



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

January 16, 2004

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

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

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

Attached please find a copy of the audit report and related documents on Fletcher for Congress, which was approved by the Commission on January 7, 2004.

The report may be released to the public on January 16, 2003.

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 Fletcher for Congress

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)

Fletcher for Congress (FFC) is the principal campaign committee for Dewey Lee Fletcher, Republican candidate for the U.S. House of Representatives from the state of Louisiana, 5th District. FFC maintains its headquarters in Monroe, Louisiana. For more information, see the Campaign Organization chart, p. 2.

## Financial Activity (p. 2)

- **Receipts**

○ Individuals	\$ 733,128
○ Political Committees	379,741
○ Candidate Loans	372,500
○ Offsets to Operating Expenditures	1,496
○ Interest	1,297
○ <b>Total Receipts</b>	<b>\$ 1,488,162</b>
  
- **Disbursements**

○ Operating Expenditures	\$ 1,256,212
○ Loan Repayments	197,630
○ <b>Total Disbursements</b>	<b>\$ 1,453,842</b>

## Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Reporting of Candidate Loans (Finding 2)

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<sup>1</sup> 2 U.S.C. §438(b).

# **Report of the Audit Division on Fletcher for Congress**

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January 1, 2001 – December 31, 2002



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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Fletcher for Congress (FFC), 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.

### **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 during the audit period.

## Part II

# Overview of Campaign

## Campaign Organization

<b>Important Dates</b>	<b>Fletcher for Congress</b>
• Date of Registration	February 2, 2001
• Audit Coverage	January 1, 2001 – December 31, 2002
<b>Headquarters</b>	Monroe, Louisiana
<b>Bank Information</b>	
• Bank Depositories	Four
• Bank Accounts	Seven
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Kerry Banks
• Treasurer During Period Covered by Audit	Kerry Banks
<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 Staff

## Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2001</b>	<b>\$ 2,600</b>
○ Receipts from Individuals	733,128
○ Receipts from Political Committees	379,741
○ Candidate Loans	372,500
○ Offsets to Operating Expenditures	1,496
○ Interest	1,297
<b>Total Receipts</b>	<b>\$ 1,488,162</b>
○ Operating Expenditures	1,256,212
○ Loan Repayments	197,630
<b>Total Disbursements</b>	<b>\$ 1,453,842</b>
<b>Cash on hand @ December 31, 2002</b>	<b>\$ 36,920</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Misstatement of Financial Activity**

A comparison of FFC's reported figures to its bank records revealed that the ending cash-on-hand balance had been misstated for calendar year 2002. In response to the interim audit report, FFC amended its 2002 Year-End disclosure report to correct the misstatement noted above.

(For more detail, see p. 4)

##### **Finding 2. Reporting of Candidate Loans**

FFC did not itemize the receipt of ten candidate loans on Schedules A (Itemized Receipts) of its disclosure reports and did not disclose all candidate loan repayments on Schedules C (Loans). In response to the interim audit report, FFC amended its Schedules A and C to correctly disclose all candidate loan receipts and repayments.

(For more detail, see p. 4)

## Part IV

# Findings and Recommendations

### **Finding 1. Misstatement of Financial Activity**

#### **Summary**

A comparison of FFC's reported figures to its bank records revealed that the ending cash-on-hand balance had been misstated for calendar year 2002. In response to the interim audit report, FFC amended its most recent disclosure report to correct the misstatement noted above.

#### **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**

A comparison of FFC's reported figures to its bank records revealed that the ending cash-on-hand balance for calendar year 2002 had been understated by \$11,814. This understatement resulted primarily from FFC underreporting its receipts in 2002 by \$11,368.

At the exit conference, the Audit staff presented this matter to the FFC representatives. They were not able to explain this difference but stated that they would amend the appropriate report(s).

#### **Interim Audit Report Recommendation and Committee Response**

In response to the recommendation in the interim audit report, FFC amended its 2002 Year-End disclosure report to correct the misstatement noted above.

### **Finding 2. Reporting of Candidate Loans**

#### **Summary**

FFC did not itemize the receipt of ten candidate loans on Schedules A (Itemized Receipts) of its disclosure reports and did not disclose all candidate loan repayments on Schedules C (Loans). In response to the interim audit report, FFC amended its Schedules A and C to correctly disclose all candidate loan receipts and repayments.

#### **Legal Standard**

**Candidate Loan Reporting.** An authorized political committee must disclose all loans made or guaranteed by the candidate, as well as the loan repayments. 2 U.S.C §434(b)(2)(G) and (4)(D).



**Continuous Reporting Required.** A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

### **Facts and Analysis**

FFC received 14 loans from the candidate totaling \$372,500. All of the loan proceeds were properly itemized on Schedules C (Loans) but the first 10 loans totaling \$268,500 were not itemized on Schedules A (Itemized Receipts).

Also, FFC made 10 loan repayments to the candidate totaling \$197,630 during the period covered by the audit.<sup>2</sup> All 10 loan repayments were properly itemized on Schedules B (Itemized Disbursements) but FFC did not report all of the loan repayments on Schedules C. FFC received several letters from the Commission's Reports Analysis Division regarding the proper reporting of these loans. However, no amendments were filed in response.

At the exit conference, the campaign officials stated that their staff encountered problems while entering candidate loan information. They tried to correct the problem but could not override the software. The problem was reported to their software vendor who was unable to explain why this had occurred. After the exit conference, the vendor submitted a letter on FFC's behalf stating that FFC had informed them of the candidate loan disclosure problem. The vendor also stated that in its opinion the FFC campaign staff had attempted to file reports correctly and in a timely manner.

### **Interim Audit Report Recommendations and Committee Response**

In response to the recommendation in the interim audit report, FFC amended its Schedules A and C to correctly disclose its candidate loans. FFC also stated that it followed the Commission's direct loan reporting instructions but a software error occurred. The error has since been corrected through the assistance of the software vendor's technical support department.

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<sup>2</sup> The latest disclosure report filed indicates that FFC still owes the candidate \$126,370.