




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

February 4, 2002

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON  
GEJDENSON REELECTION COMMITTEE

Attached please find a copy of the audit report and related documents on Gejdenson Reelection Committee, which was approved by the Commission on January 25, 2002.

All parties involved have received informational copies of the report and the report may be released to the public.

Attachment as stated

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

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REPORT OF THE AUDIT DIVISION  
ON THE  
**Gejdenson Reelection Committee**

Approved January 25, 2002



FEDERAL ELECTION COMMISSION  
999 E STREET, N.W.  
WASHINGTON, D.C.

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**REPORT OF THE AUDIT DIVISION  
ON THE  
GEJDENSON REELECTION COMMITTEE**

**EXECUTIVE SUMMARY**

Gejdenson Reelection Committee (GRC) registered with the Clerk of the U.S. House of Representatives on July 26, 1979, as Sam Gejdenson For Congress, the principal campaign committee for Sam Gejdenson, Democratic candidate for the U.S. House of Representatives from the state of Connecticut, Second District. The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission. The findings of the audit were presented to GRC at the completion of fieldwork on August 20, 2001, and later in the interim audit report. GRC's response to those findings is contained in the audit report. The following is an overview of the findings contained in the audit report. In maintaining its receipt records, GRC satisfied the minimum recordkeeping requirements of 11 CFR §102.9; however, testing of contributions from individuals was limited by the lack of external documentation, such as copies of contributor checks, for about 31% of the items tested.

**RECEIPT OF CONTRIBUTIONS IN EXCESS OF THE LIMITATION — 2 U.S.C. §441a(a)(1).** A review of contributions from individuals identified apparent excessive contributions from 74 individuals, totaling \$66,518. Of these, 33 contributions, totaling \$35,500, were on their face greater than \$1,000 with no election designations on the contributors' checks. The remaining excessive contributions (\$31,018) aggregated in excess of \$1,000. GRC did not provide reattribution or redesignation letters for any of the above contributors, nor were any of the excessive contributions refunded to the contributor. In response to the interim audit report, GRC amended its reports to disclose those contributions requiring refunds as debts on Schedule D.

**MISSTATEMENT OF FINANCIAL ACTIVITY — 2 U.S.C. §434(b)(1) and (2).** A reconciliation of GRC's reported activity to its bank activity revealed that material misstatements occurred with respect to reports filed for the period January 1, 2000 through December 31, 2000. In response to the interim audit report, GRC amended its reports to materially correct the misstatements.





FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A01-14

**REPORT OF THE AUDIT DIVISION  
ON THE  
GEJDENSON REELECTION COMMITTEE**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Gejdenson Reelection Committee (GRC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended (the Act). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code, which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall 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.

**B. AUDIT COVERAGE**

The audit covered the period from January 1, 1999 through December 31, 2000. During this period, GRC reported a beginning cash balance of \$1,194; total receipts of \$1,899,578; total disbursements of \$1,816,867; and a closing cash balance of \$83,905<sup>1</sup>.

**C. COMMITTEE ORGANIZATION**

GRC registered with the Clerk of the U.S. House of Representatives on July 26, 1979, as Sam Gejdenson For Congress, the principal campaign committee of

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<sup>1</sup> Total receipts and disbursements were calculated by summing the current period totals for each reporting period. The amount for disbursements differs from the figure for total disbursements (\$1,815,367) calculated by summing the calendar year-to-date amounts reported for 1999 and 2000. This difference results from refunded contributions (\$1,500) reported on the July 31<sup>st</sup> Mid-Year report which were excluded from the calendar year to date total for disbursements for calendar year 1999.

Sam Gejdenson, (the Candidate), Democratic candidate for the U.S. House of Representatives from the State of Connecticut, 2<sup>nd</sup> District. On June 24, 1996, its name was changed to the Sam Gejdenson Reelection Committee; and, on October 16, 2000, it became the Gejdenson Reelection Committee. The Treasurer during the period covered by the audit was Patricia Tedisco LaGrega, who continues to serve in that capacity. GRC maintains its headquarters in Bozrah, CT.

To manage its financial activity, GRC maintained two checking accounts, one savings account, one money market account, five certificates of deposit and two treasury bonds. From these accounts, GRC made approximately 1,400 disbursements. GRC received in excess of 5,000 contributions from individuals, totaling \$1,032,061. In addition, GRC received 467 contributions from political committees and political party committees totaling \$634,558, a loan from the Candidate in the amount of \$150,000, interest of \$10,381 and offsets to operating expenditures totaling \$3,058.<sup>2</sup> GRC utilized common accounting software as well as a custom designed campaign management application. Accounting, recordkeeping and reporting functions were performed by paid campaign staff, initially by an individual who was an Accountant. During the period covered by the audit, GRC did not file disclosure reports electronically. The Treasurer did not attend any FEC reporting seminars nor previously worked on any other congressional campaigns.

