




FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 12, 2006

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
FRIENDS OF JOHN CONYERS

Attached please find a copy of the final audit report and related documents on Friends of John Conyers, which was approved by the Commission on May 4, 2006.

Informational copies of the report have been received by all parties involved and the report may be released to the public on May 15, 2006.

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 Friends of John Conyers

January 1, 2003 – December 31, 2004

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)

Friends of John Conyers (FOJC) is the principal campaign committee for John Conyers, Jr., Democratic candidate for the U.S. House of Representatives from the state of Michigan, 14th District. FOJC is headquartered in Mitchellville, MD. For more information, see chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 151,971
 - From Political Party Committees and PACs 400,309
 - From Other Receipts 7,822
 - **Total Receipts** \$ 560,102
- **Disbursements**
 - Operating Expenditures \$ 531,346
 - Other Disbursements 25,190
 - **Total Disbursements** \$ 556,536

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Receipts (Finding 2)
- Untimely Deposit of Receipts (Finding 3)
- Cash Disbursements (Finding 4)
- Disclosure of Disbursements (Finding 5)
- Failure to File Form 3Z-1 (Finding 6)

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of Friends of John Conyers, 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.

Scope Limitations

Although FOJC's records for disbursements technically met the recordkeeping requirements of the Act, invoices were not available for 29% of operating expenditures. For these disbursements, the Audit staff was unable to test for adequate reporting of debts or personal use of campaign funds.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Friends of John Conyers
• Date of Registration	July 29, 2002
• Audit Coverage	January 1, 2003 – December 31, 2004
Headquarters	Mitchellville, MD
Bank Information	
• Bank Depository	1
• Bank Accounts	2 Checking
Treasurer	
• Treasurer When Audit Was Conducted	M. Mickey Williams
• Treasurer During Period Covered by Audit	M. Mickey Williams
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff and Volunteers

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2003	\$ 25,334
Receipts	
○ From Individuals	151,971
○ From Political Party Committees and PACs	400,309
○ From Other Receipts	7,822
Total Receipts	\$ 560,102
Disbursements	
○ Operating Expenditures	531,346
○ Other Disbursements	25,190
Total Disbursements	\$ 556,536
Cash on hand @ December 31, 2004	\$ 28,900

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of FOJC's reported financial activity to bank records revealed a misstatement of cash on hand, receipts, and disbursements in calendar years 2003 and 2004. FOJC complied with the Audit staff's recommendations by filing amended reports for calendar years 2003 and 2004 correcting the misstatements. (For more detail, see p. 5)

Finding 2. Disclosure of Receipts

A review of all itemized contributions from individuals demonstrated that FOJC failed to adequately disclose 15% of the contributions totaling \$19,250; a sample review of PAC contributions showed FOJC did not provide adequate disclosure information for 22% of the items tested. The Audit staff recommended FOJC submit amended reports to correct the public record. In response, FOJC complied with the Audit staff's recommendation by filing amended reports to correct the public record. (For more detail, see p. 8)

Finding 3. Untimely Deposit of Receipts

A review of all contributions from individuals whose contributions aggregated more than \$200 for the election cycle showed that FOJC did not deposit 55 checks totaling \$35,500 within 10 days of the treasurer's receipt. A sample review of PAC contributions showed FOJC failed to timely deposit 33% of the contributions reviewed. The Audit staff recommended FOJC provide documentation to show the contributor checks were deposited timely or provide any other comments it may have relative to this matter. In response, FOJC did not provide any documentation to dispute the finding but stated that new procedures have been implemented to ensure timely deposits of contributions in the future.

