



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 31, 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 AUDIT REPORT ON
BILL MANGER FOR CONGRESS, INC.

Attached please find a copy of the audit report on the Bill Manger for Congress, Inc. which was approved by the Commission on August 17, 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 Bill Manger for Congress, Inc.

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)

Bill Manger for Congress, Inc. is the principal campaign committee for Bill Manger, Republican candidate for the U.S. House of Representatives from the state of New York, 1st District, and is headquartered in Southampton, New York. For more information, see the chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - Contribution from Individuals \$ 919,377
 - Contributions from Political Committees 244,896
 - Loans from Candidate 249,459
 - **Total Receipts** \$ 1,413,732
- **Disbursements**
 - Operating Expenditures \$ 1,402,730
 - Other Disbursements 1,000
 - Contribution Refunds 3,400
 - **Total Disbursements** \$ 1,407,130

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Candidate Loans (Finding 2)

¹ 2 U.S.C. §438(b).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	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	4
Finding 2. Disclosure of Candidate Loans	4

Part I

Background

Authority for Audit

This report is based on an audit of Bill Manger for Congress, Inc. (BMC), 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

Important Dates	Bill Manger for Congress, Inc.
• Date of Registration	December 12, 2003
• Audit Coverage	January 1, 2003 – December 31, 2004
Headquarters	Southampton, New York
Bank Information	
• Bank Depositories	1
• Bank Accounts	1
Treasurer	
• Treasurer When Audit Was Conducted	John V.N. Phillip
• Treasurer During Period Covered by Audit	John V.N. Phillip
Management Information	
• 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)

Cash on hand @ January 1, 2003	\$ 0
○ Contributions from Individuals	\$ 919,377
○ Contributions from Political Committees	244,896
○ Loans from Candidate	249,459
Total Receipts	\$ 1,413,732
○ Operating Expenditures	\$ 1,402,730
○ Other Disbursements	1,000
○ Contribution Refunds	3,400
Total Disbursements	\$ 1,407,130
Cash on hand @ December 31, 2004	\$ 6,602

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of BMC's reported financial activity to bank records revealed a significant misstatement of ending cash on hand for calendar year 2004. BMC complied with the Audit staff's recommendation by amending its most recent disclosure report to correct the public record.

(For more detail, see page 4.)

Finding 2. Disclosure of Candidate Loans

The Candidate made three draws on a line of credit totaling \$232,000 and subsequently made loans to BMC. Although BMC reported these loans on Schedule C (Loans), it did not disclose all the required information. Further, BMC did not file Schedule C-1 (Loans and Lines of Credit From Lending Institutions). BMC complied with the Audit staff's recommendation by amending its reports to correctly disclose these loans.

(For more detail, see page 4.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of BMC's reported financial activity to bank records revealed a significant misstatement of ending cash on hand for calendar year 2004. BMC complied with the Audit staff's recommendation by amending its most recent disclosure report to correct the public record.

Legal Standard

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.
- 2 U.S.C. §434(b)(1), (2) and (4).

Facts and Analysis

For calendar years 2003 and 2004 minor differences were noted with respect to reported receipts and disbursements. However, the effect of these reporting errors caused a material misstatement in reported ending cash on hand at December 31, 2004. Cash on hand at December 31, 2004 was overstated by \$25,088. This overstatement, for the most part, was the result of not reporting eleven disbursements totaling \$17,555 and other minor reporting errors.

This matter was discussed at the exit conference. A BMC representative was given workpapers supporting our reconciliations and agreed to file the amended report.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that BMC amend its most recent disclosure report, reducing the ending cash balance by \$25,088 with an explanation that it resulted from audit adjustments from a prior period. BMC complied with the Audit staff's recommendation by amending its most recent disclosure report to correct the public record.

Finding 2. Disclosure of Candidate Loans

Summary

The Candidate made three draws on a line of credit totaling \$232,000 and subsequently made loans to BMC. Although BMC reported these loans on Schedule C (Loans), it did not disclose all the required information. Further, BMC did not file Schedule C-1 (Loans

and Lines of Credit From Lending Institutions). BMC complied with the Audit staff's recommendation by amending its reports to correctly disclose these loans.

Legal Standard

Contents of Reports. Each report must disclose for the reporting period and election cycle, the total amount of loans made by or guaranteed by the candidate and the identification of each person who makes, endorses or guarantees a loan to the committee. 2 U.S.C. §434(b)(2)(G) and (3)(E).

Brokerage Loans and Lines of Credit to Candidates. Loans derived from an advance on a candidate's brokerage account, credit card, home equity line of credit, or other lines of credit shall be reported by the candidate's principle campaign committee on Schedule C. In addition, the committee must disclose the terms of the line of credit on Schedule C-1. 11 CFR §§104.3(a)(3)(vii)(B) and (d)(4).

Facts and Analysis

On February 25, 2002, prior to running for Congress, the Candidate obtained a \$400,000 line of credit from the Bank of New York. The line of credit was fully secured by assets that were solely owned by the Candidate. The purpose of the line of credit as described in the loan agreement was to purchase a home.

During the period August 24, 2004 through November 12, 2004, the Candidate made three draws on the line of credit for a total of \$232,000. The Candidate then loaned BMC \$232,000². BMC filed a Schedule C (Loans) disclosing each loan as coming from the Candidate. However, the Schedule C did not identify the line of credit as being the source of the funds loaned to BMC. Consequently, BMC did not file the required Schedule C-1 disclosing the terms of the line of credit.

This matter was discussed at the exit conference. BMC representatives stated that Schedule C-1 was not filed because the Candidate not BMC borrowed the funds from the lending institution.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that BMC amend its reports to correctly disclose the source of these loans on Schedule C and all required information on Schedule C-1. BMC complied with the Audit staff's recommendation by amending its reports to correctly disclose these loans on Schedules C and C-1.

² The Candidate made another loan to BMC unrelated to the line of credit. BMC filed the required Schedule C for this loan.