



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 11, 2002

MEMORANDUM

TO: Ron M. Harris
Press Officer
Press Office

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

SUBJECT: Public Issuance of the Final Audit Report on Buchanan Reform, Inc.

Attached please find a copy of the final audit report and related documents on Buchanan Reform, Inc. that was approved by the Commission on November 22, 2002.

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

REPORT OF THE AUDIT DIVISION
ON
BUCHANAN REFORM, INC.

Approved November 22, 2002



FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
WASHINGTON, D.C.

TABLE OF CONTENTS
BUCHANAN REFORM, INC.

	Page
Executive Summary	1
Final Audit Report	3
Background	3
Findings	5
Legal Analysis	15
Transmittal to Committee	17
Chronology	19



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

**REPORT OF THE AUDIT DIVISION
ON
BUCHANAN REFORM, INC.**

EXECUTIVE SUMMARY

Buchanan 2000, Inc. registered with the Federal Election Commission on March 2, 1999, as the principal campaign committee for Patrick J. Buchanan, a candidate for the Republican Party's nomination for the office of President of the United States.¹

The audit is mandated by Section 9007(a) of Title 26 of the United States Code, which requires the Commission to audit committees authorized by candidates of each political party for President and Vice President.

The findings of the audit were presented to Buchanan Reform, Inc. at the exit conference held on April 23, 2002, and in the preliminary audit report. BRI's responses to the findings are contained in the audit report.

The following is an overview of the findings contained in the audit report.

ITEMIZATION OF RECEIPTS – 2 U.S.C. §434(b)(3)(A) and 11 CFR §104.18(f). BRI did not itemize 4,820 contributions on Schedule A-P as required. BRI filed amended electronic reports itemizing the contributions as requested.

EXCESSIVE CONTRIBUTIONS RESOLVED UNTIMELY – 2 U.S.C. §441a(a)(1)(A) and 11CFR §103.3(b)(3). There were 356 instances where BRI's refunds of excessive contributions occurred untimely. These untimely refunds amounted to \$136,909 and were made from 94 days to 608 days after deposit of the contribution. The Audit staff noted that 351 of the 356 untimely contribution refunds involved contributions that were less than, but aggregated more than, \$1,000. BRI did not respond to this finding.

¹ On November 4, 1999, an amended statement of organization was filed which indicated a name change to Buchanan Reform, Inc. (BRI) and which indicated that Patrick J. Buchanan was a candidate for the Reform Party's nomination for the office of President of the United States.

MISSTATEMENT OF FINANCIAL ACTIVITY – 2 U.S.C. §434(b)(1), (2) and (4) and 11CFR §104.18(f). BRI's reported activity for calendar year 2000 was misstated. BRI filed amended reports to correct the public record.

APPARENT NON-QUALIFIED CAMPAIGN EXPENSES – 26 U.S.C. §9032(9); 11CFR §9033.11(a) and (b); §9034.4(a)(3)(iii), (b)(3) and (e)(3); §9038.2(b)(2)(i) and (iii). BRI made 59 apparent non-qualified campaign expenditures totaling \$251,756. Forty-two of these disbursements (\$211,217) were considered inadequately documented and the remaining 17 disbursements (\$40,539), although adequately documented, could not be identified as having been made in connection with the primary or the general election. In response to the preliminary audit report, BRI provided documentation in support of all the expenditures in question and, as such, no repayment was warranted.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

***REPORT OF THE AUDIT DIVISION
ON
BUCHANAN REFORM, INC.***

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of Buchanan Reform, Inc. (BRI). The audit is 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 payments under Section 9037." Also, Section 9039(b) of Title 26 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.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions, and disclosure requirements of the Federal Election Campaign Act of 1971 (FECA), as amended.

B. AUDIT COVERAGE

The audit covered the period from BRI's inception, March 2, 1999, through December 31, 2001. BRI reported an opening cash balance of \$-0-; total receipts of \$15,609,033; total disbursements of \$15,607,707; and a closing cash balance of \$1,746.¹ In addition, the Audit staff conducted a limited review of reported activity through September 30, 2002.

C. CAMPAIGN ORGANIZATION

Buchanan 2000, Inc. registered with the Federal Election Commission (the Commission) on March 2, 1999, as the principal campaign committee for Patrick J.