(For more detail, see p. 10)

Finding 4. Cash Disbursements

FOJC made 69 cash withdrawals from one of its bank accounts. The withdrawals totaled \$20,506. The Act requires political committees to make all disbursements, except those from a petty cash fund, by check or similar draft drawn on a committee account. In addition, FOJC failed to maintain adequate records for cash withdrawals totaling \$19,586. The Audit staff recommended FOJC demonstrate it complied with the law regarding cash disbursements, and obtain and submit the missing disbursement documentation. FOJC failed to submit the missing disbursement documentation but acknowledged that the committee did not comply with the law regarding cash disbursements and stated that new procedures are in place for future compliance. (For more detail, see p. 11)

Finding 5. Disclosure of Disbursements

A sample review of operating expenditures itemized on Schedules B revealed that FOJC did not provide adequate disclosure information, such as purpose, for 32% of the items reviewed. In addition, 77% of disbursements made to other political committees were inadequately disclosed. The Audit staff recommended that FOJC file amended reports to correct the public record. In response, FOJC complied with the Audit staff's recommendation by filing amended reports that corrected the disclosure information.

(For more detail, see p. 13)

Finding 6. Failure to File Form 3Z-1

FOJC failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July Quarterly Report and filed Form 3Z-1 with its 2003 Year-End Report with the wrong financial information. The Audit staff recommended that FOJC demonstrate that the required forms were filed correctly; or provide any relevant information as to why the forms were not filed or were incorrect. In response, FOJC acknowledged that the committee failed to file Form 3Z-1 with the 2003 July Quarterly Report and filed the incorrect amount on the form with the 2003 Year End Report. Procedures are now in place to ensure future compliance.

(For more detail, see p. 15)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of FOJC's reported financial activity to bank records revealed a misstatement of cash on hand, receipts, and disbursements in calendar years 2003 and 2004. FOJC complied with the Audit staff's recommendations by filing amended reports for calendar years 2003 and 2004 correcting 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 election cycle;
- The total amount of disbursements for the reporting period and for the election cycle; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 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 there was a misstatement of cash on hand, receipts, and disbursements in calendar years 2003 and 2004. The following chart outlines the discrepancies between the totals on FOJC's disclosure reports and the bank records.

2003 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance	\$38,424	\$25,334	\$13,090 Overstated
Receipts	\$253,797	\$286,479	\$32,682 Understated
Disbursements	\$243,734	\$251,129	\$7,395 Understated
Ending Cash Balance	\$70,576 ²	\$60,684	\$9,892 Overstated

² The reported ending cash does not match the ending cash that is determined by adding beginning cash and receipts, and subtracting disbursements. The difference is due to an unexplained change in cash between the July quarterly report ending cash and the October quarterly beginning cash.

Opening Cash Balance – 2003

The overstatement of beginning cash on hand was the result of an unexplained misstatement of ending cash at December 31, 2002 in the amount of \$13,090.

Receipts – 2003

The net understatement of receipts was the result of the following:

• Unreported in-kind contributions from PACs- FOJC	+ \$	631
did not report 5 in-kind contributions from PACs on Schedules A (Itemized Receipts) which were reported by the PACs on their disclosure reports.		
• Unreported receipts from Individuals and PACs- FOJC	+	42,796
did not report 15% of contributions from individuals and PACs.		
• Overstated contributions from PACs- FOJC	-	6,500
reported 5 contributions from PACs that were not deposited in the bank account. Further, the PACs did not report making the contributions to FOJC.		
• Unexplained difference	-	4,245
		<hr/>
Net Understatement		\$ 32,682

Disbursements – 2003

The net understatement of disbursements was the result of the following:

• Unreported in-kind contributions from PACs- FOJC	+ \$	2,802
did not report 7 in-kind contributions from PACs on Schedules B (Itemized Disbursements) which were reported by the PACs on their disclosure reports.		
• Disbursements Not Reported – FOJC	+	71,889
did not report 29% of operating expenditures, including cash withdrawals.		
• Disbursements Overstated – FOJC	-	66,578
overstated operating expenditures by \$10,550; reported an unsupported disbursement in the amount of \$38,246 on April 1, 2003 as “unitemized adjust” for a prior period; and reported \$17,782 more in unitemizable disbursements than actually went through the bank account.		
• Unexplained difference	-	718
		<hr/>
Net Understatement	\$	7,395

2004 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance	\$70,575	\$60,683	\$9,892 Overstated
Receipts	\$280,112	\$273,624	\$6,488 Overstated
Disbursements	\$290,634	\$305,407	\$14,773 Understated
Ending Cash Balance	\$60,053	\$28,900	\$31,153 Overstated

Opening Cash Balance – 2004

The net overstatement of beginning cash on hand was the result of the errors described above.

