




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 19, 2006

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE REPORT OF THE AUDIT DIVISION ON  
JOE LIEBERMAN FOR PRESIDENT, INC.

Attached please find a copy of the final audit report and related documents on Joe Lieberman for President, Inc. that was approved by the Commission on April 10, 2006.

All parties involved have received informational 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  
Web Manager



# Report of the Audit Division on Joe Lieberman for President, Inc. January 13, 2003 – May 31, 2004

## Why the Audit Was Done

Federal law requires the Commission to audit every political committee established by a candidate who receives public funds for the primary campaign.<sup>1</sup> The audit determines whether the candidate was entitled to all of the matching funds received, whether the campaign used the matching funds in accordance with the law, whether the candidate is entitled to additional matching funds, and whether the campaign otherwise complied with the limitations, prohibitions, and disclosure requirements of the election law.

## 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)

Joe Lieberman for President, Inc. is the principal campaign committee for Senator Joseph Lieberman, a candidate for the Democratic Party's nomination for the office of President of the United States. The Committee is headquartered in Washington, DC. For more information, see chart on the Campaign Organization, p. 2.

## Financial Activity (p. 3)

- **Receipts**
  - Contributions from Individuals \$ 14,101,150
  - Matching Funds Received 4,257,831
  - Contributions from Other Political Committees 256,616
  - Offsets to Operating Expenditures 286,150
  - **Total Receipts** \$18,901,747
  
- **Disbursements**
  - Operating Expenditures \$18,578,033
  - Contribution Refunds 89,946
  - Other Disbursements 11,140
  - **Total Disbursements** \$18,679,119

## Findings and Recommendations (p. 4)

- Net Outstanding Campaign Obligations (Finding 1)
- Itemization of Contributions (Finding 2)

<sup>1</sup> 26 U.S.C. §9038(a).

# **Report of the Audit Division on Joe Lieberman for President, Inc.**

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January 13, 2003 – May 31, 2004



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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Joe Lieberman for President 2004, Inc. (JLFP), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9038(a) of Title 26 of the United States Code. That section states “After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received [matching] payments under section 9037.” Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission’s Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

### **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 and other receipts.
4. The disclosure of disbursements, debts and obligations.
5. The recordkeeping process and completeness of records.
6. The consistency between reported figures and bank records.
7. The accuracy of the Statement of Net Outstanding Campaign Obligations.
8. The campaign’s compliance with spending limitations.
9. Other campaign operations necessary to the review.

### **Inventory of Campaign Records**

The Audit staff routinely conducts an inventory of campaign records before it begins the audit fieldwork. JLFP’s records were materially complete and the fieldwork began immediately.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Joe Lieberman for President, Inc.</b>
• Date of Registration	January 13, 2003
• Eligibility Period <sup>2</sup>	November 12, 2003 – February 3, 2004
• Audit Coverage	January 13, 2003 – May 31, 2004 <sup>3</sup>
<b>Headquarters</b>	Washington, D.C.
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Four
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Francisco Borges
• Treasurer During Period Covered by Audit	Francisco Borges
<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

<sup>2</sup> The period during which the candidate was eligible for matching funds, beginning on the date of certification of eligibility and ending on the date the candidate announced his withdrawal from the campaign. See 11 CFR §9033.

<sup>3</sup> Limited review of receipts and expenditures was performed after May 31, 2004 to determine whether the candidate was eligible to receive additional matching funds.

## Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 13, 2003</b>	<b>\$ 0</b>
o Contributions from Individuals	\$ 14,101,150 <sup>4</sup>
o Matching Funds Received	4,257,831 <sup>5</sup>
o Contributions From Other Political Committees	256,616
o Offsets to Operating Expenditures	286,150
<b>Total Receipts</b>	<b>\$ 18,901,747</b>
o Operating Expenditures	\$18,578,033
o Contribution Refunds	89,946
o Other Disbursements	11,140
<b>Total Disbursements</b>	<b>\$ 18,679,119</b>
<b>Cash on hand @ May 31, 2004</b>	<b>\$ 222,628</b>

<sup>4</sup> Approximately 43,200 contributions from more than 33,000 individuals.

<sup>5</sup> JLFP made 6 matching fund submissions totaling \$4,278,406 and received \$4,267,797, which represents 23% of the maximum entitlement (\$18,655,000).

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Net Outstanding Campaign Obligations**

The Audit staff's review of JLFP's financial activity through December 31, 2005, and estimated winding down costs necessary to terminate the campaign indicated that JLFP did not receive matching fund payments in excess of the Candidate's entitlement. In response to the preliminary audit report, JLFP concurred with the Audit staff's conclusion and also provided documentation that certain components included in the NOCO required adjustments. The Audit staff reviewed the documentation and has made the necessary adjustments. (For more detail, see p. 5)

##### **Finding 2. Itemization of Contributions**

The Audit staff's sample review of contributions from individuals projected that JLFP failed to itemize contributions totaling \$474,388. These errors related to contributions that were properly reattributed to another contributor but not disclosed as such. Subsequent to the exit conference, JLFP filed amended reports that materially corrected the itemization errors. (For more detail, see p. 7)

#### **Summary of Amounts Owed to the U.S. Treasury**

No amounts are owed to the United States Treasury.



