




FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

January 21, 2004

MEMORANDUM

TO: PRESS OFFICE

FROM: JOSEPH F. STOLTZ 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
STEPHANIE TUBBS JONES FOR U.S. CONGRESS

Attached please find a copy of the final audit report and related documents on Stephanie Tubbs Jones for U.S. Congress, which was approved by the Commission on January 7, 2004.

Informational copies of the report have been received by all parties involved 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 Stephanie Tubbs Jones For U.S. Congress

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)

Stephanie Tubbs Jones For U.S. Congress is the principal campaign committee for Stephanie Tubbs Jones, Democratic candidate from the state of Ohio, 11th District. The committee maintains its headquarters in Cleveland, Ohio. For more information, see the chart on the Committee Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - Total Contributions \$396,452
 - All Other Receipts 6,917
 - **Total Receipts** \$403,369

- **Disbursements**
 - Operating Expenditures \$416,214
 - All Other Disbursements 9,066
 - **Total Disbursements** \$425,280

Findings and Recommendations (p. 3)

- Personal Use of Campaign Funds (Finding 1)
- Disclosure of Contributions from Political Committees (Finding 2)

¹ 2 U.S.C. §438(b).

**Report of the Audit
Division on the
Stephanie Tubbs Jones
For U.S. Congress**

January 1, 2001 – December 31, 2002



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Part I

Background

Authority for Audit

This report is based on an audit of Stephanie Tubbs Jones For U.S. Congress (STJ For Congress), 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 risk 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.

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	
• Date of Registration	February 27, 1998
• Audit Coverage	January 1, 2001 – December 31, 2002
Headquarters	
Cleveland, Ohio	
Bank Information	
• Bank Depositories	1
• Bank Accounts	1
Treasurer	
• Treasurer When Audit Was Conducted	Saundra Berry
• Treasurer During Period Covered by Audit	Saundra Berry
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Volunteer Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2001	\$29,722
○ Total Contributions	396,452
○ All Other Receipts	6,917
Total Receipts	\$403,369
○ Operating Expenditures	416,214
○ All Other Disbursements	9,066
Total Disbursements	\$425,280
Cash on hand @ December 31, 2002	\$ 7,811

Part III

Summaries

Findings and Recommendations

Finding 1. Personal Use of Campaign Funds

The Audit staff identified charges made on STJ For Congress' American Express card totaling \$9,556 which may have been for the Candidate's personal use. Most of the charges appear to be travel related expenses that were incurred by the Candidate and her spouse. The Candidate reimbursed STJ For Congress for \$2,722 of this amount prior to notification of the audit, although the reimbursement was not made within the 30 day time period allowed by the regulations. Possible reimbursable "personal use" charges of \$6,834 remained. In response to the interim audit report, the candidate provided documentation to show that \$1,910 of the \$6,834 in reimbursed charges was campaign or officeholder related. The Audit staff determined that documentation for \$1,245 of the \$1,910 was evidence of campaign or officeholder expenses. Nevertheless, the candidate reimbursed STJ For Congress \$6,834. (For more detail, see p. 4)

Finding 2. Disclosure of Contributions from Political Committees

STJ For Congress failed to properly disclose 11% of contributions received from political committees, totaling \$31,429. The majority of the errors resulted from reporting incorrect election cycle-to-date totals and missing or incorrect contributor addresses. In response to the interim audit report, STJ For Congress filed amended reports to correctly disclose the contributions. (For more detail, see p. 6)

Part IV

Findings and Recommendations

Finding 1. Personal Use of Campaign Funds

Summary

The Audit staff identified charges made on STJ For Congress' American Express card, totaling \$9,556, which may have been for the Candidate's personal use. Most of the charges appear to be travel related expenses that were incurred by the Candidate and her spouse. The Candidate reimbursed STJ For Congress for \$2,722 of this amount prior to notification of the audit, although the reimbursement was not made within the 30 day time period allowed by the regulations. Possible reimbursable "personal use" charges of \$6,834 remained. In response to the interim audit report, the candidate provided documentation to show that \$1,910 of the \$6,834 in reimbursed charges was campaign or officeholder related. The Audit staff determined that documentation for \$1,245 of the \$1,910 was evidence of campaign or officeholder expenses. Nevertheless, the candidate reimbursed STJ For Congress \$6,834.