Receipts – 2004

The overstatement of receipts was the net result of the following:

• Unreported receipts from Individuals and PACs- FOJC did not report 3% of contributions from individuals and PACs.	+ \$ 8,100
• Unreported in-kind contributions from PACs- FOJC did not report 4 in-kind contributions from PACs on Schedules A which were reported by the PACs on their disclosure reports.	+ 3,099
• Overstated contributions from Individuals and PACs- FOJC reported contributions totaling \$2,000 in 2004 that were received in 2003; doubled the amounts reported for 3 contributions totaling \$2,500; reported 4 contributions, totaling \$8,500, that were not supported by deposits into the bank account and not reported by the PACs as contributions to FOJC; and, reported \$1,400 more in unitemizable contributions than actually were deposited.	- 14,400
• Unexplained difference	- <u>3,287</u>
Net Overstatement	<u>\$ 6,488</u>

Disbursements – 2004

The net understatement of disbursements was the result of the following:

• In-kind contributions from PACs - FOJC did not report 4 in-kind contributions from PACs on Schedules B which were reported by the PACs on their disclosure reports.	+ \$ 3,099
• Disbursements Not Reported - FOJC did not report 15% of operating expenditures that cleared the bank account.	+ 47,141
• Disbursements Overstated - FOJC overstated operating expenditures by \$24,924 and reported \$8,883 more in unitemized disbursements than actually went through the bank account.	- 33,807
• Unexplained difference	- <u>1,660</u>
Net Understatement	<u>\$ 14,773</u>

Ending Cash Balance - 2004

FOJC misstated the cash balance throughout 2003 and 2004 due to the errors described above and other reporting discrepancies, such as overstating the beginning cash balance for the 2003 October Quarterly report by \$22,088. On December 31, 2004 the cash balance was overstated by \$31,153.

During the exit conference the Audit staff provided FOJC representatives a workpaper detailing the misstatements of financial activity. FOJC representatives had no comments.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended FOJC file amended reports for calendar years 2003 and 2004 to correct the misstatements detailed above and amend its most recently filed report to correct the cash on hand balance. In response, FOJC filed amended reports for calendar years 2003 and 2004 correcting the misstatements, as well as amending all reports through the current reporting period to correct the cash on hand balance.

Finding 2. Disclosure of Receipts

Summary

A review of all itemized contributions from individuals demonstrated that FOJC failed to adequately disclose 15% of the contributions totaling \$19,250; a sample review of PAC contributions showed FOJC did not provide adequate disclosure information for 22% of the items tested. The Audit staff recommended FOJC submit amended reports to correct the public record. In response, FOJC complied with the Audit staff's recommendation by filing amended reports to correct the public record.

Legal Standard

A. Itemization Required for Contributions from Individuals. An authorized candidate committee must itemize any contribution from an individual if it exceeds \$200 per election cycle, either by itself or when combined with other contributions from the same contributor. 2 U.S.C. §434(b)(3)(A).

B. 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).

C. Required Information for Contributions from Individuals. For each itemized contribution from an individual, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The contributor's occupation and the name of his or her employer;
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The election cycle-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

D. Required Information for Contributions from Political Committees. For each contribution from a political committee, the reporting committee must provide the following information:

- The committee's name and address;
- The date of the receipt;
- The amount of the contribution; and
- The election cycle-to-date total. 11 CFR §104.3(a)(4) and 2 U.S.C. §434(b)(3)(B).

Facts and Analysis

A review of all itemized contributions from individuals determined that FOJC did not completely report disclosure information for 15% of the contributions totaling \$19,250. The errors included not disclosing addresses and reporting the wrong election-cycle-to-date amounts.