¹ The amounts do not foot as the result of errors in carrying forward the ending cash on hand balance from one report to the beginning cash on hand balance of the next report. The correct ending cash balance was determined to be \$1,710.

Buchanan (the Candidate), a candidate for the Republican Party's nomination for the office of President of the United States. On November 4, 1999, an amended statement of organization was filed which indicated a name change to Buchanan Reform, Inc. and which indicated that Patrick J. Buchanan was a candidate for the Reform Party's nomination for the office of President of the United States.

During the audit period, BRI maintained its headquarters in Vienna, Virginia and moved to McLean, Virginia in January of 2001. The Treasurer for BRI was Robert Bowes from inception until November 30, 1999, at which time the current Treasurer, Angela M. Buchanan, assumed the position.

BRI maintained depositories in McLean and Vienna, Virginia; Washington, DC; Woodland Hills, CA; Toronto, OH; Des Moines, IA; and, Manchester, NH. To handle its financial activity, BRI used 22 bank accounts. From these accounts, BRI made approximately 3,800 disbursements. In addition, BRI received contributions totaling \$7,099,143 from approximately 83,000 contributors. It also received three loans from the Candidate totaling \$41,000, advances from a revolving line of credit of \$3,334,000, and offsets to expenditures of \$510,278.

BRI received \$4,509,673 from the United States Treasury. This amount represents 27% of the \$16,890,000 maximum entitlement that any candidate could receive. For matching fund purposes, the Commission determined that Mr. Buchanan's candidacy ended on August 11, 2000, the date he received the nomination from the Reform Party. On April 2, 2001, BRI received its final matching fund payment to defray expenses and to help defray the cost of winding down the campaign.

BRI also maintained a bank account to handle activity related to the Reform Party convention. BRI deposited receipts totaling \$289,744 into this account and made disbursements totaling \$288,877. None of the activity related to this account was initially reported by BRI (See Finding II.C.).

D. AUDIT SCOPE AND PROCEDURES

In addition to a review of expenditures made by BRI to determine if they were qualified or non-qualified campaign expenses, the audit covered the following general categories:

1. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations.
2. the receipt of contributions or loans in excess of the statutory limitations (see Finding II.B.);
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.A.);

4. **proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;**
5. **proper disclosure of debts and obligations;**
6. **accuracy of total reported receipts, disbursements and cash balances as compared to bank records (see Finding II.C.);**
7. **adequate recordkeeping for transactions (see Finding III.A.);**
8. **accuracy of the Statement of Net Outstanding Campaign Obligations filed by BRI to disclose its financial position (see Finding III.B.);**
9. **compliance with spending limitations; and,**
10. **other audit procedures that were deemed necessary in the situation.**

As part of the Commission's standard audit process, an inventory of records was conducted prior to the audit fieldwork to determine if BRI's records were materially complete and in an auditable state. The records were found to be materially complete and the audit fieldwork commenced immediately.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

II. FINDINGS AND RECOMMENDATIONS – NON-REPAYMENT MATTERS

A. ITEMIZATION OF RECEIPTS

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report under this section shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year², together with the date and amount of any such contribution.

Section 104.18(f) of Title 11 of the Code of Federal Regulations states, in part, if a committee files an amendment to a report that was filed electronically, it shall also submit the amendment in an electronic format. The committee shall submit a complete version of the report as amended, rather than just those portions of the report

² This was changed to "election cycle" in the case of an authorized committee of a candidate for Federal office, effective for reporting periods beginning after December 31, 2000 [amended by section 641 of the Treasury and General Government Appropriations Act, 2000, Pub. Law No. 106-58, signed into law on September 29, 1999]

that are being amended.

The Audit staff reviewed all contributions from individuals and determined that BRI did not itemize 4,820 such contributions on Schedules A-P (Itemized Receipts) as required. The majority of the errors (4,575) were contributions in amounts less than or equal to \$200 that, when aggregated with earlier contributions from the same contributors, exceeded \$200, thus requiring itemization. The remaining 245 errors were contributions that exceeded \$200 on their face. The Audit staff was unable to determine, and BRI representatives could not explain, why these contributions were not itemized.

At the exit conference, the Audit staff advised BRI representatives of the above matter and provided a list of the contributions not itemized. BRI representatives indicated that they would file amended reports to correct the public record.

In the preliminary audit report, the Audit staff recommended that BRI file complete amended reports itemizing the contributions from individuals discussed above. BRI responded by filing the requested amendments.

