of campaign funds.
- Prepare campaign statements personally, or carefully review campaign and underlying records prepared by others.
- Sign campaign statements under penalty of perjury. The treasurer is legally responsible for the accuracy and completeness of campaign statements. No person should assume the position of treasurer as a figurehead.
- Check and, if necessary, correct any information contained on a campaign statement that a reasonable, prudent person would question. Among the circumstances that might give rise to an inquiry regarding a contribution are: the
size of the contribution; the reported source; the likelihood of that source making a contribution of that size; the circumstances surrounding receipt; and the manner in which the contribution is recorded in campaign records. Generally, if a check is drawn on the account of a business entity, the contributor is the business entity, not the person who signs the check.

**Assistant Treasurer**

An assistant treasurer may be designated on the Statement of Organization (Form 410). The assistant treasurer is required, like the treasurer, to use reasonable diligence in preparing and reviewing any campaign statements that he or she signs, and must certify to that effect under penalty of perjury. For statements signed by the assistant treasurer, both the treasurer and the assistant treasurer are liable for any violations pertaining to that report.

There are no restrictions on who may be an assistant treasurer, although he or she should know the reporting obligations, restrictions, and prohibitions provided under the law.

**Candidate Duties for Controlled Committees**

A candidate is required to:

- Make sure that the treasurer is exercising all reasonable diligence in the performance of his or her duties. The candidate must establish that campaign statements are properly filed.
- Take whatever steps are necessary to replace the treasurer or raise the treasurer’s performance to required standards if the candidate knows or has reason to know that the treasurer is not exercising all reasonable diligence in the performance of his or her duties.
- Review with care the campaign statements prepared for filing by the committee.
- Correct any inaccuracies and omissions in campaign statements of which the candidate is aware and check and correct any information on campaign statements that a person of reasonable prudence would question based on all of the surrounding circumstances.
- Perform with due care any other tasks assumed in connection with the raising, spending, or recording of campaign funds insofar as such tasks relate to the accuracy of information entered on campaign statements.

**Answering Your Questions**

**Q.** Are there any specific accounting qualifications for someone to be able to serve as treasurer, or any conditions that would disqualify someone from being permitted to serve as treasurer?

**A.** No.

**Q.** Are committee records and source documentation required to be kept on paper, or may the committee use an electronic recordkeeping system?

**A.** Electronic records are permitted, provided that all of the required information is collected and recorded in a timely and uniform manner that ensures the accuracy and reliability of the information. Committees are responsible for ensuring that electronic records can be read and/or printed for auditing purposes during the applicable retention period.

**Q.** Are form letters thanking the committee for contributions it has made required to be retained for recordkeeping purposes?

**A.** Form letters containing no information necessary to complete or verify the
committee’s campaign statements are not required to be retained.

Q. Must a city officeholder that controls a general purpose ballot measure committee maintain the names of all individuals who received a meal at the committee’s fundraiser?

A. Yes.

**Authority**

The following Government Code sections and Title 2 regulations provide authority for the information in this chapter:

**Government Codes Sections**

84100  Treasurer.
84104  Reports and Statements; Perjury; Verification.
84104  Recordkeeping.
84105  Notification of Contributors.
84212  Forms; Loans.
84300  Cash and In-Kind Contributions; Cash Expenditures.
84302  Contributions by Intermediary of Agent.
84306  Contributions Received by Agents of Candidates or Committees.
84307  Commingling with Personal Funds.
84310  Identification Requirements for Telephone Calls.
85700  Donor Information Requirements; Return of Contributions.
90001  Mandatory Audits and Investigations.
90003  Discretionary Audits.
90007  Auditing Guidelines and Standards.

**Title 2 Regulations**

18401  Required Recordkeeping for Chapter 4.
18421.1  Disclosure of the Making and Receipt of Contributions.
18421.2  Street Address.
18421.7  Reporting an Expenditure for a Gift, a Meal, or Travel.
18421.8  Reporting an Expenditure by a Candidate Controlled General Purpose Ballot Measure Committee.
18426.1  Assistant Treasurer.
18427  Duties of Treasurers and Candidates with Respect to Campaign Statements.
18427.1  Notification to Contributors of $5,000 or More.
18432.5  Intermediary.
18534  Required Committee Bank Accounts.
18570  Return of Contributions with Insufficient Donor Information.
18994  Auditing and Investigations.
18995  Standards and Guidelines for Auditing Statements and Reports.