



GOVERNMENT
ACCOUNTABILITY
INSTITUTE

Campaign Funding Risks: *An Analysis of FEC Campaign Donations Listing Non- Existent ZIP Codes*



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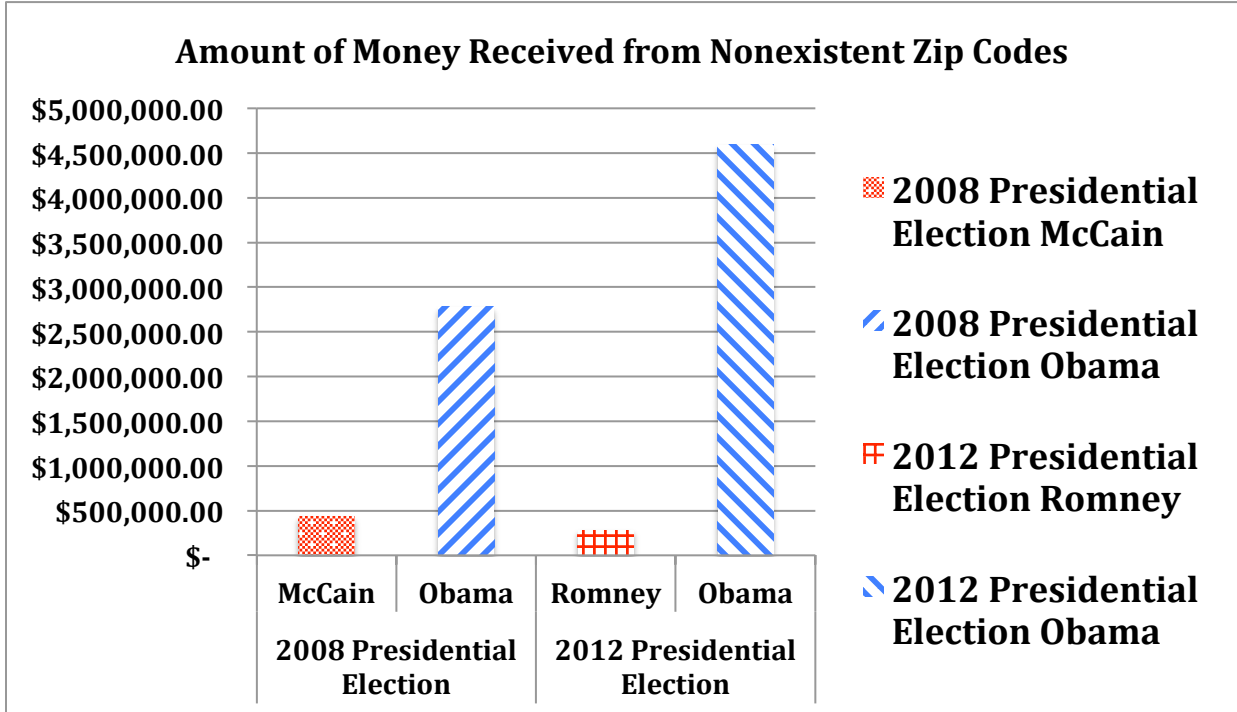
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EXECUTIVE SUMMARY

The Government Accountability Institute (GAI or “the Institute”) examined the financial contribution data for the Romney and Obama 2012 campaigns as reported on the Federal Election Commission’s (FEC) website. The Institute also examined the FEC’s data for the McCain and Obama campaigns of 2008.¹ We sought to determine the effectiveness of each campaign’s anti-fraud security tools in weeding out online donations made using incomplete or inaccurate ZIP code entries. A robust anti-fraud address verification system (AVS) would require an accurate ZIP code to process a credit card transaction. The presence of large sums of donations without such basic address information suggests that some campaigns are using looser security settings than others.

The Institute found the following:



¹ GAI examined Obama for America (C00431445), Romney for President Inc. (C00431171), and John McCain 2008 Inc. (C00430470). See <http://www.fec.gov/pindex.shtml>.



- During calendar year 2012, the Obama campaign received at least \$4,580,805.35 from donors who did not submit a ZIP code, or submitted one that does not exist.
- During calendar year 2012, the Romney campaign received at least \$282,814.78 from donors who did not submit a ZIP code, or submitted one that does not exist.
- During calendar year 2008, the Obama campaign received at least \$2,778,808.97 from donors who did not submit a ZIP code, or submitted one that does not exist.
- During calendar year 2008, the McCain campaign received at least \$431,046.00 from donors who did not submit a ZIP code, or submitted one that does not exist.



CAMPAIGNS AND THEIR USE OF INDUSTRY-STANDARD ANTI-FRAUD SECURITY TOOLS

Presently, the Federal Election Commission has no anti-fraud security requirements for online campaign contributions to federal candidates. They are free to employ them however they wish—or not at all.