A sample review of itemized contributions from PACs demonstrated that FOJC did not adequately provide disclosure information for 22% of the contributions reviewed. Most of the errors were due to reporting the wrong election-cycle-to-date amounts, as well as missing or incomplete addresses³.

The wrong election-cycle-to-date amounts appear to be attributed to FOJC using the wrong election cycle date in the electronic filing software used to file the disclosure

³ FOJC's records included contribution check copies from PACs and individuals which contained the addresses; however, the information was not reported.

reports. This matter was presented to FOJC representatives at the exit conference along with workpapers. FOJC representatives had no comments.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that FOJC submit amended reports to correct the public record. FOJC substantially complied with the Audit staff's recommendation by filing amended reports with complete addresses and correct election-cycle-to-date amounts.

Finding 3. Untimely Deposit of Receipts

Summary

A review of all contributions from individuals whose contributions aggregated more than \$200 for the election cycle showed that FOJC did not deposit 55 checks totaling \$35,500 within 10 days of the treasurer's receipt. A sample review of PAC contributions showed FOJC failed to timely deposit 33% of the contributions reviewed. The Audit staff recommended that FOJC provide documentation to show the contributor checks were deposited timely or provide any other comments it may have relative to this matter. In response, FOJC did not provide any documentation to dispute the finding but stated that new procedures have been implemented to ensure timely deposit of contributions in the future.

Legal Standard

A. Deposit of Receipts. The treasurer of a political committee must deposit contributions (or return them to the contributors without being deposited) within 10 days of the treasurer's receipt. 11 CFR §103.3(a).

B. Receipt of Contributions. Every person who receives a contribution for an authorized political committee shall, no later than 10 days after receipt, forward such contribution to the treasurer. 11 CFR §102.8(a).

Facts and Analysis

The Audit staff reviewed contributions from individuals whose contributions aggregated over \$200 for the election cycle and determined that FOJC failed to deposit in a timely manner 55 checks totaling \$35,500 (23% of the total dollar value of individual contributions). A sample review of PAC contributions revealed FOJC did not timely deposit 33% of the contributor checks reviewed. Since FOJC did not record the date of receipt of the checks, the Audit staff used the difference between the contributor check date and the bank deposit date plus an allowance for transmittal and delivery of the contribution to determine if FOJC timely deposited the contributions. These checks were deposited between 24 and 257 days from the check date.

FOJC's internal procedures for accepting receipts showed most PAC contributions went directly to FOJC's fundraiser. The fundraiser made copies of the contribution checks and forwarded the originals to the treasurer to be deposited in FOJC's bank account. On some occasions, the PAC contribution checks went directly to the treasurer.

This matter was presented to FOJC representatives during the exit conference along with related workpapers. FOJC representatives said that sometimes PAC representatives carried the contribution checks around for awhile before giving them to the treasurer. The PACs reported making the contributions within a few days of the check date.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that FOJC provide documentation to demonstrate that the contributor checks were deposited in a timely manner and/or provide any other comments it may have relative to this matter. FOJC was not able to provide additional documentation to show contributor checks were deposited timely.

FOJC stated that during the election cycle several of the individuals involved in the day-to-day activities were volunteers and were not sufficiently familiar with Commission regulations. In an effort to comply with the Act in the future, a new principal campaign committee has been designated for the 2006 election cycle. The new committee has implemented procedures to improve the timeliness of all deposits. These procedures include hiring a company to provide professional compliance and accounting services.

Finding 4. Cash Disbursements

Summary

FOJC made 69 cash withdrawals from one of its bank accounts. The withdrawals totaled \$20,506. The Act requires political committees to make all disbursements, except those from a petty cash fund, by check or similar draft drawn on a committee account. In addition, FOJC failed to maintain adequate records for cash withdrawals totaling \$19,586. The Audit staff recommended that FOJC demonstrate it complied with the law regarding cash disbursements, and obtain and submit the missing disbursement documentation. FOJC failed to submit the missing disbursement documentation, but acknowledged that the committee did not comply with the law regarding cash disbursements and stated that new procedures are in place for future compliance.

