



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

September 27, 2005

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON  
CANNON FOR CONGRESS

Attached please find a copy of the audit report on Cannon for Congress which was approved by the Commission on September 19, 2005.

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  
Web Manager



# Report of the Audit Division on Cannon for Congress

January 1, 2003 – December 31, 2004

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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 Campaign (p. 2)

Cannon for Congress (CFC) is the principal campaign committee for Christopher B. Cannon, Republican candidate for the U.S. House of Representatives from the state of Utah, Third District. CFC is headquartered in Provo, Utah. For more information, see chart on the Campaign Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - From Individuals \$ 161,367
  - From Political Committees 476,006
  - Offsets to Expenditures 2,885
  - **Total Receipts** \$ 640,258
  
- **Disbursements**
  - Operating & Other Disbursements \$ 633,906
  - **Total Disbursements** \$ 633,906

## Finding and Recommendation (p. 3)

- Inadequate Disclosure – Form 3Z-1

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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 Cannon for Congress (CFC), 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 consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Cannon for Congress</b>
• Date of Registration	April 14, 1999
• Audit Coverage	January 1, 2003 through December 31, 2004
<b>Headquarters</b>	Provo, Utah
<b>Bank Information</b>	
• Bank Depositories	3
• Bank Accounts	3 Checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Curtis S. Bramble
• Treasurer During Period Covered by Audit	Stanley R. de Waal (through August 18, 2003); Curtis S. Bramble (from August 19, 2003)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations	Paid Accounting Firm

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2003</b>	<b>\$ (748)<sup>2</sup></b>
<b>Receipts</b>	
o From Individuals	\$ 161,367
o From Political Committees	476,006
o Offsets to Expenditures	2,885
o <b>Total Receipts</b>	<b>\$ 640,258</b>
<b>Disbursements</b>	
o Operating & Other Disbursements	\$ 633,906
o <b>Total Disbursements</b>	<b>\$ 633,906</b>
<b>Cash on hand @ December 31, 2004</b>	<b>\$ 5,604</b>

<sup>2</sup> The negative balance represents a "book" balance; its bank account balances were never negative.

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Inadequate Disclosure – Form 3Z-1**

CFC failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July 15<sup>th</sup> Quarterly Report and, although it filed one with its 2003 Year-End Report, disclosure was inadequate. The Audit staff recommended that CFC demonstrate that the required forms were correctly filed or provide any comments it may have relative to this matter. In response to the interim audit report, CFC indicated it was unaware of this new filing requirement and has taken steps to ensure future compliance. (For more detail, see p. 4)

## Part IV

# Finding and Recommendation

### Inadequate Disclosure – Forms 3Z-1

#### Summary

CFC failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July 15<sup>th</sup> Quarterly Report and, although it filed one with its 2003 Year-End Report, disclosure was inadequate. The Audit staff recommended that CFC demonstrate that the required forms were correctly filed or provide any comments it may have relative to this matter. In response to the interim audit report, CFC indicated it was unaware of this new filing requirement and has taken steps to ensure future compliance.

#### Legal Standard

**Special Reporting Requirements.** Principal campaign committees of candidates for the U.S. House and the U.S. Senate must file FEC Form 3Z-1 as part of their July Quarterly and Year-End Reports in the year preceding the year in which the general election for the office sought is held. The information in this form allows opposing candidates to compute their “gross receipts advantage” used to determining whether a candidate is entitled to an increased contribution limit. The following information must be disclosed:

1. Gross receipts to date for the primary and general elections,
2. Aggregate amount of contributions from personal funds of the candidate for the primary and general elections, and,
3. A calculation of gross receipts less the candidate’s personal contributions for each election. 11 CFR §104.19.<sup>3</sup>

#### Facts and Analysis

The Audit staff reviewed all filings by CFC and noted that it did not provide a Form 3Z-1 with its 2003 July 15<sup>th</sup> Quarterly Report, as required. Further, the disclosure on Form 3Z-1 (the Form) filed with its 2003 Year-End Report was inadequate; it disclosed no gross receipts for the primary or general elections.

Using the electronic data provided by CFC, the Audit staff determined gross receipts for the primary of \$72,213,<sup>4</sup> and for the general of \$15,240, should have been disclosed on the Form and included with its 2003 July 15<sup>th</sup> Quarterly report. There were no personal contributions by the Candidate.

For the 2003 Year-End Report, the Form should have disclosed gross receipts for the primary of \$148,528 and for the general of \$18,240. Again, there were no personal contributions by the Candidate.

<sup>3</sup> This regulation became effective January 27, 2003; as such, this election cycle is the first where this form was required

<sup>4</sup> In the state of Utah, a convention is held prior to the primary election and has a separate contribution limitation. Since the form makes no provision for receipts designated for the convention, such receipts are included with primary figures.

The Audit staff discussed this matter with CFC representatives at the exit conference. The representatives indicated they were not aware of the need to file the Form 3Z-1 with the July 15<sup>th</sup> Quarterly report and provided no explanation for the inadequate disclosure on the Form filed with the Year-End Report.

**Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that CFC demonstrate Form 3Z-1 was correctly filed or provide any comments it may have relative to this matter.

In its response to the interim audit report, CFC states it takes this omission very seriously. The response notes that CFC simply was not aware of this new requirement to file Form 3Z-1, particularly when the Candidate had not made, nor did he anticipate making, any contributions to CFC. CFC accepts and acknowledges these findings and has taken steps to ensure future compliance, to include retaining legal counsel to guide it in complying with its responsibilities, to educate it regarding new regulatory obligations, and to implement more exacting procedures to insure compliance.