




FEDERAL ELECTION COMMISSION
Washington, DC 20463

October 9, 2003

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 DIANE E. WATSON
FOR CONGRESS

Attached please find a copy of the audit report and related documents on Diane E. Watson for Congress, which was approved by the Commission on October 1, 2003.

The report may be released to the public on October 9, 2003.

Attachment as stated

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



Report of the Audit Division on Diane E. Watson For Congress

February 7, 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)

Diane E. Watson for Congress is the principal campaign committee for Diane E. Watson, Democratic candidate for the U.S. House of Representatives from the state of California, 32nd District, and is headquartered in Burbank, California. For more information, see the chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - Total Contributions \$ 1,031,096
 - All Other Receipts 15,355
 - **Total Receipts** \$ 1,046,451

- **Disbursements**
 - Operating Expenditures \$ 1,022,710
 - Refunds of Contributions 2,750
 - Other Disbursements 15,650
 - **Total Disbursements** \$1,041,110

Finding and Recommendation (p. 3)

- Disclosure of Debts and Obligations

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 Diane E. Watson for Congress (the Watson Committee), 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 disclosure of disbursements, debts, and obligations.
2. The consistency between reported figures and bank records.
3. The completeness of records.
4. 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 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 primarily those that were in effect prior to November 7, 2002.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Diane E. Watson for Congress
• Date of Registration	January 30, 2001
• Audit Coverage	February 7, 2001 – December 31, 2002
Headquarters	Burbank, California
Bank Information	
• Bank Depositories	3
• Bank Accounts	3 checking
Treasurer	
• Treasurer When Audit Was Conducted	Kinde Durkee
• Treasurer During Period Covered by Audit	Kinde Durkee
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day to Day Operations	Paid Consultant

Overview of Financial Activity (Audited Amounts)

Cash on hand @ February 7, 2001	\$0
Receipts	
○ Total Contributions	\$ 1,031,096
○ All Other Receipts	15,355
○ Total Receipts	\$1,046,451
Disbursements	
○ Operating Expenditures	\$ 1,022,710
○ Refunds of Contributions	2,750
○ Other Disbursements	15,650
○ Total Disbursements	\$ 1,041,110
Cash on hand @ December 31, 2002	\$ 5,341

Part III Summary

Finding and Recommendation

Disclosure of Debts and Obligations

The Watson Committee failed to disclose the purpose for debts and obligations totaling \$82,932. In addition, for some debts and obligations, incorrect balances were disclosed. These errors total \$11,915. The Watson Committee filed amended Schedules D. The Audit staff recommends no further action. (For more detail, see p. 4)

Part IV

Finding and Recommendation

Disclosure of Debts and Obligations

Summary

The Watson Committee failed to disclose the purpose for debts and obligations totaling \$82,932. In addition, for some debts and obligations, incorrect balances were disclosed. These errors total \$11,915. The Watson Committee filed amended Schedules D. The Audit staff recommends no further action.

Legal Standard

- **Contents of Reports.** Each report filed under 11 CFR 104.1 shall, on Schedule C or D, as appropriate, disclose the amount and nature of outstanding debts and obligations owed by or to the reporting committee. 11 CFR §104.3(d).

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

Reports filed by the Watson Committee failed to properly disclose the purpose for debts and obligations totaling \$82,932. The amounts were owed to eight vendors. In addition, incorrect balances were disclosed for other debts and obligations. These errors totaled \$11,915.

The Watson Committee representatives were informed of this at the exit conference and responded that due to a software error, the purpose of the debts on Schedule D did not appear on several reports. They stated further that the software problem had been corrected. In response to the Audit staff's exit conference recommendation, the Watson Committee filed amended reports which materially corrected the problems noted above.