B. EXCESSIVE CONTRIBUTIONS RESOLVED UNTIMELY

Section 441a(a)(1)(A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office, which in the aggregate exceed \$1,000.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer shall be responsible for examining all contributions received for ascertaining whether contributions received, when aggregated with other contributions from the same contributor, exceed the contribution limitation of 11 CFR 110.1. Contributions which on their face exceed the contribution limitations set forth at 11 CFR 110.1 and contributions which do not appear to be excessive on their face, but which exceed the contribution limits set forth in 11 CFR 110.1 when aggregated, may be either deposited into a campaign depository under 11 CFR 103.3(a) or returned to the contributor. If any such contribution is deposited, the treasurer may request redesignation or reattribution of the contribution by the contributor in accordance with 11 CFR 110.1(b) or 110.1(k). If a redesignation or reattribution is not obtained, the treasurer shall, within sixty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

The Audit staff reviewed all refunds of contributions made by BRI and identified 356 instances where BRI's refunds of excessive contributions occurred untimely. These untimely refunds amounted to \$136,909 and were made from 94 days to 608 days after deposit of the contribution.

The majority of these refund checks were issued during or after December 2000. It appears that BRI attempted to resolve most of its excessive contributions all at

once, rather than using an ongoing system that would ensure that excessive contributions were timely refunded as required by Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations. As a result, over half of all refunds issued by BRI were issued untimely. It appears that the difficulties BRI was experiencing with aggregation, not only contributed to the itemization of contributions as noted at Finding II.A., but also contributed to its difficulties in monitoring contributions aggregating in excess of \$1,000. The Audit staff notes that 351 of the 356 untimely contribution refunds involved contributions that were less than, but aggregated more than, \$1,000.

At the exit conference, BRI was informed that a material number of refund checks issued to resolve excessive contributions were refunded untimely.

In the preliminary audit report, the Audit staff recommended that BRI provide documentation to demonstrate that the untimely refunds did not represent excessive contributions or that the contributions were refunded in a timely manner. BRI did not respond to this finding.

C. MISSTATEMENT OF FINANCIAL ACTIVITY

Sections 434(b)(1), (2) and (4) of Title 2 of the United States Code state, in relevant part, that each report shall disclose the amount of cash on hand at the beginning of each reporting period and the total amount of all receipts and all disbursements for the reporting period and the calendar year.

Section 104.18(f) of Title 11 of the Code of Federal Regulations states, in part, if a committee files an amendment to a report that was filed electronically, it shall also submit the amendment in an electronic format. The committee shall submit a complete version of the report as amended, rather than just those portions of the report that are being amended.

The Audit staff's reconciliation of BRI's reported activity to its bank activity revealed material misstatements with respect to reported receipts and disbursements for calendar year 2000. This is the result of not reporting activity associated with a "Convention 2000" account opened June 2, 2000. Based on our review of available records, BRI used this account to process reservations for an event package and hotel rooms for the Reform Party convention.

BRI reported receipts of \$8,817,016 and should have reported receipts of \$9,091,638. This net understatement of \$274,622 was due primarily to BRI not reporting the \$289,744 deposited in to the Convention 2000 account. Similarly, BRI reported disbursements of \$9,157,761, and should have reported disbursements of \$9,436,693. The \$278,932 net understatement resulted mainly from BRI's failure to report disbursements of \$288,877 from the Convention 2000 account.

The Audit staff determined the correct ending cash balance on December 31, 2000, to be \$27,440. BRI reported an ending cash balance of \$31,741, an overstatement of \$4,301, which resulted from the activity of the Convention account and other minor discrepancies.

The Audit staff discussed this account with BRI representatives at the exit conference. BRI representatives were subsequently provided a copy of our bank reconciliation and informed that amended reports would be requested.

In the preliminary audit report, the Audit staff recommended that BRI file amended electronic reports. BRI filed amended reports to correct the public record.

III. FINDINGS AND RECOMMENDATIONS – AMOUNTS DUE TO THE U.S. TREASURY

A. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES

Section 9032(9) of Title 26 of the United States Code defines, in part, the term “qualified campaign expense” as a purchase or payment incurred by a candidate, or by his authorized committee, in connection with his campaign for nomination, and neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which the expense is incurred or paid.

