

# FINANCE RULES

One of the fundamental purposes of the Political Reform Act (“Act”) is to ensure that receipts and expenditures in election campaigns are truthfully and fully disclosed. In order to do so, an individual who chooses to act as a committee treasurer, assistant treasurer, or principal officer must be familiar with the finance and recordkeeping requirements.

## A. Committee Treasurer

Every committee must have a treasurer before the committee may accept contributions or make expenditures. Although there are no restrictions on who may be a treasurer, in order to adequately perform the duties, the treasurer must understand the campaign finance laws and the responsibilities of a committee treasurer. **No individual should accept the position of a committee treasurer as a mere figurehead.**

Contributions may not be accepted and expenditures may not be made if the treasurer’s post is vacant at any time, even if the committee has an assistant treasurer (see below). If the treasurer is unavailable to carry out his or her duties, a new treasurer should be designated and the committee’s Statement of Organization (Form 410) must be amended. **The individual listed on the most recent Form 410 filed with the Secretary of State continues to be liable until an amendment is filed to designate a new treasurer.**

The committee treasurer must sign and verify all reports and statements filed. The verification is signed under penalty of perjury and indicates that:

- The treasurer 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 treasurer 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 is subject to late fines.

## Treasurer Responsibilities

**In addition, a committee 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.
- 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 the statements and underlying records prepared by others.
- Correct any inaccuracies or omissions, and inquire about any information that would cause a person of reasonable prudence to question the accuracy of the campaign statements. 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 manner in which the contribution is recorded in the campaign records; and all other circumstances surrounding receipt of the contribution.

### Quick Tip

Reconciling the committee’s bank statement with the committee’s records will ensure accuracy and make completing the campaign forms easier.

## 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.

## Principal Officer

Government Code Section 84104 also lists principal officers as individuals who have the responsibility to maintain detailed accounts, records, bills, and receipts necessary to prepare campaign statements.

## B. Education and Assistance

The FPPC provides educational workshops and webinars for campaign treasurers. In addition, there are other instructive materials on the website. Treasurers may also request advice by email ([advice@fppc.ca.gov](mailto:advice@fppc.ca.gov)) or by telephone (866-275-3772).

## C. Committee Audits

While not all committees are audited, all are potentially subject to one as the FPPC and the Franchise Tax Board (FTB) may perform discretionary audits, including preelection investigations and audits with respect to any reports or statements required by the Act. Additionally, the FTB performs *mandatory* audits on general purpose committees that raise or spend more than \$10,000 supporting or opposing state candidates or state measures during any calendar year. (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.)

### Quick Tip

The committee treasurer may be fined by the FPPC if all recordkeeping requirements are not met. Generally, violations of the Act are punishable by fines of up to \$5,000 per violation.

## D. Bank Accounts

In most cases, an entity or organization that establishes a general purpose committee will set up a separate bank account to receive contributions and make expenditures. **Contributions received by a committee may not be commingled with any individual's personal funds.**

A general purpose committee receiving contributions for the purpose of making contributions to state candidates **must** establish a separate bank account as the committee is subject to contribution limits. Chapter 5 sets forth the applicable contribution limits and includes a discussion about the required bank accounts (“all purpose” and “restricted use”) for a general purpose committee that makes contributions to state candidates and also receives contributions over the state contribution limits for other purposes (such as making independent expenditures, or making contributions to local candidates or to state or local ballot measure committees). An organization may instead choose to establish *separate committees* to receive contributions in excess of the limits, such as an “issues” PAC for ballot measures.

Although a separate bank account is not required under the Act for other general purpose committees, it is strongly recommended that a separate bank account is established, which is the best way to ensure that the Act's recordkeeping requirements are met. Certain local jurisdictions may require a separate account, so local committees should check with the county or city. Committees are also encouraged to check with the Internal Revenue Service about federal laws that may require a separate bank account for certain campaign activity.

**Employer Identification Number (EIN).** Many financial institutions will require an employer identification number in order to open a bank account. The FPPC does not advise on or enforce tax issues. Filers should seek advice from a tax expert or contact the IRS ([www.irs.gov](http://www.irs.gov)).

## E. Recordkeeping Requirements

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 Act and FPPC regulations outlined in this manual. While others may be involved, the treasurer 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 and copies of completed campaign statements, such as bank statements and other records reflecting account activity, for a period of four years from the date the campaign statement relating to the records was filed.

#### *Exception:*

The electronic filing declaration required to be filed with Form E-530 (Communications Identifying State Candidates) must be kept for five years following the date the report is filed. (See Chapter 8.)

### Records of Contributions Received

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.

#### 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:

**Ex 3.1** –The California General Contractors' PAC filed its first campaign statement on January 31, 2018. The records associated with completing that statement, such as receipts and information on contributors, must be retained until January 31, 2022.

- 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 makes a contribution by text message. The contribution is “received” by the committee on the date that the mobile fundraising vendor, acting as agent of the committee, obtains possession or control of the contribution.
- 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.

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.

### Receipts Under \$25

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

### Contributor Records

#### 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 name and street address, including zip code, of the contributor must be documented. Additionally, the total amount received from the contributor over the course of the current calendar year (the "cumulative amount") must be recorded.