#### **D. AUDIT SCOPE AND PROCEDURES**

In maintaining its receipt records, GRC satisfied the minimum recordkeeping requirements of 11 CFR §102.9; however, the Audit staff's testing of contributions from individuals was limited by the lack of external documentation, such as copies of contributor checks, for about 31% of the items tested.

Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, the scope of this audit was limited to the following general categories:

1. the receipt of contributions or loans in excess of the statutory limitations (see Finding II.A.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;

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<sup>2</sup> These categories total \$1,830,058 or \$69,520 less than reported receipts (\$1,899,578). See Finding II.B..

4. the accuracy of total reported receipts, total reported disbursements and cash balances as compared to GRC bank records (see Finding II.B.);
5. adequate recordkeeping for GRC transactions; and,
6. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. RECEIPT OF CONTRIBUTIONS IN EXCESS OF THE LIMITATION**

Section 441a(a)(1)(A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal Office, which, in the aggregate, exceed \$1,000. Subsection (b) of 11 CFR §110.1 explains that *with respect to any election* means that if the contribution is not designated in writing by the contributor for a particular election then the contribution applies to the next election for that Federal office after the contribution is made. A contribution is considered made when the contributor relinquishes control over the contribution by delivering the contribution to the Candidate, the political committee, or an agent of the committee. A contribution that is mailed is considered made on the date of the postmark.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states that the treasurer shall be responsible for examining all contributions received for evidence of illegality and for ascertaining whether contributions received, when aggregated with other contributions from the same contributor, exceed the contribution limitations of 11 CFR §110.1. If any such contribution is deposited, the treasurer may request redesignation or reattribution of the contribution by the contributor in accordance with 11 CFR §§110.1(b) or 110.1(k), as appropriate. If a redesignation or reattribution is not obtained, the treasurer shall, within sixty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations states, in relevant part, that any contribution which appears to be illegal under 11 CFR §103.3(b)(3), and which is deposited into a campaign depository shall not be used for any disbursements by the political committee until the contribution has been determined to be legal. The political committee must either establish a separate account in a campaign depository for such contributions or maintain sufficient funds to make all such refunds.



Section 110.1(k) of Title 11 of the Code of Federal Regulations states, in part, that any contribution made by more than one person, except for a contribution made by a partnership, shall include the signature of each contributor on the check, money order, or other negotiable instrument or in a separate writing and if a contribution made by more than one person does not indicate the amount to be attributed to each contributor, the contribution shall be attributed equally to each contributor. If a contribution to a candidate or political committee, either on its face or when aggregated with other contributions from the same contributor, exceeds the limitations on contributions set forth in 11 CFR §110.1(b), (c) or (d), as appropriate, the treasurer of the recipient political committee may ask the contributor whether the contribution was intended to be a joint contribution by more than one person. A contribution shall be considered to be reattributed to another contributor if the treasurer of the recipient political committee asks the contributor whether the contribution is intended to be a joint contribution by more than one person, and informs the contributor that he or she may request the return of the excessive portion of the contribution if it is not intended to be a joint contribution, and within sixty days from the date of the treasurer's receipt of the contribution, the contributors provide the treasurer with a written reattribution of the contribution, which is signed by each contributor, and which indicates the amount to be attributed to each contributor if equal attribution is not intended.

Section 110.1(b)(5) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer of an authorized political committee may request a written redesignation of a contribution by the contributor for a different election if the contribution exceeds the limitation on contributions set forth in 11 CFR §110.1(b)(1). A contribution shall be considered to be redesignated for another election if the treasurer of the recipient authorized political committee requests that the contributor provide a written redesignation of the contribution and informs the contributor that the contributor may request the refund of the contribution as an alternative to providing a written redesignation and within sixty days from the date of the treasurer's receipt of the contribution, the contributor provides the treasurer with a written redesignation of the contribution for another election, which is signed by the contributor.

Section 110.1(l)(5) of Title 11 of the Code of Federal Regulations states, in part, that if a political committee does not retain the written records concerning redesignation or reattribution, the redesignation or reattribution shall not be effective, and the original designation or attribution shall control.

The Audit staff utilized the receipt database and copies of contributor checks provided by GRC to review contributions from individuals. However, copies of contributor checks for the first six months of 1999 were not available and limited our ability to identify potential excessive contributions arising from contributions that were either attributed improperly to an individual on the receipt database; or, contributions that were improperly redesignated to another election.