Section 9033.11(a) of Title 11 of the Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his authorized committee(s) or persons authorized to make expenditures on behalf of the candidate or authorized committee(s) are qualified campaign expenses.

Section 9033.11(b) of Title 11 of the Code of Federal Regulations states, in part, that for disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either a receipted bill from the payee that states the purpose of the disbursement or a bill, invoice or voucher from the payee that states the purpose of the disbursement. Where the documents specified above are not available, the candidate or committee may provide a voucher or contemporaneous memorandum that states the purpose of the disbursement. Where the supporting documentation required above is not available, the candidate or committee may present collateral evidence to document the qualified campaign expense. Such collateral evidence may include, but is not limited to, evidence demonstrating that expenditure is part of an identifiable program or project which is otherwise sufficiently documented or evidence that the disbursement is covered by a pre-established written campaign committee policy, such as a daily travel expense policy. If the purpose of the disbursement is not stated in the accompanying documentation, it must be indicated on the canceled check negotiated by the payee. Purpose means the full name and mailing address of the payee, the date and amount of the disbursement, and a brief description of the goods and services purchased.

Section 9034.4(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that any expenses incurred after a candidate's date of ineligibility under 11 CFR 9033.5, are not qualified campaign expenses except to the extent permitted under 11 CFR 9034.4(a)(3).

Section 9034.4(a)(3)(iii) of Title 11 of the Code of Federal Regulations provides, in relevant part, that candidates who receive public funding for the general election must wait until the end of the expenditure report period described in 11 CFR 9002.12 before costs associated with the termination of political activity, such as the costs of complying with the post election requirements of the Act and other necessary administrative costs associated with winding down the campaign, including office space rental, staff salaries and office supplies, shall be considered exempt legal and accounting expenses.

Section 9034.4(e)(3) of Title 11 of the Code of Federal Regulations addresses the attribution of expenditures between the primary and the general election spending limits for costs associated with state or national campaign offices. It provides, in relevant part, that prior to the date of the last primary election in a Presidential election year, overhead and salary costs incurred in connection with state or national campaign offices shall be attributed to the primary election. With regard to overhead and salary costs incurred on or after June 1 of the Presidential election year, but before or on the date of nomination, the committee may attribute to the general election an amount not to exceed 15% of the limitation on primary-election expenditures set forth at 11 CFR 110.8(a)(1). Overhead and payroll costs associated with winding down the campaign and compliance activities shall be governed by paragraph (a)(3) of this section.

Sections 9038.2(b)(2)(i) and (iii) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for purposes other than to defray qualified campaign expenses. The amount of any repayment under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to total deposits, as of 90 days after the candidate's date of ineligibility.

The Audit staff reviewed all disbursements made by BRI post date of ineligibility (8-11-00) through December 31, 2001, and noted 59 apparent non-qualified campaign expenditures totaling \$251,756. Forty-two (42) of these disbursements, totaling \$211,217, were considered inadequately documented as BRI maintained only a cancelled check that did not provide sufficient information to establish that the expenses were in connection with the campaign for nomination. For the remaining 17 disbursements (\$40,539), although adequately documented, the Audit staff was unable to determine whether they were made in connection with the primary or the general election.

A further breakdown of the 59 disbursements shows that two were payments to Buchanan Foster, Inc. (the Candidate's general election committee) totaling

\$47,837. These payments were reported by BRI as direct mailing costs. In addition, there were four other payments totaling \$11,213 for postage or mailing for which supporting documentation was not available to determine the nature of the materials that were involved in the mailings. There were 11 disbursements, totaling \$64,837, that were identified as legal fees or legal retainers, either by the memo line on the canceled check or the purpose disclosed on BRI's reports. Other inadequately documented payments included: two disbursements (\$6,143) to consultants, seven disbursements (\$21,907) for telecommunications, eight disbursements (\$39,850) for expense reimbursements, and two disbursements (\$4,034) for convention expenses. In addition, there were 23 other disbursements totaling \$55,936 that had no identifiable purpose. In all cases, adequate documentation was not available to determine the exact nature of these payments, nor whether they pertained to the primary or general election campaign.

At the time of the preliminary audit report, it was the Audit staff's opinion that these payments (\$251,756) were non-qualified campaign expenses subject to pro-rata repayment to the United States Treasury.

