



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

May 15, 2006

**MEMORANDUM**

**AUDIT REFERRAL #** 06-02

TO: Thomasenia Duncan  
Associate General Counsel

THROUGH: Robert J. Costa *AR*  
Acting Staff Director

FROM: Joseph F. Stoltz *JFS*  
Assistant Staff Director  
Audit Division

Wanda J. Thomas *wjt*  
Audit Manager

Rickida L. Morcomb *RLM*  
Lead Auditor

SUBJECT: Friends of John Conyers (A05-17) – Referral Matter

On May 4, 2006, the Commission approved the final audit report on Friends of John Conyers (FOJC). The final audit report was released to the public on May 15, 2006. In accordance with the Commission approved Materiality Thresholds, the final audit report includes findings that meet the criteria for referral to your office:

- Finding 2. Disclosure of Receipts
- Finding 3. Untimely Deposits of Receipts
- Finding 4. Cash Disbursements

Since FOJC is not disputing any of the factual statements presented in the findings, and has filed the requested amendments this may be a case suitable for ADR.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Rickida Morcomb or Wanda Thomas at 694-1200.

Attachment: Finding 2. Disclosure of Receipts, Finding 3. Untimely Deposits of Receipts, Finding 4. Cash Disbursements

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FEDERAL ELECTION  
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OFFICE OF GENERAL  
COUNSEL

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## Finding 2. Disclosure of Receipts

### SUMMARY

A review of all itemized contributions from individuals demonstrated that FOJC failed to adequately disclose 15% of the contributions totaling \$19,250; a sample review of PAC contributions showed FOJC did not provide adequate disclosure information for 22% of the items tested. The Audit staff recommended FOJC submit amended reports to correct the public record. In response, FOJC complied with the Audit staff's recommendation by filing amended reports to correct the public record.

### LEGAL STANDARD

**A. Itemization Required for Contributions from Individuals.** An authorized candidate committee must itemize any contribution from an individual if it exceeds \$200 per election cycle, either by itself or when combined with other contributions from the same contributor. 2 U.S.C. §434(b)(3)(A).

**B. Election Cycle.** The election cycle begins on the first day following the date of the previous general election and ends on the date of the next general election. 11 CFR §100.3(b).

**C. Required Information for Contributions from Individuals.** For each itemized contribution from an individual, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The contributor's occupation and the name of his or her employer;
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The election cycle-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

**D. Required Information for Contributions from Political Committees.** For each contribution from a political committee, the reporting committee must provide the following information:

- The committee's name and address;
- The date of the receipt;
- The amount of the contribution; and
- The election cycle-to-date total. 11 CFR §104.3(a)(4) and 2 U.S.C. §434(b)(3)(B).

### FACTS AND ANALYSIS

A review of all itemized contributions from individuals determined that FOJC did not completely report disclosure information for 15% of the contributions totaling \$19,250. The errors included not disclosing addresses and reporting the wrong election-cycle-to-date amounts.

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A sample review of itemized contributions from PACs demonstrated that FOJC did not adequately provide disclosure information for 22% of the contributions reviewed. Most of the errors were due to reporting the wrong election-cycle-to-date amounts, as well as missing or incomplete addresses<sup>1</sup>.

The wrong election-cycle-to-date amounts appear to be attributed to FOJC using the wrong election cycle date in the electronic filing software used to file the disclosure reports. This matter was presented to FOJC representatives at the exit conference along with workpapers. FOJC representatives had no comments.

#### **INTERIM AUDIT REPORT RECOMMENDATION AND COMMITTEE RESPONSE**

The Audit staff recommended that FOJC submit amended reports to correct the public record. FOJC substantially complied with the Audit staff's recommendation by filing amended reports with complete addresses and correct election-cycle-to-date amounts.

### **Finding 3. Untimely Deposit of Receipts**

#### **SUMMARY**

A review of all contributions from individuals whose contributions aggregated more than \$200 for the election cycle showed that FOJC did not deposit 55 checks totaling \$35,500 within 10 days of the treasurer's receipt. A sample review of PAC contributions showed FOJC failed to timely deposit 33% of the contributions reviewed. The Audit staff recommended that FOJC provide documentation to show the contributor checks were deposited timely or provide any other comments it may have relative to this matter. In response, FOJC did not provide any documentation to dispute the finding but stated that new procedures have been implemented to ensure timely deposit of contributions in the future.

#### **LEGAL STANDARD**

**A. Deposit of Receipts.** The treasurer of a political committee must deposit contributions (or return them to the contributors without being deposited) within 10 days of the treasurer's receipt. 11 CFR §103.3(a).

**B. Receipt of Contributions.** Every person who receives a contribution for an authorized political committee shall, no later than 10 days after receipt, forward such contribution to the treasurer. 11 CFR §102.8(a).

<sup>1</sup> FOJC's records included contribution check copies from PACs and individuals which contained the addresses; however, the information was not reported.

**FACTS AND ANALYSIS**

The Audit staff reviewed contributions from individuals whose contributions aggregated over \$200 for the election cycle and determined that FOJC failed to deposit in a timely manner 55 checks totaling \$35,500 (23% of the total dollar value of individual contributions). A sample review of PAC contributions revealed FOJC did not timely deposit 33% of the contributor checks reviewed. Since FOJC did not record the date of receipt of the checks, the Audit staff used the difference between the contributor check date and the bank deposit date plus an allowance for transmittal and delivery of the contribution to determine if FOJC timely deposited the contributions. These checks were deposited between 24 and 257 days from the check date.

