

# FINANCE RULES

In any campaign, 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 (“Act”) and FPPC regulations outlined in this manual.

While others may be involved, the treasurer, ballot measure proponent, and principal officer(s), as listed on the committee’s Statement of Organization (Form 410), remain legally responsible for the accuracy of the records.

## A. Campaign Bank Account

Primarily formed and general purpose ballot measure committees should maintain a separate bank account. Pre-numbered and pre-printed checks with the committee’s name are useful in complying with the recordkeeping requirements discussed in this chapter. Ballot measure committees may not commingle campaign funds with any individual’s personal funds. The committee may not accept contributions or make expenditures in cash of \$100 or more.

## B. Record Retention

Committees must keep all records, including original source documentation such as bank statements and other records reflecting account activity, and copies of completed campaign statements, 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 11.)

**Ex 2.1** – San Franciscans for Parks, a Committee for Measure F, a city ballot measure committee, 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.

## C. 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, and other documentation that reflects a continuous computation of account balances.

### 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 on-line 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 funds are transmitted to the committee by direct deposit without review and before transaction reports are produced. The contribution is “received” 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 an agent of the committee, obtains possession or control of the contribution and is attributed to the person who subscribes to the cell phone that made the text message.

- 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.

## 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, loan or receipt of \$25 or more, the date received, amount of the contribution, and full name and 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.

## Intermediaries and Earmarked Funds

For contributions of \$25 or more made through an intermediary (See Chapter 3), records with the above information for **both** the intermediary and the contributor are required.

Records must also include a notation that the funds have been earmarked, the amount of earmarked funds, and the specific ballot measure, candidate or committee for which the funds have been earmarked.

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

For purposes of Sections 84501(c)(3)(A) and 85704(d) if a primarily formed committee that received earmarked funds makes contributions

and still has earmarked or non-earmarked funds remaining, it must retain documentation showing how a determination of which top contributors to disclose on its advertisements was made. (See Chapter 8.) This determination must be done using a reasonable accounting method such as, but not limited to, the last in first out accounting method. Earmarked funds must be taken into account first before non-earmarked funds.

## **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 Nonmonetary Contributions” in Chapter 3.)

## **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; and
- Name and address of any guarantor and the amount guaranteed. The occupation and employer of any individual who guarantees a loan of \$100 or more must also be recorded.

## **Contributions: \$100 or More (Occupation and Employer Information)**

If contributions totaling \$100 or more are received from an individual, in addition to the above information, the contributor’s occupation and employer are recorded.

If the contributor is self-employed, that fact also must be noted along with the name of his or her business. Generally, if a check is received from a business entity, the contributor is the business entity, not the person who signs the check.

## 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. 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, 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 address and the last four digits of the card number.

### Quick Tip

When receiving contributions via electronic transaction, the total amount is reported as a contribution. The fees deducted by the vendor before the contributions are sent to the committee are reported as expenditures; the fees are not deducted from the amount of each contribution reported.

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.

The following is an example of acceptable documentation for a contribution received through an online money transfer vendor (e.g., PayPal):

**Ex 2.2**

**Donation Received** (Unique Transaction ID #XX)

**Name:** Jacob Shively  
**Email:** jshively@email.com  
**Payment Sent to:** Cox for Butte County Supervisor 2019

**Total amount:** \$400.00  
**Fee amount:** - 6.50  
**Net amount:** \$393.50

**Donation Amount:** \$400.00 USD

**Purpose:** Cox for Butte County Supervisor 2019  
**Date:** May 15, 2019  
**Time:** 12:45 PST  
**Status:** Completed

**Street Address:** Jacob Shively  
515-275 Autumn Street  
Chico, CA 95973

**Occupation/Employer:** Retired

## D. Returning a Contribution Due to Missing Contributor Information

A contribution of \$100 or more must be returned if the contributor's name, 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.

The committee must record the date the contributor information is received, if that date is different from the date the contribution is received.

Contributions may be deposited in the committee's bank account pending receipt of the information, in which case they must be

**Ex 2.3** – The Streets are for Bikes, Yes on Measure A, a city ballot measure committee, 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.

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 to disclose the missing contributor information.

