



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

September 7, 2004

MEMORANDUM

TO: ROBERT W. BIERSACK
PRESS OFFICER
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE NATIONAL RIGHT TO LIFE POLITICAL
ACTION COMMITTEE

Attached please find a copy of the final audit report and related documents on the National Right to Life Political Action Committee, which was approved by the Commission on August 27, 2004.

Informational copies of the report have been received by all parties involved and the report may be released to the public on September 7, 2004.

Attachment as stated

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



Report of the Audit Division on the National Right to Life Political Action Committee

January 1, 2001 – December 31, 2002

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 National Right to Life Political Action Committee (NRL) is a separate segregated fund of National Right to Life, Inc. NRL qualified for multi-candidate status on July 12, 1979 and is headquartered in Washington, DC. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - Contributions \$ 1,747,628
 - Other Receipts 6,897
 - **Total Receipts** \$ 1,754,525

- **Disbursements**
 - Operating Expenditures \$ 234,556
 - Contributions to Fed. Candidates 50,910
 - Independent Expenditures 1,864,716
 - Other Expenditures 61,021
 - **Total Disbursements** \$ 2,211,203

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Itemization of Receipts (Finding 2)
- Disclosure of Occupation/Name of Employer (Finding 3)

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of the National Right to Life Political Action Committee (NRL), 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 factors and as a result, 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. Except for the period November 7, 2002, through December 31, 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 prior to November 7, 2002.

Part II

Overview of Committee

Committee Organization

Important Dates	National Right to Life Political Action Committee
• Date of Registration	July 12, 1979
• Audit Coverage	January 1, 2001 – December 31, 2002
Headquarters	Washington, DC
Bank Information	
• Bank Depositories	2
• Bank Accounts	5 Federal Accounts
Treasurer	
• Treasurer When Audit Was Conducted	Amarie Natividad
• Treasurer During Period Covered by Audit	Amarie Natividad
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, 2001	\$ 444,647
○ Contributions	1,747,628
○ Other Receipts	6,897
Total Receipts	\$ 1,754,525
○ Operating Expenditures	234,556
○ Contributions to Federal Candidates	50,910
○ Independent Expenditures	1,864,716
○ Other Expenditures	61,021
Total Disbursements	\$ 2,211,203
Cash on hand @ December 31, 2002	\$ (12,031)

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of NRL's reported figures to its bank records revealed that NRL had misstated receipts, disbursements, and cash-on-hand balances on its FEC reports for calendar years 2001 and 2002. In response to the interim audit report, NRL amended its reports to materially correct the misstatement noted above. (For more detail, see p. 4.)

Finding 2. Itemization of Receipts

A 100% review of receipts revealed that NRL did not itemize 46% of the dollar value of contributions from individuals that were required to be itemized on Schedules A (Itemized Receipts). In response to the interim audit report, NRL filed corrective amendments. (For more detail, see p. 6.)

Finding 3. Disclosure of Occupation/Name of Employer

A 100% review of contributions from individuals indicated that, of the contributions that both required itemization on NRL's disclosure reports and were itemized, NRL failed to disclose the contributor's occupation and/or name of employer for contributions representing 69% of the dollar value of all such contributions. In response to the interim audit report, NRL sent letters to individuals whose contributions required itemization on NRL's amended disclosure reports. The individuals were contacted so that NRL could obtain the complete and updated information relating to the occupation/name of employer. The NRL officials indicated that they would amend the disclosure reports upon receipt of the information. (For more detail, see p. 7.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of NRL's reported figures to its bank records revealed that NRL had misstated receipts, disbursements, and cash-on-hand balances on its FEC reports for calendar years 2001 and 2002. In response to the interim audit report, NRL 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), (3), and (4).

Facts and Analysis

The Audit staff reconciled NRL's reported activity to its bank records and determined that there was a misstatement of cash on hand, receipts, and disbursements in calendar years 2001 and 2002. The following chart details the discrepancies between the totals on NRL's disclosure reports and the bank records. Succeeding paragraphs explain, to the extent possible, why the discrepancies occurred.

Comparison of Disclosure Reports and Bank Records

2001 Activity	Reported	Bank Records ²	Discrepancy
Opening Cash Balance	445,944	444,647	(1,297) Overstated
Receipts	58,710	267,669	208,959 Understated
Disbursements	146,967	241,794	94,827 Understated
Ending Cash Balance	357,687	470,522	112,835 Understated

² Net of interaccount transfers.

Explanation of Discrepancies

Opening Cash Balance - 2001

The understatement of beginning cash on hand was the result of unexplained errors prior to the audit period in the net amount of \$1,297.

Receipts – 2001

The understatement of receipts was the result of the following:

• Unreported receipts from individuals	+	193,815
• Unreported interest income	+	12,450
• Unreported vendor refund	+	4,410
• Unexplained difference	-	1,716
• Understatement		<u>\$ 208,959</u>

Disbursements – 2001

The understatement of disbursements was the result of the following:

• Unreported disbursements	+	97,943
• Unexplained difference	-	3,116
• Understatement		<u>\$ 94,827</u>

Ending Cash Balance – 2001

The understatement of cash on hand in the amount of \$112,835 was the result of the misstatements described above.

