



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 1, 2006

MEMORANDUM

TO: ROBERT W. BIERSACK
PRESS OFFICER
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
DENISE MAJETTE FOR SENATE

Attached please find a copy of the final audit report and related documents on Denise Majette for Senate, which was approved by the Commission on November 21, 2006.

Informational copies of the report have been received by all parties involved 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 Denise Majette for Senate

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)

Denise Majette for Senate is the principal campaign committee for Denise Majette, Democratic candidate for the U.S. Senate from the state of Georgia, and is headquartered in Decatur, GA. For more information, see chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - Contributions From Individuals \$ 1,358,867
 - Contributions From Political Committees 610,355
 - Other Receipts 14,523
 - **Total Receipts** \$ 1,983,745
- **Disbursements**
 - Operating Expenditures \$ 1,875,436
 - Loan Repayments² 66,700
 - Contribution Refunds 53,300
 - Other Disbursements 2,910
 - **Total Disbursements** \$ 1,998,346

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Recordkeeping for Disbursements (Finding 2)
- Disclosure of Form 3Z-1 (Finding 3)
- Cash Disbursements (Finding 4)

¹ 2 U.S.C. §438(b).

² The Candidate's House reelection committee was the original recipient of all loans in 2002; these were later repaid by the Senate committee.

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Committee History	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Findings and Recommendations	3
Part IV. Findings and Recommendations	
Finding 1. Misstatement of Financial Activity	5
Finding 2. Recordkeeping for Disbursements	7
Finding 3. Disclosure of Form 3Z-1	8
Finding 4. Cash Disbursements	9

Part I

Background

Authority for Audit

This report is based on an audit of Denise Majette for Senate (DMFS), 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.

Committee History

Denise Majette (the Candidate) was running for re-election to the House of Representatives for Georgia's 4th Congressional District until April 19, 2004, when the Candidate filed a Statement of Candidacy (FEC Form 2) declaring her candidacy for the open U.S. Senate seat. On April 15, 2004 an amended Statement of Organization (FEC Form 1) was filed changing the committee's name from Committee to Re-Elect Denise Majette to Denise Majette for Senate. No change was made to the FEC Identification number and DMFS did not open any new bank accounts. For purposes of this audit, all financial activity between January 1, 2003 and December 31, 2004 was included in audit testing.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Denise Majette for Senate
• Date of Registration	January 16, 2002
• Audit Coverage	January 1, 2003 – December 31, 2004
Headquarters	Decatur, GA
Bank Information	
• Bank Depositories	Three
• Bank Accounts	3 Checking, 3 Investment
Treasurer	
• Treasurer When Audit Was Conducted	Mr. Roger LeVine
• Treasurers During Period Covered by Audit	Mr. John Adams, Mr. Degas Wright, Mr. Roger LeVine
Management Information	
• 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)

Cash on hand @ January 1, 2003	\$ 17,930
o Contributions from Individuals	1,358,867
o Contributions from Political Committees	610,355
o Other Receipts	14,523
Total Receipts	\$ 1,983,745
o Operating Expenditures	1,875,436
o Loan Repayments	66,700
o Contribution Refunds	53,300
o Other Disbursements	2,910
Total Disbursements	\$ 1,998,346
Cash on hand @ December 31, 2004	\$ 3,329

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of DMFS's reported figures to bank records revealed that DMFS had materially misstated disbursements and the ending cash on hand balances for both calendar years 2003 and 2004 as well as the beginning cash balance for 2004. The majority of the misstatement resulted from DMFS's failure to disclose certain operating expenditures. In response to the interim audit report (IAR), DMFS filed amended reports that materially corrected the misstatements.

(For more detail, see p. 5)

Finding 2. Recordkeeping for Disbursements

A sample review of operating expenditures indicated that approximately 19% of expenditures were not properly documented.³ The errors were all for disbursements greater than \$200 for which there were no canceled checks, wire confirmations, or vendor invoices. The Audit staff recommended that DMFS obtain and provide the missing records. In response to the IAR, DMFS stated that it had located and submitted all of the missing documents to the Audit staff; however, the Audit staff notes that no documentation related to any of the errors from the sample review was received.