## Part IV

# Findings and Recommendations

### Finding 1. Net Outstanding Campaign Obligations

#### Summary

The Audit staff's review of JLFP's financial activity through December 31, 2005, and estimated winding down costs necessary to terminate the campaign indicated that JLFP did not receive matching fund payments in excess of the Candidate's entitlement. In response to the preliminary audit report, JLFP concurred with the Audit staff's conclusion and also provided documentation that certain components included in the NOCO required adjustments. The Audit staff reviewed the documentation and has made the necessary adjustments.

#### Legal Standard

**Net Outstanding Campaign Obligations (NOCO).** Within 15 days after the candidate's date of ineligibility (see definition below), the candidate must submit a statement of "net outstanding campaign obligations". This statement must contain, among other things:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9034.5(a).

**Date of Ineligibility.** The date of ineligibility is whichever of the following dates occurs first:

- The day on which the candidate ceases to be active in more than one state;
- The 30th day following the second consecutive primary in which the candidate receives less than 10 percent of the popular vote;
- The end of the matching payment period, which is generally the day when the party nominates its candidate for the general election; or
- In the case of a candidate whose party does not make its selection at a national convention, the last day of the last national convention held by a major party in the calendar year. 11 CFR §§9032.6 and 9033.5.

**Entitlement to Matching Payments after Date of Ineligibility.** If, on the date of ineligibility, a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that he or she still has net outstanding campaign debts on the day when the matching payments are made. 11 CFR §9034.1(b).

### **Facts and Analysis**

The Candidate's date of ineligibility (DOI) was February 3, 2004. The Audit staff reviewed JLFP's financial activity through December 31, 2005, analyzed estimated winding down costs, and prepared the Statement of Net Outstanding Campaign Obligations that appears below.

### **JOE LIEBERMAN FOR PRESIDENT, INC.**

Statement of Net Outstanding Campaign Obligations  
As of February 3, 2004 (Prepared through December 31, 2005)

#### **Assets**

Cash on Hand		\$757,920
Account Receivables:		
Matching Funds (a)	206,251	
Press Receivables	63,976	
Other Receivables	<u>228,863</u>	
<b>Total Account Receivables</b>		499,090
Capital Assets		<u>43,913</u>
<b>Total Assets</b>		1,300,923

#### **Obligations**

Account Payables for Qualified Campaign Expenses at 02/03/04		849,306
Actual Winding Down Costs: 02/04/04 - 12/31/05	732,714	
Estimated Winding Down Costs: 01/01/06 - 3/31/06 (b)	<u>21,250</u>	
<b>Total Wind down Cost through 3/31/06</b>		<u>753,964</u>
<b>Total Obligations</b>		<u>1,603,270</u>
<b>Net Outstanding Campaign Obligations</b>		<u>(\$302,347)</u>

(a) That portion of matching funds certified on 1/30/04 but not paid until 3/5/04 due to the temporary shortfall in Presidential Primary Matching Payment Account.

(b) Estimated winding down costs includes record storage. Further, the Audit staff will continue to review JLFP's disclosure reports to compare actual figures with the estimated figures.

Shown below are adjustments for funds received after February 3, 2004, based on the most current financial information available:

Net Outstanding Campaign Obligations (Deficit) as of 2/3/2004	(\$302,347)
Private Contributions Received 2/4/04 through 5/27/04	22,577
Matching Funds Certified and Received 2/7/04 through 8/2/04	<u>273,766</u>
<b>Remaining Entitlement as of August 3, 2004</b>	<b>(\$6,004)</b>

As presented above, JLFP has not received matching fund payments in excess of the amount to which the Candidate was entitled.

### **Committee Response to Preliminary Audit Report**

In response to the preliminary audit report, JLFP's representatives provided documentation that certain components included in the NOCO required adjustments. The Audit staff reviewed the documentation and has made the necessary adjustments<sup>6</sup>. As noted above, JLFP did not receive matching funds in excess of its entitlement.

## **Finding 2. Itemization of Contributions**

### **Summary**

The Audit staff's sample review of contributions from individuals projected that JLFP failed to itemize contributions totaling \$474,388. These errors related to contributions that were properly reattributed to another contributor but not disclosed as such. Subsequent to the exit conference, JLFP filed amended reports that materially corrected the itemization errors.

### **Legal Standard**

**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).

**Handling Reattributed Contributions.** If an itemized contribution is made by more than one person in a single written instrument, the treasurer shall report the amount to be attributed to each contributor. If the itemized contribution is reattributed by the contributor(s) in accordance with 11 C.F.R. 110.1(k), the treasurer shall report the reattribution on Schedule A of the report covering the reporting period in which the reattribution is received. 11 C.F.R. §104.8(d)(1) and (3)

### **Facts and Analysis**

Our sample review of contributions from individuals identified a material number of itemization errors. The sample results projected that \$474,388 in contributions were not itemized. These errors occurred when JLFP received reattribution documentation from

<sup>6</sup> NOCO accounts receivable and capital assets were adjusted. JLFP demonstrated that an account receivable was not collectible and that the value of its phone system required a downward adjustment.

contributors. The contribution was then split between contributors according to the reattribution documentation and submitted for matching. However, JLFP never amended its reports to reflect this action. Instead, the Schedules A only reflected the original contributor and contribution amount. As disclosed, certain contributions incorrectly appeared to be excessive.

Subsequent to the exit conference, JLFP filed amended reports that materially corrected the itemization errors discussed above.