




FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 16, 2004

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: JOSEPH F. STOLTZ 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON THE
CLATWORTHY FOR U.S. SENATE

Attached please find a copy of the final audit report on Clatworthy for U.S. Senate, which was approved by the Commission on April 6, 2004.

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
Web Manager
FEC Library



Report of the Audit Division on Clatworthy For U.S. Senate

November 9, 2001 – December 31, 2002

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)

Clatworthy for U.S. Senate is the principal campaign committee of Ray Clatworthy, Republican candidate for the U.S. Senate from the state of Delaware and is headquartered in Dover, DE. The Treasurer for the Campaign during the election cycle was Mrs. Joan R. Wood who continues to serve in that capacity. For more information, see chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 2,002,329
 - From Political Party Committees 12,200
 - From Other Political Committees 5,520
 - Other Receipts 69,617
 - **Total Receipts** \$ 2,089,666
- **Disbursements**
 - **Total Disbursements** \$ 2,020,468

Finding and Recommendation (p.3)

- Disclosure of Contributions

¹ 2 U.S.C. §438(b).

**Report of the
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Part I

Background

Authority for Audit

This report is based on an audit of Clatworthy for U.S. Senate (CFS), 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 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.

Changes to the Law

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. Except for the period November 7, 2002, through December 31, 2002, the period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are those that were in effect prior to November 7, 2002.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Clatworthy for U.S. Senate
• Date of Registration	March 20, 2002
• Audit Coverage	November 9, 2001 – December 31, 2002
Headquarters	Dover, Delaware
Bank Information	
• Bank Depositories	2
• Bank Accounts	3
Treasurer	
• Treasurer When Audit Was Conducted	Joan R. Wood
• Treasurer During Period Covered by Audit	Joan R. Wood
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	No
• Who Handled Accounting and Recordkeeping Tasks	Treasurer/volunteered staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ November 9, 2001	\$ 0
Total Receipts	\$ 2,089,666
○ From Individuals	2,002,329
○ From Political Party Committees	12,200
○ From Other Political Committees	5,520
○ Other Receipts	69,617
Total Disbursements	\$ 2,020,468
Cash on hand @ December 31, 2002	\$ 69,198

Part III

Summary

Finding and Recommendation

Disclosure of Contributions

Contributions received from individuals were reviewed on a sample basis. The review indicated that approximately 17% of contributions which aggregated in excess of \$200 were not itemized on CFS reports. The review also indicated that the reported amount was incorrect for 50% of the contributions tested. For contributors who made multiple contributions within a reporting period, the aggregate for the period was reported as a single transaction on the date that the last contribution was received. In response to the recommendation in the Interim Audit Report CFS filed amended disclosure reports that materially corrected the public record. (For more detail, see p. 4)

Part IV

Finding and Recommendation

Disclosure of Contributions

Summary

Contributions received from individuals were reviewed on a sample basis. The review indicated that approximately 17% of contributions which aggregated in excess of \$200 were not itemized on CFS reports. The review also indicated that the reported amount was incorrect for 50% of the contributions tested. For contributors who made multiple contributions within a reporting period, the aggregate for the period was reported as a single transaction on the date that the last contribution was received. In response to the recommendation in the Interim Audit Report CFS filed amended disclosure reports that materially corrected the public record.

Legal Standard

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. 2 U.S.C. §434(b)(3)(A).

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;
- The contributor's occupation and the name of his or her employer; and
- The 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).

Facts and Analysis

Contributions from individuals were reviewed on a sample basis. The review indicated that approximately 17% of the individuals whose contributions aggregated in excess of \$200 were not itemized.

Fundraising efforts were conducted from both the Dover, Delaware and Washington, D.C. offices. CFS maintained separate databases for each office. However, they did not have a system in place to aggregate contributions from contributors who appeared in both databases. Further, inconsistency with respect to the data entry of contributor names in the Washington office database hampered the aggregation process.

The review also indicated that the reported amount was incorrect for 50% of the contributions tested. For contributors who made multiple contributions within a reporting period, the aggregate for the period was reported as a single transaction on the date that

the last contribution was received. CFS representatives explained that since the reports were handwritten they combined multiple contributions to streamline report preparation.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that CFS file complete amended disclosure reports to correct reporting deficiencies noted above. In response CFS filed the necessary amended reports to materially correct the itemization and disclosure errors.