(For more detail, see p. 7)

Finding 3. Disclosure of Form 3Z-1

DMFS failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July Quarterly report, and disclosed incorrect amounts on the 3Z-1 filed with its 2003 Year-End report. The Audit staff recommended that DMFS provide any relevant information on this matter. In response to the IAR, DMFS submitted a statement explaining why the Form 3Z-1 for 2003 July Quarterly report was not filed and the reasons incorrect amounts were disclosed on the Form 3Z-1 filed with its 2003 Year-End report.

(For more detail, see p. 8)

Finding 4. Cash Disbursements

DMFS issued five checks totaling \$17,950, four made payable to an employee and one made payable to a consultant during July 2004 which were used to make subsequent cash payments to numerous vendors and individuals. 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, DMFS failed to maintain sufficient supporting documentation from the recipients of the cash payments. The Audit staff recommended that DMFS demonstrate it had complied

³ The Audit staff's review of cash disbursements revealed similar errors. See Finding 4.

with the law regarding cash disbursements, provide any relevant comments and submit the missing disbursement documentation. In response, DMFS submitted copies of the negotiated checks for the transactions in question and stated that it had therefore complied with the law regarding cash disbursements.

(For more detail, see p. 9)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of DMFS's reported figures to bank records revealed that DMFS had materially misstated disbursements and the ending cash on hand balances for both calendar years 2003 and 2004 as well as the beginning cash balance for 2004. The majority of the misstatement resulted from DMFS's failure to disclose certain operating expenditures. In response to the IAR, DMFS filed amended reports that materially corrected the misstatements.

Legal Standard

A. **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; and
- The total amount of disbursements for the reporting period and for the election cycle.
- Certain transactions that require itemization on Schedule A or Schedule B.

2 U.S.C. §434(b)(1), (2), (4).

Facts and Analysis

The Audit staff reconciled DMFS's reported activity to its bank records and determined there was a material misstatement of disbursements and ending cash on hand in calendar year 2003. Similarly, the cash on hand balance and the disbursement total were misstated in calendar year 2004. The following charts detail the discrepancies between DMFS's reported activity and its bank records. Succeeding paragraphs explain, to the extent possible, why the discrepancies occurred.

2003 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2003	\$17,699	\$17,930	\$231 Understated
Receipts	\$655,958	\$655,996	\$38 Understated
Disbursements	\$352,213	\$366,347	\$14,134 Understated
Ending Cash Balance @ December 31, 2003	\$321,444	\$307,579	\$13,865 Overstated

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

• Operating expenditures not reported	+	\$17,768
• Unreported loan repayment to candidate	+	2,000
• Operating expenditures reported but not located in bank records	-	3,012
• Unexplained difference	-	2,622

Net Understatement of Disbursements	<u>\$14,134</u>
-------------------------------------	-----------------

The overstatement of ending cash on hand in the amount of \$13,865 was the result of the misstatements noted above.

2004 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2004	\$321,444	\$307,579	\$13,865 Overstated
Receipts	\$1,327,040	\$1,327,749	\$709 Understated
Disbursements	\$1,597,870	\$1,631,999	\$34,129 Understated
Ending Cash Balance @ December 31, 2004	\$68,147 ⁴	\$3,329	\$64,818 Overstated

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

• Operating expenditures (including payroll) not reported	+	\$43,999
• Two unreported bank loan repayments	+	6,515
• Unreported cash disbursements (See Finding 4)	+	3,462
• Unreported in-kind contribution	+	195
• Operating expenditures reported but not located in bank records	-	18,462
• Unexplained difference	-	1,580

Net Understatement of Disbursements	<u>\$34,129</u>
-------------------------------------	-----------------

The overstatement of ending cash on hand in the amount of \$64,818 was the result of the misstatements noted above.

At the exit conference, the Audit staff provided DMFS representatives with schedules detailing the discrepancies. DMFS representatives agreed to amend the reports.