Legal Standard

Use of Campaign Funds. Using campaign funds for personal use is prohibited. 2 U.S.C. §439a(b)(1)

Personal Use Defined. Personal use is defined as any use of funds in a campaign account of a present or former candidate to fulfill a commitment, obligation or expense of any person that would exist irrespective of the candidate's campaign or duties as a Federal officeholder.

If a committee uses campaign funds to pay expenses associated with travel that involves both personal activities and campaign or office related activities, the incremental expenses that result from the personal activities are personal use, unless the person(s) benefiting from this use reimburse(s) the campaign account within thirty days for the amount of the incremental expenses. 11 CFR § 113.1(g)(1)

Facts and Analysis

During the audit period, STJ For Congress paid \$48,753 for charges made on its American Express credit card. The only available documentation to support the charges was the American Express statements. The statements detailed the charges by the four authorized users: the Candidate, Treasurer, Candidate's spouse, and a campaign staff member.

Information captured on the statements included the following:

- The vendor that provided the goods/services
- The state or country in which the goods/services were provided

- The date of the transaction
- The dollar amount of the goods/services provided
- A brief description of the goods/services provided

The Audit staff reviewed each charge on the American Express monthly statements to determine if the charge was campaign or officeholder related. In making that determination, the Audit staff considered, among other things, the geographical location (the Candidate's home state, Washington, DC, or other location) where a charge occurred and the description of the goods and services charged. As a result of that review, the Audit staff determined that charges totaling \$18,384 needed explanation and documentation to verify that they were campaign or officeholder related and not "personal use" of campaign funds. In many cases, the purpose of the questionable charges could not be discerned from the descriptions on the American Express statements. A list of possible "personal use" charges was developed. The list included all charges incurred overseas, charges that were incurred outside of the Candidate's home jurisdiction or the Washington, D.C. area, and certain charges within the Candidate's home jurisdiction or the Washington, D.C. area that based on the statement description appeared to be non-campaign related. The list of possible "personal use" charges was given to the Treasurer during audit fieldwork.

The Candidate had previously reimbursed STJ For Congress \$2,722 of the \$18,384, although the reimbursement was not made within the 30 day time period allowed by the regulations. The reimbursed charges were for travel related expenses incurred overseas. The reimbursement was made in response to a Request for Additional Information from the Commission's Reports Analysis Division. Possible reimbursable "personal use" charges of \$15,662 remained.

At the exit conference, the Audit staff informed the Treasurer that the list provided during fieldwork was a preliminary list. The Treasurer stated that the Candidate had been given the list and would personally address the questionable charges.

The Candidate's responded that she would reimburse STJ For Congress an additional \$2,467 for "personal use" charges. These charges included purchases of clothing, jewelry, and art. For the other charges on the list, a brief comment was written to explain why the charges were not reimbursable. Examples of such comments included that the charge was:

- for expenses not paid by the sponsors of overseas travel or travel within the U.S.;
- for meals with supporters or constituents occurring in the Candidate's home state, Washington, DC, or other locations;
- for travel expenses for spouse (even though travel was outside of the Candidate's home jurisdiction or the Washington, D.C. area); and
- for reelection activities occurring outside of the Candidate's home jurisdiction or the Washington, D.C. area.

However, no additional documentation was provided for any charge on the list.

The Audit staff researched Advisory Opinions that relate to personal use of campaign funds². According to these Advisory Opinions, campaign funds may only be used to pay those expenses of a trip that relate to the campaign or officeholder duties. Campaign funds may not be used to pay for the portions of a trip that consist of personal activity. Campaign funds used to pay for personal activities must be reimbursed within thirty days. We also reviewed the U.S. House of Representatives publications regarding campaign activity, gifts and travel.³ According to these publications, the Committee on Standards of Official Conduct strongly advises that campaign committees maintain records that, for travel expenditures, specify the politically related activities in which the Member (and/or other trip participants) engaged during each campaign-funded trip, and, for meal expenditures, note both the individuals who were present at each meal, and the specific campaign or political purpose served by the outlay.⁴ Also, a member of Congress may accept reasonable expenses for transportation, lodging and meals from the private sponsor of an officially connected trip.⁵ Some of the possible "personal use" charges coincided with sponsored trips.