**Unable to return a contribution:** 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.

## E. Records of Expenditures

The Act and the Elections Code set forth restrictions on the use of campaign funds for ballot measure committees. The permissible uses of funds and restrictions contained in the Act are described in detail in Chapter 5. The Elections Code information may be obtained at [www.sos.ca.gov](http://www.sos.ca.gov).

### 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 totals \$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 to Candidates or Other Committees and Independent Expenditures

For expenditures that are contributions to an officeholder, candidate, or committee, or independent expenditures (See Chapter 6) to support or oppose a candidate or other ballot measure, the amount of the expenditure and the cumulative amount paid in that calendar year in connection with the officeholder, 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 is 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 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.

**Note:** A primarily formed ballot measure committee that makes contributions to other committees or independent expenditures to support or oppose candidates or other ballot measures, may need to change the nature of the committee. A state general purpose ballot measure committee controlled by a state candidate may not make a contribution to a candidate's committee for elective office. There are also additional expenditure restrictions discussed in Chapter 5.



## 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 5.)

## Documentation

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

For expenditures of \$25 or more: bills, invoices or statements, receipts, credit card 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 State and Local Candidate Controlled Committees

In addition to the general recordkeeping requirements described above, when any committee (including a primarily formed or general purpose ballot measure committee) that is controlled by a state or local candidate makes an expenditure of \$100 or more for a gift, meal, or travel, the committee must keep a dated memorandum or some other form of dated written record containing a brief description of the political, legislative, or governmental purpose of the expenditure, as well as the information described below:

**Gifts:** The date of the expenditure, a description of the gift, and the name of any recipient who received a benefit of \$50 or more.

**Meals:** 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.

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

A general purpose ballot measure committee that is controlled by a state candidate or officeholder must document which measure or measures benefited from an expenditure of \$100 or more. For example, if an advertisement supported two measures and each measure received equal time/space, 50 percent of the expenditure would be attributed to each measure and such documentation must be in the committee's records. Exception: Attribution is not required if an expenditure is made for operating costs, administrative overhead, fundraising activities, travel, compliance costs, or attorney's fees and cannot be attributed to a specific measure.

### **Notices to Major Donors, Mass Mailings, Mass Emails, and Telephone Calls**

A copy or a record of all "major donor" notices (See Chapter 3) and a copy of any mass mailings, including email (See Chapter 7) sent by the committee must be kept. For certain telephone calls made to 500 or more voters and paid for by the committee (See Chapter 7), a script of the call or a copy of the recorded telephone message also must be kept.

## F. Treasurer Duties

Every committee must have a treasurer. There are no restrictions on who may be treasurer; however, no person should assume the position of treasurer as a mere figurehead. **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) must be amended.

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.

In addition, the 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.

### Quick Tip

Check the FPPC website for webinar training dates ([www.fppc.ca.gov](http://www.fppc.ca.gov).)

### Quick Tip

Section 84104 includes principal officers in the list of individuals with recordkeeping responsibilities.

- 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.

### **Assistant Treasurer**

An assistant treasurer may be designated on the Statement of Organization (Form 410) in the event that the treasurer is unavailable to sign a report when it is due. 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.

### **G. Candidate Duties for Ballot Measure Committees Controlled by a Candidate**

A candidate who controls a ballot measure committee is required to verify to the best of his or her knowledge that the campaign statements are true and complete and that the treasurer has used all reasonable diligence in the preparation of the statements. To comply with these duties, the candidate must:

- Carefully review campaign statements prepared for filing by the committee.
- 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.
- 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.
- 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.

## H. Audits

The Act authorizes the FPPC and the State Franchise Tax Board (FTB) to conduct audits of any campaign committee. A mandatory audit is performed on state primarily formed ballot measure committees that raise or spend \$10,000 or more in a calendar year. Future filings may be subject to random audits. The FPPC and the FTB may make preelection investigations and audits with respect to any reports or statements required by the Act.

## Answering Your Questions

**A. Are there any specific accounting qualifications for someone to be able to serve as treasurer, or any conditions which 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, such as bank statements, 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. Are form letters thanking contributors required to be retained for recordkeeping purposes?**

It is not necessary to keep form letters containing no information necessary to complete or verify the committee's campaign statements.

## 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.
- 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.
- 90008 Preelection Auditing.
- 91006 Joint and Severable Liability.

### 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.

- 18521.5 Ballot Measure Committees Controlled by Candidates for Elective State Office.
- 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.