#### Contributions: \$100 or More

If contributions totaling \$100 or more are received from an individual, in addition to the information required for contributions of \$25 or more as described above, 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, generally 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.**

**Ex 3.2**—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 15, 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 15.

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 the Form 497, 24-Hour/10-Day Contribution Report).

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. The Form 497 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 amount 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 (e.g., a city general purpose committee must make the payment to the city's general fund).

If a contribution is returned to the contributor by check but the check is not cashed by the contributor within 90 calendar days, the contribution amount must be paid within 30 days 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.

### **Intermediaries and Earmarked Funds**

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.

When a committee receives funds earmarked for a contribution to another committee, ballot measure, or candidate, records must also include a notation that the funds have been earmarked and the specific committee, ballot measure, or candidate for which the funds have been earmarked.

**Ex 3.3** – 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 Martha, 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.

A committee making contributions with earmarked funds must maintain documentation showing which earmarked funds were contributed.

### **Affiliated Entities**

Information from affiliated entities that describes the connection of affiliated contributors must be maintained in the records. See Chapter 4 for additional information about affiliated entities.

### **Nonmonetary Contributions**

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

### **Loans**

If the contribution is a loan of \$25 or more, in addition to the above information for monetary contributions, the following information 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.

### **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 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.

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, 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 the last four digits of the 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.

## F. 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:

#### Quick Tip

Committees controlled by a candidate or officeholder (including general purpose ballot measure committees) must keep a dated record that includes the names of all individuals for whom an expenditure for a meal was paid. See Campaign Disclosure Manual 3 and Regulation 18421.7 for additional recordkeeping and reporting requirements for committees controlled by a candidate or officeholder that make expenditures for meals, gifts, or travel payments.

- 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.

**Quick Tip**

See Chapter 4 for a detailed discussion and examples of when a contribution is made. Chapter 8 describes communications that are considered independent expenditures.

### Contributions and Independent Expenditures

For expenditures that are contributions or independent expenditures, the amount of the expenditure and 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.

### 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 6.)

**Quick Tip**

Expenditures may be made electronically using a bank account, credit card, debit card, or electronic payment firm (e.g., PayPal) so long as detailed records are kept.

## 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.

### **G. Mass Mailings, Mass Emails, Telephone Calls, Notices to Major Donors, and E-530**

The following must be retained for a period of four years following the date the campaign statement relating to the records was filed:

- A copy of any mass mailing, including email, sent by the committee (see Chapter 9)
- A script of the call or a copy of the recorded phone message when a political party committee pays for more than 500 non-independent expenditure telephone calls to expressly advocate support for or opposition to a candidate or ballot measure
- A copy or record of all major donor notices sent by the committee (see Chapter 4)

Electronic filing declarations required to be filed with the E-530 (Communications Identifying State Candidates) must be retained for a period of five years following the date the campaign statement to which it related is filed. (See Chapter 8.)

## H. Multipurpose Organizations

A multipurpose organization must maintain all records necessary to ensure its compliance with the registration and reporting requirements of Government Code Section 84222 and Regulation 18422. (See Chapter 15.)

### Answering Your Questions

**A. 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?**

No. However, no individual should accept the position as a mere figurehead. To adequately perform the duties, the treasurer must have a basic understanding of the campaign finance laws and the responsibilities of a committee treasurer.

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

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.

**C. 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?**

Yes. Committees controlled by a candidate or officeholder (including general purpose ballot measure committees) must maintain a dated memo or other dated written record that includes the names of all individuals for whom an expenditure for a meal was paid. (See Campaign Disclosure Manual 3 and Regulation 18421.7 for additional information.)

## Authority

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

### Government Code Sections

- 82047.6 Principal Officer.
- 84100 Treasurer.
- 84104 Recordkeeping.
- 84105 Notification to Contributors.
- 84300 Cash and In-Kind Contributions; Cash Expenditures.
- 84302 Contributions by Intermediary or Agent.
- 84305 Requirements for Mass Mailing.
- 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.
- 90000 Responsibility.
- 90001 Mandatory Audits and Investigations.
- 90002 Audits and Investigations; Time.
- 90003 Discretionary Audits.
- 90007 Auditing Guidelines and Standards.

## Title 2 Regulations

- 18401 Required Recordkeeping for Chapters 4 & 5.
- 18402.1 Principal Officers.
- 18421.1 Disclosure of the Making and Receipt of Contributions.
- 18421.2 Street Address.
- 18421.3 Reporting of Contributions and Expenditures Collected by Contract Vendors or Collecting Agents.
- 18421.31 Text Message Contributions.
- 18421.7 Reporting an Expenditure for a Gift, a Meal, or Travel.
- 18426.1 Assistant Treasurer.
- 18427 Duties of Treasurers and Candidates with Respect to Campaign Statements.
- 18427.1 Notification to Contributors of Filing Obligations.
- 18432.5 Intermediary and Earmarked Funds Disclosure.
- 18534 Required Committee Bank Accounts.
- 18539.2 Reporting Payments Pursuant to Government Code Section 85310.
- 18570 Return of Contributions with Insufficient Donor Information.
- 18994 Auditing and Investigations.
- 18995 Standards and Guidelines for Auditing Statements and Reports.