




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

July 12, 2010

MEMORANDUM

To: Judith Ingram  
Press Officer

From: Joseph F. Stoltz   
Assistant Staff Director  
Audit Division

Subject: Public Issuance of the Audit Report on Keystone Alliance PAC

Attached please find a copy of the audit report on Keystone Alliance PAC, which was approved by the Commission on July 2, 2010.

All parties involved have received informational copies of the report and the report may be released to the public July 12, 2010.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library  
ITD Web



# Report of the Audit Division on the Keystone Alliance PAC

January 1, 2007 - December 31, 2008

---

## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Committee (p. 2)

Keystone Alliance PAC (KAP) is a non-connected, non-qualified, multi-candidate Political Action Committee and is headquartered in Harleysville, Pennsylvania. For more information, see chart on Committee Organization, p 2.

## Financial Activity (p. 3)

### • Receipts

○ Contributions from Individuals	\$ 327,080
○ Contributions from Other Political Committees	36,068
○ Transfers from Affiliated and Other Party Committees	32,762
○ Other Receipts	11,036
○ <b>Total Receipts</b>	<b>\$ 406,946</b>

### • Disbursements

○ Operating Expenditures	\$ 144,881
○ Contributions to Federal Candidates	109,160
○ Other Disbursements	9,674
○ <b>Total Disbursements</b>	<b>\$ 263,715</b>

## Finding and Recommendation (p. 5)

- Receipt of Contributions in Excess of the Limit

---

<sup>1</sup> 2 U.S.C. §438(b).

# **Report of the Audit Division on Keystone Alliance PAC**

---

January 1, 2007 – December 31, 2008



# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
<b>Part II. Overview of Committee</b>	
Committee Organization	2
Overview of Financial Activity	3
<b>Part III. Summary</b>	
Finding and Recommendation	4
<b>Part IV. Finding and Recommendation</b>	
Receipt of Contributions in Excess of the Limit	5

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Keystone Alliance PAC (KAP), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

### **Scope of Audit**

Following Commission approved procedures, the Audit staff evaluated various risk factors and, as a result, this audit examined:

1. The receipt of excessive or prohibited contributions from other political committees;
2. The disclosure of contributions received from other political committees;
3. The disclosure of individual contributors' occupation and name of employer;
4. The consistency between reported figures and bank records;
5. The completeness of records;
6. Other committee operations necessary to the review.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	<b>Keystone Alliance PAC</b>
• Date of Registration	February 8, 2007
• Audit Coverage	January 1, 2007 – December 31, 2008
<b>Headquarters</b>	Harleysville, Pennsylvania
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	One Checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Robert Asher
• Treasurer During Period Covered by Audit	Robert Asher
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

## Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2007</b>	<b>\$ 0</b>
<b>Receipts</b>	
○ Contributions from Individuals	327,080
○ Contributions from Political Committees	36,068
○ Transfers from Affiliated and Other Party Committees	32,762
○ Other Receipts	11,036
<b>Total Receipts</b>	<b>\$ 406,946</b>
<b>Disbursements</b>	
○ Operating Expenditures	144,881
○ Contributions to Federal Candidates	109,160
○ Other Disbursements	9,674
<b>Total Disbursements</b>	<b>\$ 263,715</b>
<b>Cash on hand @ December 31, 2008</b>	<b>\$ 143,231</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Receipt of Contributions in Excess of the Limit**

The Audit staff identified contributions from four individuals that exceeded the limitation by \$10,800. KAP representatives issued untimely refunds of the excessive portions of the contributions and provided documentation showing that all refund checks have cleared the bank. The Audit staff recommended that KAP submit any written comments it considered relevant. In response, KAP stated it now has a better understanding of the contribution limits and timeframes associated with contribution refunds and reattributions.

(For more detail, see p. 5)



## Part IV

# Finding and Recommendation

### Finding. Receipt of Contributions in Excess of the Limit

#### Summary

The Audit staff identified contributions from four individuals that exceeded the limitation by \$10,800. KAP representatives issued untimely refunds of the excessive portions of the contributions and provided documentation showing that all refund checks have cleared the bank. The Audit staff recommended that KAP submit any written comments it considered relevant. In response, KAP stated it now has a better understanding of the contribution limits and timeframes associated with contribution refunds and reattributions.

#### Legal Standard

**A. Party Committee Limits.** A party committee may not receive more than a total of \$5,000 per year from any one contributor. 2 U.S.C. §441a(a)(1)(C), (2)(C) and (f); 11 CFR §§110.1(d) and 110.9.

**B. Handling Contributions That Appear Excessive.** If a committee receives a contribution that appears to be excessive, the committee must either:

- Return the questionable check to the donor; or
- Deposit the check into its federal account and:
  - o Keep enough money in the account to cover all potential refunds;
  - o Keep a written record explaining why the contribution may be illegal;
  - o Include this explanation on Schedule A if the contribution has to be itemized before its legality is established; and
  - o Seek a reattribution, following the instructions provided in the Commission regulations (see below for explanations of reattribution); and

If the committee does not receive a proper reattribution within 60 days after receiving the excessive contribution, the committee must refund the excessive portion to the donor. 11 CFR §§103.3(b)(3), (4) and (5) and 110.1(k)(3)(ii)(B).

**C. Joint Contributions.** Any contribution made by more than one person (except for a contribution made by a partnership) must include the signature of each contributor on the check or in a separate writing. A joint contribution is attributed equally to each donor unless a statement indicates that the funds should be divided differently. 11 CFR §110.1(k)(1) and (2).

**D. Reattribution of Excessive Contributions.** The Commission regulations permit committees to ask donors of excessive contributions (or contributions that exceed the committee's net debts outstanding) whether they had intended their contribution to be a joint contribution from more than one person and whether they would like to reattribute the excess amount to the other contributor. The committee must inform the contributor that:

1. The reattribution must be signed by both contributors;
2. The reattribution must be received by the committee within 60 days after the committee received the original contribution; and
3. The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3).

Within 60 days after receiving the excessive contribution, the committee must either receive the proper reattribution or refund the excessive portion to the donor. 11 CFR §§103.3(b)(3) and 110.1(k)(3)(ii)(B). Further, a political committee must retain written records concerning the reattribution in order for it to be effective. 11 CFR §110.1(l)(5).

Notwithstanding the above, any excessive contribution that was made on a written instrument that is imprinted with the names of more than one individual may be attributed among the individuals listed unless instructed otherwise by the contributor(s). The committee must inform each contributor:

1. How the contribution was attributed; and
2. The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3)(B).

### **Facts and Analysis**

The Audit staff identified contributions from four individuals that exceeded the limitation by \$10,800. The contributions from two of the contributors were excessive by \$400 each and two other contributors exceeded the contribution limit by \$5,000 each all in 2008. Although KAP did not maintain a separate bank account for questionable contributions, throughout 2008 it had a sufficient balance in its bank account to refund the excessive portion of the contributions.

The Audit staff presented this matter and provided a schedule of the apparent excessive contributions at the exit conference. In response, KAP issued refund checks to the contributors and has demonstrated that all refund checks (\$10,800) have cleared the bank.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that KAP submit any written comments it considered relevant.

In response to interim audit report, KAP stated that through the audit and attendance at an official FEC Conference it can assure the FEC that better records of contributions from donors will be maintained and it now has a better understanding of the limits and timelines for any refunds and reattributions.