⁴ This does not foot due to a discrepancy of \$17,533 between the ending cash balance as reported on the 2004 April Quarterly report and the beginning cash balance as reported on the 2004 Pre-Primary report.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that DMFS amend its reports to correct the misstatements noted above and amend its most recent report to show the adjusted cash on hand balance, with an explanation that it resulted from audit adjustments from a prior period. In response, DMFS filed amended reports materially correcting the misstatements. Likewise, DMFS amended its most recently filed report correcting the cash on hand balance.

Finding 2. Recordkeeping for Disbursements

Summary

A sample review of operating expenditures indicated that approximately 19% of expenditures were not properly documented.⁵ The errors were all for disbursements greater than \$200 for which there were no canceled checks, wire confirmations, or vendor invoices. The Audit staff recommended that DMFS obtain and provide the missing records. In response to the IAR, DMFS stated that it had located and submitted all of the missing documents to the Audit staff; however, the Audit staff notes that no documentation related to any of the errors from the sample review was received.

Legal Standard

A. 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 payee;⁶
- Purpose (a brief description of why the disbursement was made - see below); 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).

B. 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

The Audit staff reviewed operating expenditures on a sample basis and determined that approximately 19% of operating expenditures were not properly documented. The only documentation available for these expenditures was the entries on DMFS's electronic database. The errors were for disbursements greater than \$200 for which there was no canceled checks, receipts or invoices, and/or expense reports.

⁵ The Audit staff's review of cash disbursements revealed similar errors. See Finding 4.

⁶ 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).

DMFS's disbursement records consisted of some check copies supplied by the committee (front only), some invoices and receipts, and committee-prepared vendor cover sheets. See Finding 4 for a discussion of cash disbursements.

At the exit conference, DMFS's representatives were informed of this matter and they stated that they would review their records for additional documentation and would provide any additional documentation located.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that DMFS review its disbursement records and identify those payments in amounts greater than \$200 for which there was no canceled check, invoice or bill and obtain and submit the required documentation for the Audit staff's review. In response, the DMFS Comptroller stated that they had located the supporting documentation required for all disbursements and submitted them for the auditors' review. The Audit staff notes that DMFS did submit the copies of canceled checks relative to Finding 4, Cash Disbursements, but that none of the documents submitted related to any of the sample errors for the recordkeeping for disbursements review. As a result, the interim audit report conclusion is unchanged.

Finding 3. Disclosure of Form 3Z-1

Summary

DMFS failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July Quarterly report and disclosed incorrect amounts on the 3Z-1 filed with its 2003 Year-End report. The Audit staff recommended that DMFS provide any relevant information on this matter. In response to the IAR, DMFS submitted a statement explaining why the Form 3Z-1 for 2003 July Quarterly report was not filed and addressed the issue of incorrect amounts disclosed on the Form 3Z-1 filed with its 2003 Year-End report.

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 determine 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 §104.19.⁷

⁷ This regulation became effective January 27, 2003; as such, this election cycle is the first that required filing of this form.

Facts and Analysis

DMFS failed to file Form 3Z-1 (Consolidated Report of Gross Receipts for Authorized Committees) with its 2003 July Quarterly report and disclosed incorrect amounts on the 3Z-1 filed with its 2003 Year-End report.

DMFS reported gross primary election receipts of \$623,844 on the Form 3Z-1 filed with its 2003 Year-End report. The Audit staff determined gross receipts for the primary election of \$671,070, an understatement of \$47,226. The totals reported for the general election were materially correct. There were no personal contributions from the candidate.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that DMFS demonstrate that the required forms were correctly filed or provide any additional comments relevant to this matter. In response, the DMFS Comptroller explained that the failure to file Form 3Z-1 with the 2003 July Quarterly report was caused by "...an administrative oversight in the version of campaign finance filing software used by the committee." Once the DMFS realized this omission "three days later," it filed an amended report containing the Form 3Z-1. She added that several Requests for Additional Information from the Commission's Reports Analysis Division necessitated five amendments for this report over a 13-month period. Further, she explained that "...the same computer-driven oversight" led to the exclusion of the Form 3Z-1 from the October 2003 amendment. She noted that the amended 2003 July Quarterly report which was filed in response to the IAR included the correct Form 3Z-1.

