



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 14, 2008

Mr. W. R. Eissler, Treasurer
Brady for Congress
P. O. Box 8277
The Woodlands, TX 77387

Dear Mr. Eissler:

Attached, please find the Report of the Audit Division on Brady for Congress. The Commission approved this report on November 6, 2008.

The Commission approved Final Audit Report will be placed on the public record on November 21, 2008. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the report should be directed to Philomena Brooks or Martin Favin of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in cursive script that reads "Wanda J. Thomas".

Wanda J. Thomas
Acting Assistant Staff Director
Audit Division

Attachment as stated



Report of the Audit Division on Brady for Congress

January 1, 2005 – December 31, 2006

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)

Brady for Congress is the principal campaign committee for Kevin Brady, Republican candidate for the U.S. House of Representatives from the state of Texas, 8th District, and is headquartered in The Woodlands, Texas. For more information, see the chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 112,706
 - From Political Committees 398,590
 - **Total Receipts** \$ 511,296

- **Disbursements**
 - Operating Expenditures & Other Disbursements \$ 578,343
 - Other Disbursements 5,000
 - Refund of Contribution 1,000
 - **Total Disbursements** \$ 584,343

Finding and Recommendation (p. 3)

- Misstatement of Financial Activity

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of Brady for Congress (BFC), 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, the scope of this audit was limited to the following:

1. The disclosure of occupation/name of employer regarding individual contributions.
 2. The consistency between reported figures and bank records.
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Part II

Overview of Campaign

Campaign Organization

Important Dates	Brady for Congress
• Date of Registration	January 24, 1997
• Audit Coverage	January 1, 2005 – December 31, 2006
Headquarters	The Woodlands, Texas
Bank Information	
• Bank Depositories	One
• Bank Accounts	One Checking account
Treasurer	
• Treasurer When Audit Was Conducted	W.R. Eissler
• Treasurer During Period Covered by Audit	W.R. Eissler
Management Information	
• Attended FEC Campaign Finance Seminar	Yes (2007)
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Volunteer Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2005	\$ 103,868
Receipts	
○ From Individuals	\$ 112,706
○ From Other Political Committees	398,590
Total Receipts	\$ 511,296
Disbursements	
○ Operating Expenditures	\$ 578,343
○ Other Disbursements	5,000
○ Refund of Contribution	1,000
Total Disbursements	\$584,343
Cash on hand @ December 31, 2006	\$ 30,821

Part III Summary

Finding and Recommendation

Misstatement of Financial Activity

A comparison of BFC's reported figures to its bank records revealed that in 2005, beginning cash on hand, receipts and ending cash on hand were overstated by \$18,542, \$1,100, and \$57,024 respectively, and disbursements were understated by \$37,382.

In 2006, beginning cash on hand, receipts, and ending cash on hand were overstated by \$57,024, \$3,400 and \$79,668 respectively, and disbursements were understated by \$19,244. The Audit staff recommends that BFC amend its disclosure reports to correct the misstatements. In response, BFC materially corrected the misstatements. (For more detail, see p.4)

Part IV

Finding and Recommendation

Misstatement of Financial Activity

Summary

A comparison of BFC's reported figures to its bank records revealed that in 2005, beginning cash on hand, receipts and ending cash on hand were overstated by \$18,542, \$1,100, and \$57,024 respectively, and disbursements were understated by \$37,382.

In 2006, beginning cash on hand, receipts, and ending cash on hand were overstated by \$57,024, \$3,400 and \$79,668 respectively, and disbursements were understated by \$19,244. The Audit staff recommends that BFC amend its disclosure reports to correct the misstatements. In response, BFC materially corrected the misstatements.

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; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

Facts and Analysis

The Audit staff reconciled BFC's reported financial activity to its bank records for calendar years 2005 and 2006. The following charts outline the discrepancies for the beginning cash balance, receipts, disbursements and the ending cash balance for each year. Succeeding paragraphs address the reasons for the misstatements.

2005 Activity			
	Reported	- Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2005	\$122,410	\$103,868	\$18,542 Overstated
Receipts	\$181,848	\$180,748	\$1,100 ² Overstated
Disbursements	\$148,710	\$186,092	\$37,382 Understated
Ending Cash Balance @ December 31, 2005	\$155,548	\$98,524	\$57,024 Overstated

² Unitemized amount over reported.

The \$18,542 overstatement of beginning cash on hand could not be explained but most likely resulted from prior period errors.

The net understatement of disbursements resulted from the following:

• Disbursements not reported	\$37,682
• One disbursement reported twice	(235)
• Payment reported but not supported by a check or debit	<u>(65)</u>
• Net Understatement of disbursements	\$37,382

The \$57,024 overstatement of ending cash on hand resulted from the unexplained cash differences as well as the disbursement misstatement noted above.

2006 Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2006	\$155,548	\$98,524	\$57,024 Overstated
Receipts	\$333,948	\$330,548	\$3,400 ³ Overstated
Disbursements	\$379,007	\$398,251	\$19,244 Understated
Ending Cash Balance @ December 31, 2006	\$110,489	\$30,821	\$79,668 Overstated

The overstatement of beginning cash on hand was the result of the errors described above.

The understatement of disbursements resulted from the following:

• Disbursements not reported	\$19,217
• A disbursement under reported	<u>27</u>
• Understatement of Disbursements	\$19,244

As a result of the misstatements detailed above, the ending cash on hand for 2006 was overstated by \$79,668.

At the exit conference, the Audit staff explained the misstatements and subsequently provided BFC's representative with schedules detailing these discrepancies. The representative stated that BFC would amend its reports to correct the misstatements.

³ Unitemized amount over reported.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that BFC:

- Amend its reports to correct the misstatements; and
- Amend the cash balance of its most recent report with an explanation that it resulted from audit adjustments from a prior period. It was further recommended that BFC reconcile its reported figures to bank records for subsequent periods in order to assure the current reported cash is correct.

In response, BFC materially corrected the misstatements.