At the exit conference held subsequent to the completion of fieldwork, the Audit staff advised BRI representatives of the above matter. BRI representatives, who were provided a list of the non-qualified campaign expenses, indicated that they would provide the needed documentation.

The preliminary audit report recommended that BRI provide, for the undocumented disbursements noted above, documentation such as, but not limited to, receipted bills, invoices or vouchers from the payees that state the purpose of the disbursement or other collateral evidence to support these disbursements as qualified campaign expenses. It was noted that absent such evidence, the Audit staff would recommend that the Commission determine that a pro rata repayment of \$96,516 ($\$251,756$ multiplied by the repayment ratio of .383371³) was payable to the United States Treasury.

In response to the preliminary audit report, BRI provided documentation in support of all the expenditures in question. The Audit staff's review of this documentation indicated that expenditures of \$50,162 were for qualified accounts payable relative to BRI. In addition, expenditures of \$50,317 were determined to be for primary-related fundraising expenses. Finally, the Audit staff determined that the remaining expenditures of \$151,277 were for general election expenses and that this amount is due from Buchanan Foster, Inc. The Statement of Net Outstanding Campaign Obligations presented at page 10 has been revised to reflect those items. As a result no repayment is warranted.

³ This figure (.383371) represents BRI's repayment ratio as calculated pursuant to 11 CFR §9038.2(b)(2)(iii).

B. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all outstanding obligations for qualified campaign expenses plus estimated necessary winding down costs.

The Candidate's date of ineligibility (DOI) was August 11, 2000. The Audit staff reviewed BRI's financial activity through September 30, 2002; analyzed projections of estimated winding down costs; and, prepared the Statement of Net Outstanding Campaign Obligations that appears below:

BUCHANAN REFORM, INC.
STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS
As of August 11, 2000
As Determined at September 30, 2002

ASSETS

Cash in Bank	\$(3,601) (a)	
Accounts Receivable	492,264	
Amounts Due from Buchanan Foster, Inc.	<u>261,968 (b)</u>	
Total Assets		\$750,631

OBLIGATIONS

Accounts Payable	\$1,050,891 (c)	
Accounts Payable outstanding at 9/30/02	117,842 (d)	
Amounts Due to Buchanan Foster, Inc.	350,097 (e)	
General Election expenses paid by BRI after 8/11/2000	151,277	
Winding Down Costs:		
Aug 12, 2000 to Dec 7, 2000	95,281	
Dec 8, 2000 to Sep 30, 2002: Actual	30,821	
Oct 1, 2002 to Dec 31, 2004: Estimated	<u>30,800 (f)</u>	
Total Obligations		<u>1,827,009</u>
NET OUTSTANDING CAMPAIGN OBLIGATIONS – DEFICIT		<u>(\$1,076,378)</u>

FOOTNOTES TO NOCO

- (a) This amount is negative due to checks that were written prior to August 12, 2000 that had not yet been cashed, but exceeded the amount of cash available at that time.
- (b) This amount includes all of the winding down costs (\$95,281) paid by BRI during the period August 12, 2000 through December 7, 2000; and, half (\$15,410) of the \$30,821 in winding down costs paid by the BRI for the period December 8, 2000, through September 30, 2002. In addition, this amount includes \$151,277 for general election expenses paid by BRI after August 11, 2000.
- (c) This amount represents disbursements paid during the period August 11, 2000 through September 30, 2002 for goods and/or services received prior to August 12, 2000 and all refunds of contributions made after August 11, 2000.
- (d) BRI's disclosure reports indicate outstanding debts on September 30, 2002 of \$117,842.
- (e) This amount includes \$196,178 for half of the winding down costs paid by Buchanan Foster, Inc. for the period December 8, 2000, through September 30, 2002. In addition, the Audit staff has included an apparent overpayment (\$147,496) for the purchase of a mailing list (see the Final Audit Report for Buchanan Foster, Inc., Finding III.B.1) and an overpayment (\$6,423) for equipment and health insurance. The Audit staff will make appropriate adjustments based on how these overpayments are resolved.
- (f) The Audit staff will review BRI's disclosure reports and records to compare actual figures with the estimates and prepare adjustments as necessary.