Campaigns, however, claim that they voluntarily employ these technologies. Some can be spotted: the credit card security code (CVV) appears on a campaign's donation page. Other security tools, such as the Address Verification System (AVS), are invisible to outsiders. This makes it impossible to definitively know whether campaigns are using the AVS. Complicating the issue is the fact that the AVS system has multiple settings that allow a campaign to loosen the system to accept more donations with suspect addresses or ZIP codes, or tighten it to block any donation that lacks a correctly entered address or ZIP code.

The Address Verification System: Briefly

An AVS system simply compares the numerical portion of the address a donor enters to the numerical information on file with the credit card company for the card. For example, most pay-at-the-pump gas stations require customers to enter their ZIP code. Enter the wrong ZIP code or none at all, the transaction is denied.

The same applies for rigorous AVS campaign contribution systems.



Imagine, for example, that an individual made an online credit card donation using the following name and address:

John Doe

123 Mainstreet

Anytown, USA 12345

The AVS system would check the “123” and the ZIP code against the same information connected with the credit card holder. If the information were to be correct, the contribution would go through. But if the information did not match, the contribution would be “flagged” as having improper information.

Campaigns can set their AVS system to be strict (meaning that all of this information must be *entirely* accurate), or very loose, such that transactions containing only partially correct information may still be accepted. The following is a screenshot showing an example of the levels of strictness to which a campaign might set its AVS.

For the AVS filter your security settings look like this:

Allow	Allow, Report Triggered Filter(s)	Authorize and Hold For Review	Decline	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	B Transaction was submitted without a billing address.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	E AVS data provided is invalid or AVS is not allowed for the card type that was used.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	R The AVS system was unavailable at the time of processing.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	G The card issuing bank is of non-U.S. origin and does not support AVS.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	U The address information for the cardholder is unavailable.
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	S The U.S. card issuing bank does not support AVS.

Allow	Allow, Report Triggered Filter(s)	Authorize and Hold For Review	Decline		Street Address	ZIP Code	Extended ZIP
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	N	No Match	No Match	No Match
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	A	Matched	No Match	No Match
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Z	No Match	Matched	No Match
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	W	No Match	Matched	Matched
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Y	Matched	Matched	No Match

Again, you must enable the filter at the top of the page to turn on the AVS settings. Next, you can set general



Methodology

Since it is impossible to ascertain how tightly the AVS settings are on a campaign's website, GAI examined the FEC's numeric donation information for presidential candidates in 2008 and 2012. Specifically, GAI examined how many contributions were accepted by the presidential campaigns with clearly erroneous ZIP codes. We only selected data reported by the campaign as "no ZIP code was supplied," ZIP codes with only four digits, ZIP codes reading all zeros, and five-digit ZIP codes which were non-existent. We also considered the refunds given by the campaigns to contributors with invalid ZIP codes. However, it is not clear from the FEC data how much these refunds were. The data is detailed in the attached Appendix. Our study does not suggest that such donations were fraudulent or erroneous. Instead, our study sought to determine the relative robustness of each campaign's AVS setting.

It should be noted that FEC filings only reflect contributors who have given more than \$200. Thus, the actual number of total donations that don't contain accurate ZIP code information is undoubtedly much higher.



RECOMMENDATIONS AND CONCLUSION

Myriad possible explanations may account for the variance between campaigns. The Obama campaign may have experienced data-collection problems, for example. Still, given the Obama campaign's technological sophistication, the fact that the campaign consistently reports higher amounts of erroneous data casts doubt on that explanation.

It should be noted that not all contributions listed on FEC filings are credit card transactions. Some are made by check. But what the data demonstrate clearly is that campaigns employ varying degrees of anti-fraud online donation security tools.

For this reason, the Government Accountability Institute has called for campaigns to release the names of all campaign contributions, require donors to enter their credit card security code (CVV), and utilize a robust AVS to maintain the integrity of U.S. federal elections.