DMFS did amend its 2003 July Quarterly report to include the Form 3Z-1 once it discovered that the form was omitted from its original report. However, this form is time sensitive. Therefore filing the form after the due date does not resolve the issue.

As far as the incorrect amounts disclosed on the Form 3Z-1 for the 2003 Year-End report, the DMFS Comptroller explained that the originally filed report was based on data that was corrected via an amendment filed in response to the IAR. She pointed out that the amended report included a corrected Form 3Z-1. Regardless of the accuracy of the subsequent amendments, the Comptroller provided no explanation as to why DMFS disclosed incorrect amounts on its originally filed 2003 Year-End report.

The purpose of the Form 3Z-1 is to inform an opposing candidate if he or she is entitled to an increased contribution limit. To ensure that the information disclosed on the Form 3Z-1 is meaningful to an opposing candidate, such information must be disclosed timely and accurately.

Finding 4. Cash Disbursements**Summary**

DMFS issued five checks totaling \$17,950, four made payable to an employee and one made payable to a consultant during July 2004 which were used to make subsequent cash payments to numerous vendors and individuals. 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, DMFS failed to maintain sufficient supporting documentation from the recipients of the cash payments. The Audit staff recommended that DMFS demonstrate it had complied with the law regarding cash disbursements, provide any relevant comments and submit the missing disbursement documentation. In response, DMFS submitted copies of the negotiated checks for the transactions in question and stated that it had therefore complied with the law regarding cash disbursements.

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 campaign's 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 per transactions.

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 payee,⁸
- Purpose (a brief description of why the disbursement was made),
- If the disbursement was made on behalf of a candidate, the candidate's name and office sought by the candidate; and,
- If the disbursement was in excess of \$200, the records must include a receipt or an invoice from payee, or a cancelled check or share draft to the payee. If the disbursement was made 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).

⁸ 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).

D. Preserving Records and Copies of Records. 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. Unreported Cash Disbursements

The examination of bank records and the disbursements database revealed that DMFS issued five checks totaling \$17,950 during July 2004 which were used to make subsequent cash payments to numerous vendors and individuals. Four of the checks were made payable to an employee and one was made payable to a committee consultant. According to its accounting database, 123 cash payments totaling \$16,490 were made to numerous individuals and vendors through November 2004. Two of these cash payments totaling \$2,002 were not included in report totals.

Using DMFS's database, the Audit staff identified the items associated with each check and determined the difference between the five cashed checks (\$17,950), and the database records of the corresponding payments (\$16,490), was \$1,460. This amount was not reported. The database provided no information as to the treatment of this unaccounted for cash.

When the Audit staff reconciled DMFS's bank activity to its reported activity, an adjustment in the amount of \$3,462⁹ was necessary to account for unreported and unaccounted for cash payments. See Finding 1.

B. Excessive Cash Disbursements

The Audit staff reviewed the disbursements database to assess the nature of these cash disbursements. According to database descriptions, the cash payments were primarily used to pay get-out-the-vote (GOTV) costs.¹⁰ The Audit staff concluded that payments in the amount of \$15,402 are excessive cash disbursements; 32 cash payments in excess of \$100 totaling \$13,942 and \$1,460 in unaccounted for cash.

C. Recordkeeping for Cash Disbursements

DMFS failed to maintain sufficient supporting documentation relating to the cash disbursements. Committee officials were unable to confirm the use of a petty cash fund and a review of DMFS's disbursement records did not yield any evidence to show that DMFS ever established or maintained a formal petty cash fund. DMFS did keep a record of most cash payments related to the five checks in its computerized accounting system. That record is adequate for cash disbursements of less than the \$100 cash limit, but most of the cash was disbursed in amounts greater than \$100. For those disbursements, DMFS presented copies of only the front sides of two of the five cashed checks. DMFS also provided internally generated vendor cover sheets. The cover sheets along with statements by DMFS established that the cash was used to make subsequent disbursements. Except for one \$502 item, DMFS presented no other supporting documentation for the cash payments such as receipts, invoices,

⁹ The sum of unreported and unaccounted for cash in 2004 (\$2,002 + \$1,460).