2002 Activity	Reported	Bank Records ³	Discrepancy
Opening Cash Balance	357,687	470,522	112,835 Understated
Receipts	1,506,736	1,486,856	(19,880) Overstated
Disbursements	1,923,475	1,969,409	45,934 Understated
Ending Cash Balance	(59,052)	(12,031)	(47,021) Understated

Explanation of Discrepancies

Receipts – 2002

The overstatement of receipts was the result of the following:

• Miscalculated total receipts from individuals	-	15,634
• Unreported in-kind contribution	+	4,000
• Unreported interest income	+	5,174
• Unexplained difference	-	13,420
• Overstatement		<u>\$ (19,880)</u>

³ Net of interaccount transfers.

Disbursements – 2002

The understatement of receipts was the result of the following:

• Unreported disbursements	+ 47,487
• Unexplained difference	- 1,553
• Understatement	<u>\$ 45,934</u>

Ending Cash Balance – 2002

The understatement of ending cash on hand in the amount of (\$47,021) was the result of the misstatements described above.

At the exit conference, the Audit staff provided NRL representatives with schedules explaining the misstatements. The misstatements were the result of NRL's failure to report receipts and disbursements that did not require itemization. The NRL's representatives agreed to amend the disclosure reports.

Interim Audit Report Recommendations and Committee Response

The Audit staff recommended that NRL file amended reports, by reporting period, for calendar years 2001 and 2002.⁴ The amended reports were to include:

- Corrected Summary and Detailed Summary Pages for each period to accurately disclose NRL'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, NRL amended its reports to materially correct the misstatements noted above.

Finding 2. Itemization of Receipts

Summary

A 100% review of receipts revealed that NRL did not itemize 46% of the dollar value of contributions from individuals that were required to be itemized on Schedules A (Itemized Receipts). In response to the interim audit report, NRL filed corrective amendments.

Legal Standard

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

⁴ See Findings 2 and 3.

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 calendar year-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).

Facts and Analysis

The Audit staff reviewed receipts on a 100% basis and determined that NRL did not itemize 273 contributions from individuals totaling \$95,877. This amount represents 46% of the dollar value of individual contributions that required itemization on Schedules A⁵ in 2002.

At the exit conference, the Audit staff presented this matter to NRL representatives and subsequently, in an electronic format, provided a list of contributions that required itemization in 2002. The representatives agreed to use the list to amend the 2002 Schedules A.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that the NRL file amended Schedules A, by reporting period, to correct the public record by properly disclosing contributions received in 2002.

In response to the interim audit report, NRL filed corrective amendments.

Finding 3. Disclosure of Occupation/Name of Employer

Summary

A 100% review of contributions from individuals indicated that, of the contributions that both required itemization on NRL's disclosure reports and were itemized, NRL failed to disclose the contributor's occupation and/or name of employer for contributions representing 69% of the dollar value of all such contributions. In response to the interim audit report, NRL sent letters to individuals whose contributions required itemization on NRL's amended disclosure reports.⁶ The individuals were contacted so that NRL could obtain the complete and updated information relating to the occupation/name of

⁵ In its 2002 year-end report, NRL reported \$223,648 in itemized contributions. Included in this total, however, were numerous individual contributions that aggregated to \$200 or less for the election cycle and were not required to be itemized on Schedules A. By disclosing such contributions, the dollar amount of itemized contributions substantially agreed with the correct itemizable total of \$206,594.

⁶ See Finding 2.

employer. The NRL officials indicated that they would amend the disclosure reports upon receipt of the information.

Legal Standard

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

- The contributor's occupation and the name of his or her employer. 11 CFR §100.12 and 2 U.S.C. §431(13)(A).

B. Best Efforts Ensures Compliance When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(i).

C. Definition of Best Efforts The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
 - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

Facts and Analysis

A 100% review of contributions from individuals indicated that NRL failed to disclose the contributor's occupation and/or name of employer for 69% of the dollar value of the itemized contributions that required the disclosure of that information.

The NRL provided solicitation devices that were sent to and returned from contributors. All of the written solicitations included a request for the contributor's full name, mailing address, occupation, and the name of employer as well as the statement that such reporting was required by Federal law. The Audit staff reviewed contributors' response devices and determined that the majority of contributors provided the information as requested. However, it does not appear that NRL recorded the information in its electronic records and, consequently, failed to disclose it.

At the exit conference, the NRL representatives explained that in August 2002, NRL purchased a new software system and, upon the conversion of data, the new system apparently failed to include information relating to occupation and name of employer. The representatives agreed to disclose this information by amending the reports.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that the NRL file amended electronic reports to disclose the missing information.

In response to the interim audit report, NRL officials explained that in order to complete corrective amendments, they chose to send letters to the appropriate contributors to obtain occupation/name of employer information as opposed to utilizing the information already maintained in their records. It should be noted that since a majority of the information is already maintained, the "best efforts" rules would not be applicable to these items. The officials documented to the Audit staff that these letters were sent out to the contributors and stated that once this information was received, amendments would be filed.