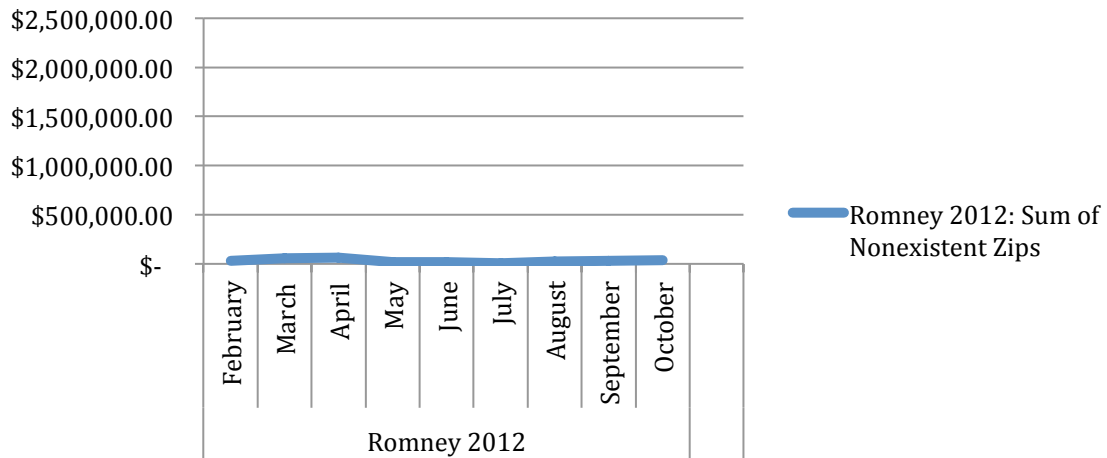


APPENDIX

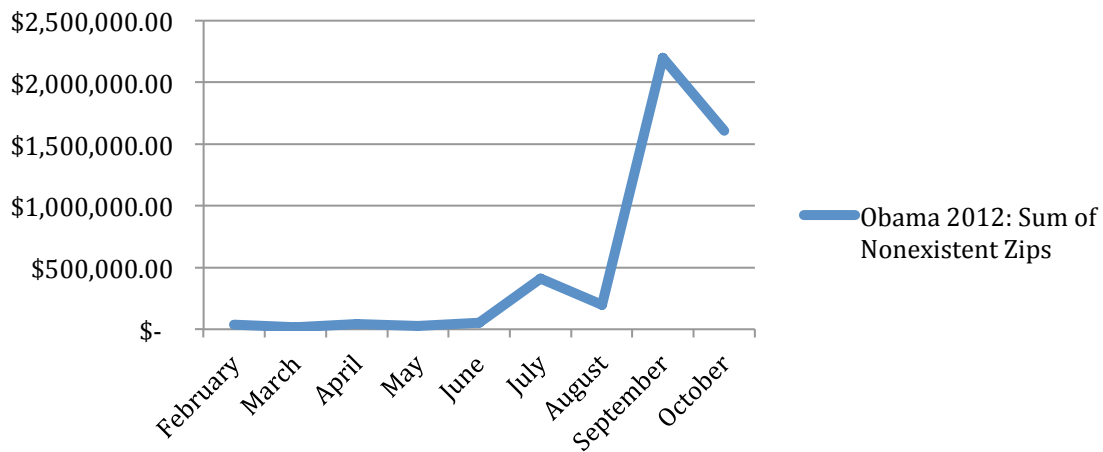
2008 Presidential Election		
	Obama	McCain
February	\$208,392.79	\$62,450.00
March	\$339,996.08	\$68,450.00
April	\$236,129.93	\$23,900.00
May	\$401,789.80	\$134,850.00
June	\$121,548.25	\$53,875.00
July	\$301,422.01	\$18,185.00
August	\$191,632.70	\$13,100.00
September	\$271,387.33	\$56,086.00
October	\$706,510.08	\$150.00
November	\$-	\$-
TOTAL	\$2,778,808.97	\$431,046.00
2012 Presidential Election		
	Obama	Romney
February	\$39,215.44	\$33,250.00
March	\$16,425.20	\$54,150.00
April	\$41,257.00	\$65,105.00
May	\$26,621.50	\$18,700.00
June	\$52,297.12	\$15,250.00
July	\$411,369.55	\$6,325.00
August	\$197,464.59	\$21,897.01
September	\$2,199,204.38	\$29,610.00
October	\$1,596,950.57	\$38,527.77
November		
TOTAL	\$4,580,805.35	\$282,814.78



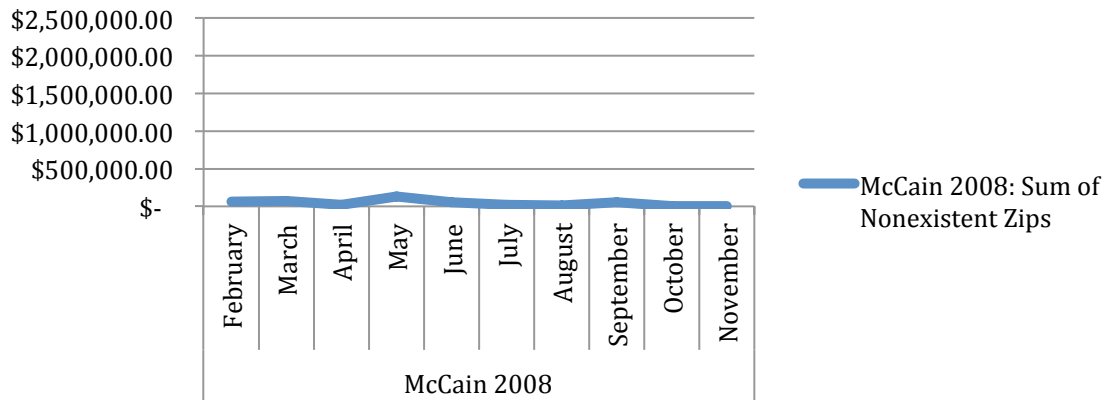
Romney 2012: Sum of Nonexistent Zips



Obama 2012: Sum of Nonexistent Zips



McCain 2008: Monthly Sum of Nonexistent Zips



Obama 2008: Monthly Sum of Nonexistent Zips

