



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 17, 2008

Stephen Bokser, Treasurer
People for Carl Andrews
P.O. Box 380-316
Brooklyn, NY 11213

Dear Mr. Bokser:

Attached, please find the Report of the Audit Division on People for Carl Andrews. The Commission approved this report on November 5, 2008.

The Commission approved Final Audit Report will be placed on the public record on November 24, 2008. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the report should be directed to Sheraline Thomas or Martin Favin of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in cursive script that reads "Wanda J. Thomas".

Wanda J. Thomas
Acting Assistant Staff Director
Audit Division

Attachment as stated

cc: Marco Carrion, Committee Representative



Report of the Audit Division on People for Carl Andrews

January 1, 2005 – December 31, 2006

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 Campaign (p. 2)

People for Carl Andrews is the principal campaign committee for Emmanuel Carl Andrews, Democratic candidate for the U.S. House of Representatives from the state of New York, 11th District, and is headquartered in Brooklyn, New York. For more information, see the chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 531,187
 - From Other Political Committees 77,927
 - Loans Made by Candidate 70,000
 - Other Receipts 2,284
 - **Total Receipts** \$ 681,398
- **Disbursements**
 - Operating Expenditures \$ 625,450
 - Loan Repayments Made 55,000
 - Refunds to Individuals 4,900
 - Other Disbursements 1,297
 - **Total Disbursements** \$ 686,647

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Failure to Properly Disclose Loans (Finding 2)

¹ 2 U.S.C. §438(b).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
History of Audit	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Findings and Recommendations	3
Part IV. Findings and Recommendations	
Finding 1. Misstatement of Financial Activity	4
Finding 2. Failure to Properly Disclose Loans	6

Part I

Background

Authority for Audit

This report is based on an audit of People for Carl Andrews (PFCA), 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, the scope of this audit was limited to the following:

1. The consistency between reported figures and bank records;
2. The disclosure of individual contributors' occupation and name of employer; and
3. The receipt and permissibility of loans.

History of Audit

Beginning with the audit notification letter sent February 23, 2007, the Audit staff made numerous requests to PFCA for copies of bank statements in order to perform the reconciliation of bank records to reported figures and to verify the receipt and permissibility of loans. Since not all of the bank statements were provided, on July 26, 2007, the Commission issued subpoenas to PFCA, the PFCA Treasurer, a PFCA representative, and to the relevant bank. On September 6, 2007, the missing statements were provided by both the bank and a PFCA representative.

Part II

Overview of Campaign

Campaign Organization

Important Dates	People for Carl Andrews
• Date of Registration	December 1, 2003
• Audit Coverage	January 1, 2005 – December 31, 2006
Headquarters	Brooklyn, New York
Bank Information	
• Bank Depositories	One
• Bank Accounts	Four checking, one savings account
Treasurer	
• Treasurer When Audit Was Conducted	Stephen Bokser
• Treasurer During Period Covered by Audit	Stephen Bokser
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2005	\$ 40,048
○ From Individuals	531,187
○ From Other Political Committees	77,927
○ Loans Made by Candidate	70,000
○ Other Receipts	2,284
Total Receipts	\$ 681,398
○ Operating Expenditures	625,450
○ Loan Repayments Made	55,000
○ Refunds to Individuals	4,900
○ Other Disbursements	1,297
Total Disbursements	\$ 686,647
Cash on hand @ December 31, 2006	\$ 34,799

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of PFCA's reported figures to its bank records revealed that in 2006, receipts and disbursements were understated by \$73,208 and \$131,351, respectively; and, beginning and ending cash on hand balances were overstated by \$12,152 and \$70,295, respectively. The Audit staff recommended that PFCA amend its disclosure reports to correct the misstatements. In response, PFCA filed amended reports; however, these reports did not materially correct the misstatements.

(For more detail, see p. 4)

Finding 2. Failure to Properly Disclose Loans

PFCA received two loans from the Candidate totaling \$70,000 but did not properly disclose these loans on Schedules C (Loans) and filed no Schedules C-1 (Loans and Line of Credit). The funds for the loans were from a Home Equity Line of Credit. The Audit staff recommended PFCA amend its Schedules C to correctly disclose the loans and file Schedules C-1 for these loans. In response, PFCA filed the requisite schedules.

(For more detail, see p. 6)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of PFCA's reported figures to its bank records revealed that in 2006, receipts and disbursements were understated by \$73,208 and \$131,351, respectively; and, beginning and ending cash on hand balances were overstated by \$12,152 and \$70,295, respectively. The Audit staff recommended that PFCA amend its disclosure reports to correct the misstatements. In response, PFCA filed amended reports; however, these reports did not materially correct the misstatements.

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;
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5)

Facts and Analysis

The Audit staff reconciled PFCA's reported financial activity to its bank records and determined that there was a misstatement of cash on hand, receipts, and disbursements in calendar year 2006. The following charts outline the discrepancies and succeeding paragraphs explain, to the extent possible, the reasons for the misstatements.

The \$12,152 overstatement of beginning cash on hand was due to prior period errors which resulted in an overstatement of \$9,071; unreported disbursements in 2005 totaling \$4,450; an unreported receipt in the amount of \$1,000; and, an unexplained difference of \$369.

