



FEDERAL ELECTION COMMISSION
Washington, DC 20463

October 10, 2003

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON THE
WOMEN'S CAMPAIGN FUND

Attached please find a copy of the audit report and related documents on the Women's Campaign Fund, which was approved by the Commission on October 2, 2003.

The report may be released to the public on October 13, 2003.

Attachment as stated

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



Report of the Audit Division on the Women's Campaign Fund, Inc.

January 1, 1999 – December 31, 2000

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.¹ 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)

The Women's Campaign Fund, Inc. (WCF) is a non-connected committee. The WCF qualified for multi-candidate status on January 1, 1975 and is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - Total Contributions \$ 1,334,456
 - Transfers from Affiliates/Other Party Committees 161,532
 - Other Receipts 58,240
 - **Total Receipts** \$ 1,554,228
- **Disbursements**
 - Operating Expenditures \$ 1,430,556
 - Other Disbursements 83,930
 - **Total Disbursements** \$ 1,514,486

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Outstanding Debts (Finding 2)

¹ 2 U.S.C. §438(b).

Report of the Audit Division on the Women's Campaign Fund, Inc.

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Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Changes to the Law	1
Part II. Overview of the Committee	
Committee Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Findings and Recommendations	3
Part IV. Findings and Recommendations	
Finding 1. Misstatement of Financial Activity	4
Finding 2. Disclosure of Outstanding Debts	6

Part I

Background

Authority for Audit

This report is based on an audit of the WCF, 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

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of disbursements, debts and obligations.
5. The disclosure of expenses allocated between federal and non-federal accounts.
6. The consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

Changes to the Law

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. The period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are those that were in effect during the audit period.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	March 8, 1974
• Audit Coverage	January 1, 1999 – December 31, 2000
Headquarters	
	Washington, DC
Bank Information	
• Bank Depositories	2
• Bank Accounts	6 Federal and 3 Non-Federal Accounts
Treasurer	
• Treasurer When Audit Was Conducted	Lynn S. Martin
• Treasurer During Period Covered by Audit	Lynn S. Martin
Management Information	
• 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)

Cash on hand @ January 1, 1999	\$ 84,292
○ Total Contributions	1,334,456
○ Transfers from Affiliates/Other Party Committees	161,532
○ Other Receipts	58,240
Total Receipts	\$1,554,228
○ Operating Expenditures	1,430,556
○ Other Expenditures	83,930
Total Disbursements	\$1,514,486
Cash on hand @ December 31, 2000	\$ 124,034

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of the WCF's reported figures to its bank records revealed that the receipts, disbursements, and ending cash-on-hand had been misstated for calendar year 2000. In response to the interim audit report, the WCF amended its reports to materially correct the misstatement noted above. (For more detail, see p. 4.)

Finding 2. Disclosure of Outstanding Debts

The WCF failed to report debts owed to 14 vendors which totaled as much as \$82,777 during calendar year 2000. In response to the interim audit report, the WCF filed Schedules D, by reporting period, which correctly disclosed the debts noted above as well as additional debts identified by the WCF's officials. (For more detail, see p. 6.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of the WCF's reported figures to its bank records revealed that the receipts, disbursements, and ending cash-on-hand had been misstated for calendar year 2000. In response to the interim audit report, the WCF amended its reports to materially correct the misstatement noted above.

Legal Standard

Contents of Reports. Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
 - The total amount of receipts for the reporting period and for the calendar year; and
 - The total amount of disbursements for the reporting period and for the calendar year.
- 2 U.S.C. §434(b)(1), (2) and (4).

Facts and Analysis

The WCF used Gordon Schwenkmeyer, Inc. (GSI), a California based telemarketing firm, to handle some of its fundraising. GSI worked from phone lists and solicited contributions for the WCF. All contributions received were deposited into a checking account maintained by GSI. At the end of each month, GSI provided the WCF with a Detailed Contributions Report and the corresponding monthly bank statement. Fundraising proceeds were forwarded to the WCF by check from this account upon WCF's request. Periodically, GSI withdrew funds from the account to pay its fees.

To account for the telemarketing receipts, the WCF used GSI's Detailed Contributions Reports to update its internal receipts files. However, the update process involved the manual input of data and, as discussed below, errors and omissions occurred.

The following chart details the discrepancies between the totals on the WCF disclosure reports and bank records for calendar year 2000. Succeeding paragraphs explain why the discrepancies occurred. The WCF did not provide records to explain how the amounts shown on its disclosure reports were calculated; as such not all discrepancies could be explained.

