



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

January 25, 2007

MEMORANDUM

To: Robert W. Biersack  
Press Officer

From: Joseph F. Stoltz *JFS*  
Assistant Staff Director  
Audit Division

Subject: Public Issuance of the Report of the Audit Division on Coburn for Senate Committee

Attached please find a copy of the audit report on Coburn for Senate Committee, which was approved by the Commission on January 9, 2007.

All parties involved have received copies of the report 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  
DSDD Website ✓



# Report of the Audit Division on Coburn For Senate Committee

March 11, 2004 – 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.<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 Campaign (p. 2)

Coburn for Senate Committee (CSC) is the principal campaign committee of Thomas A. Coburn, Republican candidate for the U.S. Senate from the state of Oklahoma and is headquartered in Muskogee, Oklahoma. For more information, see chart on the Campaign Organization, p.2.

## Financial Activity (p. 2)

- **Receipts**
  - Individuals \$ 3,898,597
  - Political Party Committees 65,144
  - Other Political Committees 793,488
  - Transfer From Other Authorized Committees 352,437
  - Refunds/Rebates 2,722
  - **Total Receipts** \$ 5,112,387
- **Disbursements**
  - Operating Expenditures \$ 5,030,521
  - Contribution Refunds 19,100
  - Other Disbursements 7,500
  - **Total Disbursements** \$ 5,057,121

## Findings and Recommendations (p. 3)

- Itemization of Contributions from Individuals (Finding 1)
- Failure to File 48-Hour Notices (Finding 2)
- Receipt of Contributions that Exceed Limits (Finding 3)

<sup>1</sup> 2 U.S.C. §438(b).

# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
<b>Part II. Overview of Campaign</b>	
Campaign Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings, Recommendations, and Committee Response</b>	
Finding 1. Itemization of Contributions from Individuals	4
Finding 2. Failure to File 48-Hour Notices	5
Finding 3. Receipt of Contributions that Exceed Limits	6

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Coburn for Senate Committee (CSC), 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 consistency between reported figures and bank records.
5. The completeness of records.
6. Other committee operations necessary to the review.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Coburn for Senate committee</b>
• Date of Registration	March 16, 2004
• Audit Coverage	March 11, 2004 – December 31, 2004
<b>Headquarters</b>	Muskogee, Oklahoma
<b>Bank Information</b>	
• Bank Depositories	1
• Bank Accounts	1 Checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Wade A. Stubbs
• Treasurer During Period Covered by Audit	Wade A. Stubbs
<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 @ March 11, 2004</b>	<b>\$ 0</b>
○ Individuals	3,898,5979
○ Political Party Committees	65,144
○ Other Political Committees	793,488
○ Transfers From Other Authorized Committees	352,437
○ Refunds/Rebates	2,722
<b>Total Receipts</b>	<b>\$5,112,387</b>
○ Operating Expenditures	5,030,521
○ Contribution Refunds	19,100
○ Other Disbursements	7,500
<b>Total Disbursements</b>	<b>\$5,057,121</b>
<b>Cash on hand @ December 31, 2004</b>	<b>\$ 55,266</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Itemization of Contributions from Individuals**

Contributions received from individuals were reviewed on a sample basis. The review indicated that approximately 18% of such contributions which aggregated in excess of \$200 were not itemized on CSC's reports. CSC filed amended reports which materially corrected the itemization errors. The Audit staff recommended that CSC submit any written comments it considers relevant. In response, CSC stated that it has instituted procedures to prevent similar issues in future reporting. (For more detail, see p. 4)

##### **Finding 2. Failure to File 48-Hours Notices**

CSC failed to file 48-hour notices for 202 contributions totaling \$349,100. The Audit staff recommended that CSC provide evidence that the 48-hour notices were timely filed or submit any written comments it considers relevant. In response, CSC stated that they have restructured their staff and procedures to ensure future compliance. (For more detail, see p. 5)

##### **Finding 3. Receipt of Contributions that Exceeds Limits**

CSC accepted contributions from political action committees that exceeded the limitation by \$22,100. All of the excessive contributions were refunded; however, the refunds were not timely. The Audit staff recommended that CSC submit any written comments it considers relevant. In response, CSC stated it has instituted procedures to ensure that excessive contributions are handled timely. (For more detail, see p. 6)

## Part IV

# Findings and Recommendations

### **Finding 1. Itemization of Contributions from Individuals**

#### **Summary**

Contributions received from individuals were reviewed on a sample basis. The review indicated that approximately 18% of such contributions which aggregated in excess of \$200 were not itemized on CSC's reports. CSC filed amended reports which materially corrected the itemization errors. The Audit staff recommended that CSC submit any written comments it considers relevant. In response, CSC stated that it has instituted procedures to prevent similar issues in future reporting.