¹⁰ Examples of such costs included: GOTV salaries; travel reimbursements; food purchases for GOTV volunteers, etc. However, routine vendor payments, for example office supplies, were also noted.

contemporaneous memoranda, etc. As a result, sufficient records (for payments in excess of \$200) were not available for \$12,349¹¹ in cash payments.

The Audit staff's review of the committee's disbursements database yielded eleven additional checks issued between July and August 2004 totaling \$34,958 that were recorded as "GOTV" expenditures and made payable to the same two individuals as the five checks discussed above. Due to the lack of documentation associated with these disbursements, the Audit staff was unable to determine whether the designated payees provided goods or services in return for payment or whether the funds were used to reimburse multiple payees as discussed above in Section A. None of the checks appears to be salary or consulting payments.

This matter was presented to DMFS representatives at the exit conference. They stated that they were not aware of the requirements relating to cash payments at the time these payments were made.

Interim Audit Report Recommendation

The Audit staff recommended that DMFS:

- Demonstrate it complied with the provisions of 2 U.S.C. §432(h) regarding cash disbursements;
- Provide any comments it deemed relevant regarding the cash disbursements;
- Obtain and submit the missing disbursement documentation to support the \$12,349, noted above; and,
- Provide the missing disbursement documentation to support the \$34,958, noted above.

Committee Response and Audit Staff's Assessment

In response, DMFS provided copies of the five negotiated checks issued in July 2004, totaling \$17,950, which were used to make subsequent cash payments to numerous vendors and individuals. DMFS also provided copies of the eleven negotiated checks issued in July and August 2004, totaling \$34,958, that were made payable to the same two individuals noted above and were recorded as "GOTV" expenditures. The Comptroller stated that payment was made from DMFS to the payees in accordance with 2 U.S.C. §432(h) for all of these checks.

She offered the following:

In many cases, as noted in the IAR, the original payees acted as intermediaries, further disbursing funds individually. As would be required of secondary and tertiary disbursements made, for example, through a commercial credit card, the Committee made every best effort to obtain and report name, address, date, amount and purpose for every secondary and tertiary transaction.

For every transaction, the Committee endeavored to obtain complete invoices and receipts from payees. However, during the fast-paced, statewide primary and primary runoff in 2004, full documentation was sometimes only obtained for the primary transaction, not any secondary or tertiary transaction that may have occurred. In these instances, the Committee's good faith efforts to completely document the flow of funds are seen in the presence of vendor cover sheets, receipts, service memorandums and other bank records,

¹¹ This figure includes an unreported and unaccounted for amount of \$1,460 discussed above in Section A.

all of which have been transmitted to the FEC, as requested, at various points throughout this audit. These documents, specifically the service memorandums, make apparent that at no point was there a material misrepresentation of the flow of funding, nor was anything other than the enormous pressure Committee staff were operating under responsible for the now-realized potential omissions in obtaining certain documentation.

The Comptroller acknowledged that the individuals who received the 11 GOTV payments acted merely as intermediaries further disbursing the funds. While she did not explicitly confirm that these payments were made in cash, by referring to 2 U.S.C. 432 (h), she pointed out DMFS's compliance with this regulation. The Audit staff therefore reasonably concluded that these disbursements were made in cash.

While DMFS contended that it exercised best efforts to obtain and report the secondary transactions, it failed to document them beyond the general statement in its response. DMFS did not provide any agreements with the persons who received the funds. Further, it did not provide any documentation reflecting the accounting treatment of either the petty cash disbursements or disbursements greater than \$100. DMFS provided no documents to prove that it made necessary follow-up requests with the ultimate payees in order to document the disbursement process. DMFS also failed to explain why the best efforts failed to produce even partially complete records relative to the 11 GOTV payments. Regarding the five payments supported in detail in DMFS's database, DMFS did not elaborate as to why this detail information was not disclosed on its FEC reports.

Finally, the DMFS Comptroller did not address the issue of the 32 cash payments in excess of \$100 totaling \$13,942.