




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 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 FINAL AUDIT REPORT ON  
AMERICAN ACADEMY OF OPHTHALMOLOGY INC. POLITICAL  
COMMITTEE

Attached please find a copy of the final audit report on American Academy of Ophthalmology Inc. Political Committee, which was approved by the Commission on June 10, 2004.

Informational copies of the report have been received by all parties involved and the report may be released to the public on June 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 the  
American Academy of  
Ophthalmology Inc. Political  
Committee**

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January 1, 2001 – December 31, 2002





# Report of the Audit Division on the American Academy of Ophthalmology Inc. Political Committee

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)

The American Academy of Ophthalmology Inc. Political Committee is a separate segregated fund headquartered in San Francisco, California. For more information, see chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Contributions from Individuals \$ 983,963
  - Other Receipts 1,602
  - **Total Receipts \$ 985,565**
  
- **Disbursements**
  - Operating Expenditures \$ 140,562
  - Contributions to Federal Candidates 633,630
  - Contributions to Party Committees 198,000
  - Refunds 5,618
  - **Total Disbursements \$ 977,810**

## 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 American Academy of Ophthalmology Inc. Political Committee (AAOP), 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.

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

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	AAOP
• Date of Registration	July 1, 1985
• Audit Coverage	January 1, 2001 – December 31, 2002
<b>Headquarters</b>	San Francisco, California
<b>Bank Information</b>	
• Bank Depositories	1
• Bank Accounts	1 Checking, 1 Money Market
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Carol Beatty
• Treasurer During Period Covered by Audit	Paula E. Lent (until May 21, 2001) Carol Beatty (from May 21, 2001 to Present)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid staff

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

<b>Cash on hand @ January 1, 2001</b>	<b>\$ 308,048</b>
○ Contributions from Individuals	983,963
○ Other Receipts	1,602
<b>Total Receipts</b>	<b>\$ 985,565</b>
○ Operating Expenditures	140,562
○ Contributions to Federal Candidates	633,630
○ Contributions to Party Committees	198,000
○ Refunds	5,618
<b>Total Disbursements</b>	<b>\$ 977,810</b>
<b>Cash on hand @ December 31, 2002</b>	<b>\$ 315,803</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

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

A comparison of AAOP's reported activity to bank records revealed a material misstatement with respect to beginning cash on hand, disbursements and ending cash on hand in calendar year 2001. In response to the recommendation in the interim audit report, AAOP filed amended disclosure reports that materially corrected the public record. (For more detail, see p.4)

## Part IV

# Finding and Recommendation

### Misstatement of Financial Activity

#### Summary

A comparison of AAOP's reported financial activity to bank records revealed a material misstatement with respect to beginning cash on hand, disbursements and ending cash on hand in calendar year 2001. In response to the recommendation in the interim audit report, AAOP filed amended disclosure reports that materially corrected the public record.

#### 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).

#### Facts and Analysis

The Audit staff reconciled the reported activity to the bank records and determined AAOP misstated beginning cash on hand, disbursements and ending cash for calendar year 2001. The following chart details the discrepancies between the totals on AAOP's disclosure reports and the bank records.

2001 Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2001	\$294,648	\$308,048	\$13,400 Understated
Receipts	\$326,994	\$327,344	\$350 Understated
Disbursements	\$396,082	\$405,931	\$9,849 Understated
Ending Cash Balance @ December 31, 2001	\$225,560	\$229,461	\$3,901 Understated

The understatement of beginning cash on hand was the result of AAOP reducing its cash balance by the amount of outstanding accounts payable (\$9,799) and not reporting prior period receipts (\$3,601).<sup>2</sup>

<sup>2</sup> AAOP provided workpapers detailing unidentified deposits that were not reported in calendar year 2000.



The understatement of disbursements resulted when AAOP disclosed two disbursements, totaling \$9,849, as memo entries (non-cash transactions); rather than actual disbursements.

The understatement of ending cash on hand was the cumulative result of the adjustments identified above along with unreported receipts of \$350.

During the exit conference, the Audit staff provided AAOP representatives with workpapers detailing the misstatements discussed above. In order to bring the cash figures into balance, workpapers detailing minor differences noted in calendar year 2002 were also provided.

**Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that AAOP submit amended reports for the audit period to correct the above misstatements. In response, AAOP filed the necessary amended reports which materially correct the misstated activity.