Based on the Candidate's response and considering the Advisory Opinions, the Audit staff developed a new list, totaling \$9,556, which included an additional charge not previously considered possible "personal use". This amount includes the \$2,722 previously reimbursed, the \$2,467 that the Candidate stated would be reimbursed, \$3,992 charges that were on the initial list⁶, and an additional travel related charge, totaling \$375, which was not on the initial list. The disbursements that remained at issue were identified for STJ For Congress

Interim Audit Report Recommendation

The Audit staff recommended that STJ For Congress provide evidence that the \$6,834 (\$9,556 - \$2,722) in charges described above were for campaign or officeholder expenses and not for the Candidate's personal use. Absent such evidence, it was recommended that the Candidate reimburse the amount to STJ For Congress.

Committee Response to Recommendation and Audit Staff's Assessment

In response to the recommendation, the Candidate reimbursed STJ For Congress \$6,834. The Candidate also provided documentation for expenses totaling \$1,910 in attempt to show that the costs do not represent personal use of campaign funds. For those amounts that are accepted as permissible uses of campaign funds, the Candidate intends to have STJ For Congress return the funds to her. Regarding the other expenses identified by the Audit staff, the Candidate stated that they "are expenses that I honestly believe are

² See A.O. 2002-5 for example of candidate travel that has campaign and non-campaign components.

³ The candidate, Stephanie Tubbs Jones, is currently a member of the House Committee on Standards of Official Conduct.

⁴ House Committee on Standards of Official Conduct, *Laws, Rules and Standards of Conduct on Campaign Activity*, H. Rep., 107th Cong., 1st Sess. (Dec. 2001) p. 57

⁵ *Rules of the U.S. House of Representatives on Gifts and Travel*, H. Rep., 106th Cong., 2nd Sess (Apr. 2000) p. 80

⁶ The Audit staff concluded that, based on its research and the Candidate's response, \$9,203 in charges questioned on the initial list are not personal use of campaign funds.

legitimate campaign expenses. I do not have additional records at this time to support my position.”

The documentation provided supports that \$1,245 of the expenses were either campaign or office holder expenses. However, \$665 in expenses for flying a family member to a basketball game and transporting Congressional pages to the game are neither. In the Audit staff's opinion, STJ For Congress cannot reimburse the Candidate for these expenses.

Of the \$9,556 that the Audit staff considered possible personal use, there remain expenses in the amount of \$8,311 (\$9,556-\$1,245) that have not been demonstrated to be permissible uses of campaign funds. The Candidate has reimbursed STJ For Congress \$2,722 in response to questions raised by the Reports Analysis Division and the remainder in response to the Interim Audit Report.

Finding 2. Disclosure of Contributions from Political Committees

Summary

STJ For Congress failed to properly disclose 11% of contributions received from political committees, totaling \$31,429. The majority of the errors resulted from reporting incorrect election cycle-to-date totals and missing or incorrect contributor addresses. In response to the interim audit report, STJ For Congress filed amended reports to correctly disclose the contributions.

Legal Standard

Reporting of Receipts. Contributions from other political committees and organizations must be itemized regardless of their amount. For each contribution, the committee must report the:

- Name of source of receipt;
- Address of source;
- Election to which a contribution or loan was designated;
- Amount of contribution;
- Date of receipt; and
- Aggregate election-cycle-to-date total of all contributions from the same contributor.
2 U.S.C. §434(b)(3)(B) and 11 CFR §104.3(a)(4)

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)

Facts and Analysis

A review of all contributions from political committees determined that STJ For Congress failed to adequately disclose 11% of such contributions, totaling \$31,429. A majority of these reporting errors resulted from incorrect election cycle-to-date totals and

missing or incorrect contributor addresses. Some of the election cycle-to-date errors resulted from erroneous data entry of contribution information into the electronic filing software. The data entry problem caused the system to generate multiple identification numbers for the same contributor thereby not combining contributions from the same contributor when determining election cycle-to-date totals. For those contributions reported without an address, it appears that the address was not disclosed because the political committees' address was not imprinted on their contribution check. Other errors included disclosing the wrong name of political committees, the wrong contribution receipt date, and erroneously disclosing several in-kind contributions from political committees as memo entries.

At the exit conference the Audit staff provided a STJ For Congress representative with a schedule of the disclosure errors. The representative stated she would file amended disclosure reports to correct the errors.

Interim Audit Report Recommendation and Committee Response

In response to the interim audit report, STJ For Congress filed amended reports that correctly disclosed the contributions.