Legal Standard

A. Disbursement by Check. A political committee may only make expenditures in cash, not to exceed \$100 from a petty cash fund. A written journal for such cash expenditures is to be maintained by the treasurer. All other disbursements shall be made by check or similar draft drawn on account(s) established at the committee's campaign depository(ies). 2 U.S.C. §432(h).

B. Petty Cash Fund. A political committee may maintain a petty cash fund out of which it may make expenditures not in excess of \$100 to any person per purchase or transaction.

It is the duty of the treasurer to keep and maintain a written journal of all petty cash disbursements. The written journal shall include:

- Name and address of every person to whom any disbursement is made,
- Date,
- Amount,
- Purpose, and
- If disbursement is made for a candidate, the journal shall include the name of that candidate and the office (including State and Congressional district) sought by such candidate. 11 CFR §102.11.

C. Required Records for Disbursements. For each disbursement, the treasurer of a political committee must keep records on the:

- Amount;
- Date;
- Name and address of the payee⁴;
- Purpose (a brief description of why the disbursement was made); and
- If the disbursement was made on behalf of a candidate, the candidate's name and the office sought by the candidate.
- If the disbursement was in excess of \$200, the records must include a receipt or invoice from the payee, or a cancelled check or share draft to the payee. If the disbursement was by credit card, the record must include the monthly statement or customer receipt and the cancelled check used to pay the credit card bill. 2 U.S.C. §432(c)(5) and 11 CFR §§102.9(b).

D. Preserving Records and Copies of Reports. The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 2 U.S.C. §432(d).

Facts and Analysis

A. Cash Disbursements

Our examination of bank records and related information identified 69 cash withdrawals totaling \$20,506 during the audit period. According to committee officials, FOJC did not maintain a petty cash fund but withdrew cash from one of its checking accounts to reimburse staff members for some travel and non-travel expenses related to campaign events and fundraisers. Political committees may only make cash expenditures, not exceeding \$100, from a petty cash fund; otherwise all disbursements must be made by check.

⁴ The payee is usually the person providing the goods or services to the committee. In the case of travel advances, however, the payee is the person receiving the advance. 11 CFR §102.9(b)(2).

B. Recordkeeping for Cash Disbursements

FOJC's records consisted of copies of cancelled checks, invoices, receipts, and an incomplete electronic disbursement database. However, FOJC failed to maintain any records for cash disbursements totaling \$19,586.

FOJC's procedures for cash disbursements required staff members to complete a Campaign Money Disbursement Confirmation Form and submit receipts for the expenses, but the procedures were not always followed. In some cases a journal entry was recorded in the accounting system. FOJC provided the Audit staff with Campaign Money Disbursement Confirmation Forms to document \$920 of the cash disbursements and provided no documentation for the remaining \$19,586.

These matters were presented at the exit conference along with workpapers. FOJC representatives had no comment.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that FOJC:

- Demonstrate it complied with the provisions of 2 U.S.C. §432(h) regarding cash disbursements;
- Provide any comments it deems relevant regarding the cash disbursements; and
- Obtain and submit the missing disbursement documentation.

In response to the Audit staff's recommendations, FOJC failed to submit the missing disbursement documentation but acknowledged that the committee did not comply with the law regarding cash disbursements. FOJC stated the new principal campaign committee has procedures in place for future compliance. These procedures include processing disbursements through a pre-approval process, providing proper documentation for each disbursement, and adhering to Commission regulations regarding petty cash.

Finding 5. Disclosure of Disbursements

Summary

A sample review of operating expenditures itemized on Schedules B revealed that FOJC did not provide adequate disclosure information, such as purpose, for 32% of the items reviewed. In addition, 77% of disbursements made to other political committees were inadequately disclosed. The Audit staff recommended that FOJC file amended reports to correct the public record. FOJC complied with the Audit staff's recommendation by filing amended reports that corrected the disclosure information.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the:

- Amount;
- Date when the expenditures were made;

- Name and address of the payee⁵; and
- Purpose (a brief description of why the disbursement was made—see below). 11 CFR §104.3(b)(4)(i).