FOJC's internal procedures for accepting receipts showed most PAC contributions went directly to FOJC's fundraiser. The fundraiser made copies of the contribution checks and forwarded the originals to the treasurer to be deposited in FOJC's bank account. On some occasions, the PAC contribution checks went directly to the treasurer.

This matter was presented to FOJC representatives during the exit conference along with related workpapers. FOJC representatives said that sometimes PAC representatives carried the contribution checks around for awhile before giving them to the treasurer. The PACs reported making the contributions within a few days of the check date.

**INTERIM AUDIT REPORT RECOMMENDATION AND COMMITTEE RESPONSE**

The Audit staff recommended that FOJC provide documentation to demonstrate that the contributor checks were deposited in a timely manner and/or provide any other comments it may have relative to this matter. FOJC was not able to provide additional documentation to show contributor checks were deposited timely.

FOJC stated that during the election cycle several of the individuals involved in the day-to-day activities were volunteers and were not sufficiently familiar with Commission regulations. In an effort to comply with the Act in the future, a new principal campaign committee has been designated for the 2006 election cycle. The new committee has implemented procedures to improve the timeliness of all deposits. These procedures include hiring a company to provide professional compliance and accounting services.

**Finding 4. Cash Disbursements****SUMMARY**

FOJC made 69 cash withdrawals from one of its bank accounts. The withdrawals totaled \$20,506. The Act requires political committees to make all disbursements, except those from a petty cash fund, by check or similar draft drawn on a committee account. In addition, FOJC failed to maintain adequate records for cash withdrawals totaling \$19,586. The Audit staff recommended that FOJC demonstrate it complied with the law regarding cash disbursements, and obtain and submit the missing disbursement documentation. FOJC failed to submit the missing disbursement documentation, but

acknowledged that the committee did not comply with the law regarding cash disbursements and stated that new procedures are in place for future compliance.

### **LEGAL STANDARD**

**A. Disbursement by Check.** A political committee may only make expenditures in cash, not to exceed \$100 from a petty cash fund. A written journal for such cash expenditures is to be maintained by the treasurer. All other disbursements shall be made by check or similar draft drawn on account(s) established at the committee's campaign depository(ies). 2 U.S.C. §432(h).

**B. Petty Cash Fund.** A political committee may maintain a petty cash fund out of which it may make expenditures not in excess of \$100 to any person per purchase or transaction.

It is the duty of the treasurer to keep and maintain a written journal of all petty cash disbursements. The written journal shall include:

- Name and address of every person to whom any disbursement is made,
- Date,
- Amount,
- Purpose, and
- If disbursement is made for a candidate, the journal shall include the name of that candidate and the office (including State and Congressional district) sought by such candidate. 11 CFR §102.11.

**C. Required Records for Disbursements.** For each disbursement, the treasurer of a political committee must keep records on the:

- Amount;
- Date;
- Name and address of the payee<sup>2</sup>;
- Purpose (a brief description of why the disbursement was made); and
- If the disbursement was made on behalf of a candidate, the candidate's name and the office sought by the candidate.
- If the disbursement was in excess of \$200, the records must include a receipt or invoice from the payee, or a cancelled check or share draft to the payee. If the disbursement was by credit card, the record must include the monthly statement or customer receipt and the cancelled check used to pay the credit card bill. 2 U.S.C. §432(c)(5) and 11 CFR §§102.9(b).

**D. Preserving Records and Copies of Reports.** The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 2 U.S.C. §432(d).

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<sup>2</sup> The payee is usually the person providing the goods or services to the committee. In the case of travel advances, however, the payee is the person receiving the advance. 11 CFR §102.9(b)(2).

**FACTS AND ANALYSIS****A. Cash Disbursements**

Our examination of bank records and related information identified 69 cash withdrawals totaling \$20,506 during the audit period. According to committee officials, FOJC did not maintain a petty cash fund but withdrew cash from one of its checking accounts to reimburse staff members for some travel and non-travel expenses related to campaign events and fundraisers. Political committees may only make cash expenditures, not exceeding \$100, from a petty cash fund; otherwise all disbursements must be made by check.

**B. Recordkeeping for Cash Disbursements**

FOJC's records consisted of copies of cancelled checks, invoices, receipts, and an incomplete electronic disbursement database. However, FOJC failed to maintain any records for cash disbursements totaling \$19,586.

FOJC's procedures for cash disbursements required staff members to complete a Campaign Money Disbursement Confirmation Form and submit receipts for the expenses, but the procedures were not always followed. In some cases a journal entry was recorded in the accounting system. FOJC provided the Audit staff with Campaign Money Disbursement Confirmation Forms to document \$920 of the cash disbursements and provided no documentation for the remaining \$19,586.

These matters were presented at the exit conference along with workpapers. FOJC representatives had no comment.

**INTERIM AUDIT REPORT RECOMMENDATION AND COMMITTEE RESPONSE**

The Audit staff recommended that FOJC:

- Demonstrate it complied with the provisions of 2 U.S.C. §432(h) regarding cash disbursements;
- Provide any comments it deems relevant regarding the cash disbursements; and
- Obtain and submit the missing disbursement documentation.

In response to the Audit staff's recommendations, FOJC failed to submit the missing disbursement documentation but acknowledged that the committee did not comply with the law regarding cash disbursements. FOJC stated the new principal campaign committee has procedures in place for future compliance. These procedures include processing disbursements through a pre-approval process, providing proper documentation for each disbursement, and adhering to Commission regulations regarding petty cash.

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