The Statement of Net Outstanding Campaign Obligations presented above reflects a deficit of \$1,076,378. Shown below are adjustments for funds received after August 11, 2000, based on the most current financial information available:

Net Outstanding Campaign Obligations (Deficit) as determined 9/30/02	(\$1,076,378)
Net Private Contributions Received 8/12/00 to 9/30/02	383,304
Other Receipts/Income Received 8/12/00 to 9/30/02	5,098
Matching Funds Received 8/12/00 to 9/30/02	<u>487,501</u>
Remaining Net Outstanding Campaign Obligations (Deficit)	<u>(\$200,475)</u>

As presented above, BRI has not received matching fund payments in excess of its entitlement.

IV. SUMMARY OF AMOUNTS DUE TO THE UNITED STATES TREASURY

As a result of the Audit staff's analysis of BRI's response, there are no amounts due to the United States Treasury.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

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AUDIT DIVISION

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November 7, 2002

MEMORANDUM

TO: Robert J. Costa
Assistant Staff Director
Audit Division

THROUGH: James Pehrkon
Staff Director

FROM: Lawrence H. Norton
General Counsel

Gregory R. Baker
Acting Associate General Counsel

Lorenzo Holloway
Assistant General Counsel

Kimberly D. Hart
Attorney

SUBJECT: Audit Report on Buchanan Reform, Inc. (LRA #614)

I. INTRODUCTION

The Office of General Counsel reviewed the proposed Audit Report ("Proposed Report") on Buchanan Reform, Inc. ("Committee") submitted to this Office on October 24, 2002. The following memorandum summarizes our comments on the Proposed Report. Generally, we concur with the findings in the Proposed Report, and we have provided the following comment on one issue. If you have any questions concerning our comments, please contact Kimberly D. Hart, the attorney assigned to this audit.

II. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES (Finding III.A.)

The Preliminary Audit Report identified 59 disbursements totaling \$251,750 for which the Committee did not maintain documentation such as receipted bills, invoices, vouchers or

¹ The Office of General Counsel recommends that the Commission consider this document in open session since the Proposed Report does not include matters exempt from public disclosure. See 11 C.F.R. § 2.4

other contemporaneous memoranda. The Proposed Report notes that the Audit staff reviewed disbursements made by the Committee post-date of ineligibility, August 11, 2000 through December 31, 2001. Since Buchanan was a candidate in the general election, the auditors questioned whether the expenses were related to the general election. In its response to the Preliminary Audit Report, the Committee provided the Audit staff with documentation to demonstrate that the disbursements in question were primarily related qualified campaign expenditures. As a result, the Audit staff is not recommending a repayment.

Expenses incurred after the candidate's date of ineligibility are limited to winding down expenses. 11 C.F.R. § 9034.4(a)(3). In addition, for purposes of the expenditure limitations set forth in 11 C.F.R. § 9035.1, those candidates who run in a general election must wait until the end of the expenditure report period before they may treat 100% of salary, overhead and computer expenses as exempt legal and accounting compliance expenses. 11 C.F.R. § 9034.4(a)(3)(iii). It is our understanding that the disbursements in question were related to the primary campaign and incurred prior to the date of ineligibility, August 11, 2000, but not paid by the Committee until after the date of ineligibility. Nevertheless, the Proposed Report does not include an explanation of this fact. Therefore, the Office of General Counsel recommends that the Audit Division revise the Proposed Report to clarify the fact that, although some of the disbursements were made after the date of ineligibility, they were actually incurred prior to the date of ineligibility in connection with seeking the nomination.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 4, 2002

Angela Buchanan, Treasurer
Buchanan Reform, Inc.
115 Rowell Court
Falls Church, VA 22046

Dear Ms. Buchanan:

Attached please find the Report of the Audit Division on Buchanan Reform, Inc. The Commission approved the report on November 22, 2002. As noted in the report, the Commission may pursue any of the matters discussed in an enforcement action.

The Commission approved report will be placed on the public record on December 10, 2002. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you have related to matters covered during the audit or in the report should be directed to Terry O'Brien or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph F. Stoltz".

Joseph F. Stoltz
Assistant Staff Director
Audit Division

Attachment as stated

cc: John J. Duffy, Esq.

CHRONOLOGY
BUCHANAN REFORM, INC.

Audit Fieldwork	7/15/01 – 4/19/02
Exit Conference	4/23/02
Preliminary Audit Report to the Committee	7/17/02
Response Received to the Preliminary Audit Report	9/19/02
Final Audit Report Approved	11/22/02