B. Itemizing Transfers to Affiliated Committees. Political party committees must itemize all transfers (i.e., the full name, address, date, amount, and purpose) regardless of amount to other political party committees. 11 CFR §104.3(b)(4)(ii).

C. Examples of Purpose.

- **Adequate Descriptions.** Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, catering costs, loan repayment, or contribution refund. 11 CFR §104.3 (b)(4)(i)(A).
- **Inadequate Descriptions.** The following descriptions do not meet the requirement for reporting “purpose”: advance, election day expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote, and voter registration. 11 CFR §104.3 (b)(4)(i)(A).

D. Special Rule for Reporting Reimbursements to Staff (for Travel and Subsistence Advances). If the total amount reimbursed to the staff member is \$500 or less, the committee should report the staff member as the payee. If the total amount exceeds \$500 and payments to any one vendor used for the expenses total over \$200 for the election cycle, the committee must:

- Report the staff member as payee; and
- Report the payments aggregating over \$200 to any one vendor as memo entries on Schedules B. Advisory Opinion 1996-20, footnote 3.

Facts and Analysis

A sample review of operating expenditures resulted in a 32% error rate for disclosure information. The errors consisted of reporting unacceptable purposes (such as reimbursement, consulting fees) and not reporting complete addresses or memo entries for staff travel and non-travel reimbursements.

When reimbursing staff members and volunteers for travel/subsistence expenses exceeding \$500 and non-travel expenses exceeding \$200, FOJC was required to itemize as memo entries on Schedules B, payments to the original vendors which aggregated over \$200 in the election cycle. FOJC did not report any memo entries for reimbursements that met the requirement. All of the reimbursements were made within the same reporting period as the incurrence of the expense.

A review of all disbursements made to other political committees showed that FOJC did not provide adequate disclosure information for 77% of the disbursements. The errors were due to FOJC not reporting a purpose and reporting the wrong amount.

⁵ Payee means the person who provides the goods or services to the committee. 11 CFR §102.9(b)(2)(i)(A)

This matter was presented to FOJC representatives at the exit conference along with workpapers. FOJC representatives stated that the purposes and other disclosure issues would be corrected in the amended reports.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended FOJC submit amended reports to correct the disclosure problems noted above. FOJC substantially complied with the Audit staff's recommendation by filing amended reports with complete addresses and more accurate purposes.

Finding 6. Failure to File Form 3Z-1

Summary

FOJC failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July Quarterly Report and filed Form 3Z-1 with its 2003 Year-End Report with the wrong financial information. The Audit staff recommended FOJC demonstrate that the required forms were filed correctly; or provide any relevant information as to why the forms were not filed or were incorrect. In response, FOJC acknowledged that the committee failed to file Form 3Z-1 with the 2003 July Quarterly Report and filed the incorrect amount on the form with the 2003 Year End Report. Procedures are now in place 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 §104.19.⁶

Facts and Analysis

FOJC did not file Form 3Z-1 with its 2003 July Quarterly Report. Form 3Z-1 filed with the 2003 Year-End Report contained incorrect financial information, whereby not all of the receipts reported on lines 11, 12, 13, and 14 of the Detailed Summary Page were

⁶ This regulation became effective January 27, 2003; as such, this audit period is the first that required filing of this form.

disclosed. The Audit staff presented this matter to FOJC representatives at the exit conference; FOJC representatives had no comment.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that FOJC demonstrate that Forms 3Z-1 were correctly filed, or provide any relevant information as to why the forms were not filed or were incorrect. In response, FOJC acknowledged that the committee did not file Form 3Z-1 with the 2003 July Quarterly Report and filed the incorrect amount on the form with the 2003 Year End Report. FOJC stated that the new principal campaign committee has procedures in place to ensure future compliance.