2006 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2006	\$191,427	\$179,275	\$12,152 Overstated
Receipts	\$391,917	\$465,125	\$73,208 Understated
Disbursements	\$478,250	\$609,601	\$131,351 Understated
Ending Cash Balance @ December 31, 2006	\$105,094	\$34,799	\$70,295 Overstated

The understatement of receipts resulted from the following:

• Contributions from individuals and political committees not reported	+	\$72,323
• Unexplained difference	+	<u>885</u>
Understatement of Receipts		\$73,208

The understatement of disbursements resulted from the following:

• Disbursements not reported (80)	+	\$136,002
• Two \$10,000 candidate loan repayments not reported	+	20,000
• Math Error (\$1,681.24 disbursement reported as \$168.24)	+	1,513
• Six reported disbursements could not be traced to the bank records	-	(21,218)
• Four disbursements reported twice	-	(2,614)
• Memo entries erroneously included in reported disbursement totals	-	(2,128)
• Unexplained difference	-	<u>(204)</u>
Net Understatement of Disbursements		\$131,351

The overstatement of ending cash on hand in the amount of \$70,295 resulted from the misstatements described above.

In 2006, contributions totaling \$72,323 were not reported. Approximately 69% of these contributions were related to software problems PFCA encountered with its 2006 October Quarterly (8/24/06 – 9/30/06) and 2006 Year-End reports (10/1/06 – 12/31/06).

According to a PFCA representative, software issues resulted in incomplete information on these two reports. Most of these unreported contributions were from individuals; however, 6 totaling \$3,500 were from political committees. Due to the same software issues, 80 disbursements totaling \$136,002 were not reported on the same two reports.

At the exit conference, the Audit staff explained the misstatements and subsequently provided PFCA representatives with schedules detailing these discrepancies. In response, the PFCA representatives reiterated that they had experienced technical difficulties with their reporting software which resulted in the omission of some reportable activity from the disclosure reports. They agreed to file the appropriate amended reports.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that PFCA:

- amend its 2006 reports to correct the misstatements noted above, including the appropriate Schedules A (Itemized Receipts) and Schedules B (Itemized Disbursements);

- amend the cash balance on its most recently filed report in the amount of \$70,295 with an explanation that the change resulted from a prior period audit adjustment; and,
- reconcile its reported figures to bank records for subsequent periods in order to assure the current reported cash is correct.

In response, PFCA filed amended reports; however, these reports did not materially correct the misstatements. The amendments corrected cash on hand at January 1, 2006. Receipts, which had been understated by \$73,208, are now understated by \$18,422; Disbursements, which had been understated by \$131,351, are now overstated by \$17,962. These misstatements result in a cash on hand understatement of \$36,384 at December 31, 2006.

No explanation was provided by PFCA officials in response to the interim audit report recommendation as to why the figures included on the amended reports differed from the figures provided by the Audit staff. Attempts to contact PFCA officials to discuss the amendments were unsuccessful.

Finding 2. Failure to Properly Disclose Loans

Summary

PFCA received two loans from the Candidate totaling \$70,000 but did not properly disclose these loans on Schedules C (Loans) and filed no Schedules C-1 (Loans and Line of Credit). The funds for the loans were from a Home Equity Line of Credit. The Audit staff recommended PFCA amend its Schedules C to correctly disclose the loans and file Schedules C-1 for these loans. In response, PFCA filed the requisite schedules.

Legal Standard

- A. Reporting Loans.** All loans received by a committee must be itemized and continuously reported until repaid. All repayments made on a loan must also be itemized. 11 CFR §104.3(a)(4)(iv) and (b)(4)(iii). 11 CFR §104.11
- B. Schedule C.** On a Schedule C, both the original loan and payments to reduce principal must be reported each reporting period until the loan is repaid. The committee need only list the candidate as the source of the loan. Also, the type of loan the candidate receives (i.e. bank loan, brokerage account, credit card, home equity line of credit) must be disclosed in either the first box for endorsers and guarantors with a notation for loan type or in the box for “Loan Source” after the candidate’s name. 11 CFR §104.3(d) and §104.11
- C. Schedule C-1.** When a candidate obtains a loan of money derived from a home equity line of credit for use in connection with the candidate’s campaign, the candidate’s principal campaign committee must disclose in the report covering the period when the loan was obtained, the following information on Schedule C-1:
- The date, amount, and interest rate of the line of credit

- The name and address of the lending institution
- The types and value of collateral or other sources of repayment that secure the line of credit, if any. 11 CFR §104.3(d)(4)

Facts and Analysis

The Candidate provided PFCA with two loans totaling \$70,000, the source of which was his Home Equity Line of Credit (HELOC) account. PFCA disclosed the first loan of \$50,000 on December 20, 2005²; the second loan of \$20,000, also from the Candidate's HELOC, was made on June 29, 2006.

PFCA filed Schedules C which showed the source of the loan as the Candidate's personal funds but did not disclose the type of loan as being from his HELOC. PFCA's disclosure reports did not include the required Schedules C-1 disclosing the original source of the loans.

During 2006, PFCA made four payments to the Candidate between February and December totaling \$55,000. However, two payments of \$10,000 each, made in November and December, were not reported (see Finding 1). The Schedule C PFCA filed with its 2006 Year-End Report overstated the outstanding loan balance by \$20,000, disclosing it as \$35,000 instead of \$15,000.

The Audit staff presented this matter to PFCA representatives at the exit conference. The representatives contend that the reporting problems related to loan disclosure were due to software issues.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that PFCA amend its Schedules C to correctly disclose the loan information and file all corresponding Schedules C-1. In response, PFCA filed the requisite schedules.

² Although the Candidate's check was dated in December of 2005, due to problems with the transfer of the funds, PFCA's account was not credited until late January 2006.