The review identified apparent excessive contributions from 74 individuals, the excessive portions of which totaled \$66,518. Of these, 33 contributions, totaling \$35,500, were on their face greater than \$1,000 with no election designations on the contributor's checks. The remaining excessive contributions (\$31,018) aggregated in excess of \$1,000. The excessive contributions may have arisen as the result of GRC solicitation response cards used during the campaign that stated, "Each person can contribute a total of \$2,000." Nowhere on the response cards was it explained that the \$2,000 represented two separate limitations, \$1,000 for the primary election and \$1,000 for the general election.

GRC did not provide reattribution or redesignation letters for any of the above contributions, nor were any of the excessive contributions refunded to the contributor. Although GRC did not deposit these excessive contributions into a separate account, sufficient funds were maintained during most of the audit period to refund the contributions. However, the cash on hand balance at December 31, 2000, was \$28,479.

At the exit conference, GRC's Assistant Treasurer was provided with schedules detailing the apparent excessive contributions. After indicating that funds were not available to make all the refunds, she stated that when an individual exceeded their Primary Election contribution level, she assumed that the money was designated for the General Election cycle. She also assumed that it was not necessary to demand that contributors make a clear election designation on their check(s).

Subsequent to the exit conference, a written response was submitted. The Assistant Treasurer stated that every effort was made to follow Commission Regulations. All donors were kept within the \$1,000 limitation for each election, but the requirement for documentation to show that a donation dated prior to the primary election was to be attributed to the general election if the donor had exceeded the legal limits for the primary election was misunderstood. Her response concludes that, unfortunately, GRC has no documentation to show the intent of the donor for those situations.

During an ensuing telephone call, the Candidate asked about options available to resolve the excessive contributions. The Candidate was advised that, since the 60-day time frame provided under 11 CFR §103.3(b)(3) for the redesignation or reattribution of a contribution had expired, the only option available was to refund the contributions.

The interim audit report recommended that GRC provide evidence demonstrating that the contributions noted above are not in excess of the limitation. Absent such evidence, it was recommended that GRC refund these contributions and provide evidence of such refunds (copies of the front and back of the negotiated refund check). If funds were not available to make the necessary refunds, those contributions requiring refunds were to be disclosed as debts on Schedule D (Debts and Obligations) until such time that funds became available to make the refunds.

In response to the interim audit report, GRC amended its reports to disclose those contributions requiring refunds as debts on Schedule D.

**B. MISSTATEMENT OF FINANCIAL ACTIVITY**

Sections 434(b)(1) and (2) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash on hand at the beginning of the report period and the total amount of all receipts for the reporting period and calendar year.

A reconciliation of GRC's reported financial activity to its bank activity indicated that receipts and ending cash on hand had been misstated for calendar year 2000.

GRC reported total receipts of \$1,420,240, but should have reported receipts of \$1,350,902, an overstatement of \$69,339. The misstatement resulted primarily from an overstatement of contributions from individuals by \$87,966 on the Post General disclosure report. GRC did not maintain records showing the derivation of its reported amount per contributions from individuals; therefore, the Audit staff was unable to explain this error. In addition, interest earned by GRC was overstated by \$692. Finally, there remained an unexplained understatement of receipts by \$19,319 that, absent records showing the derivation of its reported amounts, could not be identified.

The reported cash on hand balance on December 31, 2000 was \$83,906. The correct cash balance was determined to be \$28,479, a difference of \$55,428. The overstatement resulted primarily from the discrepancies noted above and from GRC's failure to report disbursements totaling \$11,525.

Subsequent to the exit conference GRC's Assistant Treasurer was provided a copy of the bank reconciliation for calendar year 2000. She indicated an amended report would be filed.

In the interim audit report, it was recommended that GRC file comprehensive amended Summary and Detailed Summary Pages for calendar year 2000.

GRC amended its reports to materially correct the misstatements noted above.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

A01-14

January 29, 2002

Mrs. Patricia Tedisco LaGrega, Treasurer  
Gejdenson Reelection Committee  
P.O. Box 1818  
Bozrah, CT 06334

Dear Mrs. LaGrega:

Attached please find the Report of the Audit Division on Gejdenson Reelection Committee. The Commission approved the report on January 25, 2002.

The Commission approved Final Audit Report will be placed on the public record on February 4, 2002. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 219-4155.

Any questions you have related to matters covered during the audit or in the report should be directed to Philomena Brooks or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph F. Stoltz".

Joseph F. Stoltz  
Assistant Staff Director  
Audit Division

Attachment as stated.

cc: Sally Cini, Assistant Treasurer



CHRONOLOGY  
GEJDENSON REELECTION COMMITTEE

Audit Fieldwork	July 9 - August 20, 2001
Interim Audit Report to the Committee	November 1, 2001
Response Received to the Interim Audit Report	December 31, 2001
Final Audit Report Approved	January 25, 2002