#### **Legal Standard**

**When to Itemize.** Authorized candidate committees must itemize:

- Any contribution from an individual if it exceeds \$200 per election cycle, either by itself or when aggregated with other contributions from the same contributor; and
- Every contribution from any political committee, regardless of the amount 2 U.S.C. §434(b)(3)(A), (B) and (D).

**Definition of Itemization.** Itemization of contributions received means that the recipient committee discloses, on a separate schedule, the following information:

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

#### **Facts and Analysis**

Contributions received from individuals were reviewed on a sample basis. The review indicated that approximately 18% of the contributions which aggregated in excess of \$200 were not itemized on CSC reports. After CSC received notice of the audit, it filed amended reports. These amendments materially corrected the itemization errors.

This matter was discussed at the exit conference. CSC representatives stated it changed to a different software application during the campaign and much of the data was omitted by the input staff, thereby, affecting contributions requiring itemization.

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

The Audit staff recommended that CSC submit any written comment it considers relevant.

CSC stated that prior to the arrival of the Audit staff; the Committee conducted its own internal audit, then corrected and amended all reports. This was done to expedite the FEC audit process and in the interest of full disclosure, to correct the public record as soon as possible. Further, CSC instituted procedures to prevent similar issues in future reports.

## **Finding 2. Failure to File 48-Hour Notices**

### **Summary**

CSC failed to file 48-hour notices for 202 contributions totaling \$349,100. The Audit staff recommended that CSC provide evidence that the 48-hour notices were timely filed or submit any written comments it considers relevant. In response, CSC stated that they have restructured their staff and procedures to ensure future compliance.

### **Legal Standard**

**Last-Minute Contributions (48-Hour Notice).** Campaign committees must file special notices regarding contributions of \$1,000 or more received less than 20 days but more than 48 hours before any election in which the candidate is running. This rule applies to all types of contributions to any authorized committee of the candidate. 11 CFR §104.5(f).

### **Facts and Analysis**

The Audit staff reviewed contributions of \$1,000 or more that were received during the 48-hour notice filing periods for the primary and general elections. CSC failed to file 48-hour notices for 202 contributions totaling \$349,100; (13 contributions totaling \$29,500 during the primary election, and 189 contributions totaling \$319,600 during the general election). CSC indicated that the failure to file these 48-hour notices were an oversight due to inadequate staffing.

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

The Audit staff recommended that CSC provide:

- documentation to demonstrate the contributions in question were properly included in 48-hour notices; or,
- documentation establishing the contributions were not subject to 48-hour notification; and/or,
- any written comments it considers relevant.

CSC acknowledged that it failed to file several 48-hour notices. CSC stated it understands the importance of the 48-hour notices and has restructured its staff and procedures to ensure future compliance in filing all reports.



### **Finding 3. Receipt of Contributions that Exceed Limits**

#### **Summary**

CSC accepted contributions from political action committees that exceeded the limitation by \$22,100. All of the excessive contributions were refunded; however, the refunds were not timely. The Audit staff recommended that CSC submit any written comments it considers relevant. In response, CSC stated it has instituted procedures to ensure that excessive contributions are handled timely.

#### **Legal Standard**

**A. Authorized Committee Limits:** An authorized committee may not receive more than a total of \$2,000 per election from any one person or \$5,000 from a multi-candidate political committee per election. 2 U.S.C. §441a(a)(1)(A), 11 CFR §§110.1(a) and (b) and 110.2(a) and (b).

**B. Handling Contributions That Appear Excessive.** If a committee receives a contribution that appears to be excessive, the committee must either:

- return the questionable contribution to the donor; or
- deposit the contribution into its campaign depository and keep enough money on account to cover all potential refunds until the legality of the contribution is established. 11 CFR §103.3(b)(3) and (4).

#### **Facts and Analysis**

CSC accepted contributions from political action committees that exceeded the limitation by \$22,100. All of the excessive contributions were refunded; however, the refunds were not timely. CSC did not deposit the excessive portions into a separate account but did maintain sufficient funds to make the necessary refunds. This matter was discussed at the exit conference. In response, CSC reiterated that refunds were made but not within the required number of days.

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

The Audit staff recommended that CSC submit any written comments it considers relevant. CSC stated that it has instituted procedures to ensure that excessive contributions are handled timely.