



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

September 24, 2004

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ   
ASSISTANT STAFF/DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FRIENDS OF MARY LANDRIEU, INC.

Attached please find a copy of the final audit report and related documents on the Friends of Mary Landrieu, Inc., which was approved by the Commission on September 16, 2004.

Informational copies of the report have been received by all parties involved and the report may be released to the public on September 24, 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 Friends of Mary Landrieu, Inc. January 1, 2001 – December 31, 2002

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## 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.<sup>1</sup> 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)

Friends of Mary Landrieu, Inc. is the principal campaign committee for Senator Mary L. Landrieu, Democratic candidate for the U.S. Senate from the state of Louisiana, and is headquartered in Washington, DC. For more information, see the chart on the Campaign Organization, p. 2.

## Financial Activity (p. 2)

• <b>Receipts</b>	
○ From Individuals	\$ 3,795,354
○ From Political Committees	2,681,027
○ Joint Fundraising Proceeds	431,317
○ Interest and Other Receipts	29,821
○ <b>Total Receipts</b>	<b>\$ 6,937,519</b>
• <b>Disbursements</b>	
○ Operating Expenditures	\$ 7,232,143
○ Transfer to the Candidate's 1996 Committee	52,000
○ Contribution Refunds	174,197
○ Other Disbursements	97,938
○ <b>Total Disbursements</b>	<b>\$ 7,556,278</b>

## Finding and Recommendation (p. 3)

- Misstatement of Financial Activity

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<sup>1</sup> 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 Friends of Mary Landrieu, Inc. (FML), 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 consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

### **Limitations**

The Audit staff's testing of receipts was limited due to a lack of supporting documentation associated with the direct deposit of credit card contributions between October 1, 2002 and December 30, 2002. The only documents provided for these items were the bank statements which listed the deposit dates and deposit totals.

### **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 primarily those that were in effect prior to November 7, 2002.

## Part II

# Overview of Campaign

### Campaign Organization

<b>Important Dates</b>	<b>Friends of Mary Landrieu, Inc.</b>
• Date of Registration	November 25, 1996
• Audit Coverage	January 1, 2001 through December 31, 2002
<b>Headquarters</b>	Washington, DC
<b>Bank Information</b>	
• Bank Depository	1
• Bank Accounts	2 Checking, 1 Market Index, 2 CD's
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Val Marmillion
• Treasurer During Period Covered by Audit	Kent Berger
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Committee Staff

### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2001</b>	<b>\$ 704,462</b>
<b>Receipts</b>	
○ From Individuals	3,795,354
○ From Political Committees	2,681,027
○ Joint Fundraising Proceeds	431,317
○ Interest and Other Receipts	29,821
<b>Total Receipts</b>	<b>\$ 6,937,519</b>
<b>Disbursements</b>	
○ Operating Expenditures	7,232,143
○ Transfers to the Candidate's 1996 Committee	52,000
○ Contribution Refunds	174,197
○ Other Disbursements	97,938
<b>Total Disbursements</b>	<b>\$ 7,556,278</b>
<b>Cash on hand @ December 31, 2002</b>	<b>\$ 85,703</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Misstatement of Financial Activity**

FML misstated receipts, disbursements, and cash balances on reports filed with the Commission for calendar year 2002. In response to the interim audit report, FML filed corrective amendments. (For more detail, see p. 4.)

## Part IV

# Finding and Recommendation

### Misstatement of Financial Activity

#### Summary

FML misstated receipts, disbursements, and cash balances on reports filed with the Commission for calendar year 2002. In response to the interim audit report, FML filed corrective amendments.

#### 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).
- Certain transactions that require itemization on Schedule A or Schedule B.  
2 U.S.C. §§434(b)(1), (2), and(4).

#### Facts and Analysis

The Audit staff reconciled FML's reported activity to its bank records and determined that there was a misstatement of cash on hand balances, receipts, and disbursements in calendar year 2002. The following chart details the discrepancies between Commission disclosure reports filed by FML and its bank records.

#### Comparison of Disclosure Reports and Bank Records

2002 Activity	Reported	Bank Records	Discrepancy
Beginning Cash Balance at January 1, 2002	\$2,093,683	\$2,094,256	(\$573) Understated
Receipts	\$4,683,168	\$4,860,267	(\$177,099) Understated
Disbursements	\$6,673,406	\$6,868,820	(\$195,414) Understated
Ending Cash Balance at December 31, 2002	\$103,446	\$85,703	\$17,743 Overstated

## Explanation of Discrepancies

### Opening Cash Balance - 2002

The understatement of beginning cash on hand was the result of differences occurring prior to 2002.

### Receipts – 2002

The understatement of receipts was the net result of the following:

• Unreported credit card contributions deposited between October 1, 2002 and December 31, 2002	+ 196,081
• Unexplained difference	- 18,982
<b>Total Understatement of Receipts</b>	<b><u>\$ 177,099</u></b>

### Disbursements – 2002

The understatement of disbursements was the result of the following:

• Unreported disbursements mostly comprised of bank debits for payroll taxes and 2 wire transfers to a media vendor	+ 205,335
• Unexplained difference	- 9,921
<b>Total Understatement of Disbursements</b>	<b><u>\$ 195,414</u></b>

### Ending Cash Balance – 2002

The overstatement of cash on hand in the amount of \$17,743 was the net result of the misstatements described above.

At the exit conference, the Audit staff informed FML representatives of these misstatements and they agreed to amend the appropriate disclosure reports.

### Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that FML file amended reports, by reporting period, to correct the misstatements noted above. These filings were to include amended Schedules A and B as appropriate.

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