Comparison of Disclosure Reports and Bank Records

2000 Activity			
	Reported	Bank Records	Discrepancy
Receipts	\$768,775	\$918,942	\$150,167 Understated
Disbursements	\$699,959	\$831,781	\$131,822 Understated
Ending Cash Balance	\$105,997	\$124,034	\$18,037 Understated

Explanation of Discrepancies

Receipts – 2000

The understatement of receipts resulted from the following:

- Individual contributions not reported. These were primarily telemarketing contributions collected by GSI. \$ +115,945
- Net unreported transfers from the non-federal account for shared expenses. + 24,148
- Net unreported miscellaneous vendor refunds. + 435
- Unexplained difference + 9,639
- Total net understatement of receipts \$ + 150,167

Disbursements – 2000

The understatement of disbursements resulted from the following:

- Payments to GSI not reported. \$ + 68,305
- Unreported operating expenditures made from the Allocation account. This amount consisted of unreported vendor payments totaling \$53,826 and net unreported payroll totaling \$11,551. + 65,378
- Unreported transfer to the non-federal account. + 10,000
- Unreported bank service charges and credit card fees. + 3,747
- Reported disbursements not clearing the bank - 3,124
- Unexplained difference - 12,484
- Total net understatement of disbursements \$ + 131,822

Closing Cash on Hand – 2000

The \$18,037 understatement of the closing cash on hand resulted primarily from the misstatements described above.

The majority of the reporting problems occurred between July and December 2000. The Audit staff determined that the reporting irregularities were likely caused by the following factors:

- The WCF purchased new computer software in June 2000 and subsequently converted the receipts data files from the previously used system. WCF suspected, and the Audit staff confirmed that some of the data was lost or inadvertently deleted during the conversion process. As a result, the newly created receipts database was incomplete;
- The committee staff responsible for recordkeeping and reporting performed essentially all accounting functions manually which significantly increased the risk of error; and
- The WCF experienced high personnel turnover primarily during the second half of calendar year 2000.

At the exit conference, the Audit staff provided the WCF representatives with schedules explaining the misstatements. The representatives agreed to file amended reports for calendar year 2000.

Interim Audit Report Recommendations and Committee Response

The Audit staff recommended that the WCF file amended reports, by reporting period, for calendar year 2000. The amended reports were to include:

- Corrected Summary and Detailed Summary Pages for each reporting period to accurately disclose the committee's financial activity; and
- Amended Schedules A (Itemized Receipts) and B (Itemized Disbursements), by reporting period, to support the corrected Summary and Detailed Summary pages.

In response to the interim audit report, the WCF amended its reports to materially correct the misstatements noted above.

Finding 2. Disclosure of Outstanding Debts

Summary

The WCF failed to report debts owed to 14 vendors which totaled as much as \$82,777 during calendar year 2000. In response to the interim audit report, the WCF filed Schedules D, by reporting period, which correctly disclosed the debts noted above as well as additional debts identified by the WCF's officials.

Legal Standard

Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

Itemizing Debts and Obligations

- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

The Audit staff reconciled the accounts² of 14 of WCF's vendors and determined that the WCF had outstanding debt at the end of five reporting periods, primarily the second half of the calendar year 2000, that was not disclosed on Schedules D.

The debts, which totaled \$82,777, were owed to the 14 vendors over several reporting periods. The amount of debts not reported ranged from \$2,557 (July 1 – September 30, 2000 reporting period) to \$34,627 (December 12 – December 31, 2000 reporting period). The major debt categories were printing (\$45,107) and payments for computer system-related services (\$13,259).

At the exit conference, the Audit staff provided the WCF representatives a detailed listing of unreported debts for the relevant reporting periods. The representatives agreed to file amended Schedules D for these reporting periods.

Interim Audit Report Recommendations and Committee Response

The Audit staff recommended that the WCF include with the amended reports recommended at Finding 1, Schedules D to disclose the outstanding debts addressed above. In response to the interim audit report, the WCF filed Schedules D, by reporting period, which correctly disclosed the debts noted above as well as additional debts identified by the WCF's officials.

² The reconciliation consisted of calculating invoiced and paid amounts for individual reporting periods in the 1999 – 2000 election cycle. The Audit staff determined whether any outstanding debts were correctly disclosed on Schedules D.