



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 17, 2008

Ernest Leonard, Treasurer
Butterfield for Congress Committee
P.O. Box 2571
Wilson, NC 27894

Dear Mr. Leonard:

Attached, please find the Report of the Audit Division on Butterfield for Congress. The Commission approved this report on November 5, 2008.

The Commission approved Final Audit Report will be placed on the public record on November 24, 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 Sheraline Thomas 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 Butterfield for Congress Committee

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)

Butterfield for Congress Committee is the principal campaign committee for George K. Butterfield, Democratic candidate for the U. S. House of Representatives from the state of North Carolina, 1st District, and is headquartered in Wilson, North Carolina. For more information, see the chart on the Campaign Organization, p.2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 119,358
 - From Other Political Committees 264,855
 - Other Receipts and Offsets to Operating Expenditures 1,904
 - **Total Receipts** \$ 386,117
- **Disbursements**
 - Operating Expenditures \$ 228,296
 - Loan Repayments Made 35,000
 - Other Disbursements 96,824
 - **Total Disbursements** \$ 360,120

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 the Butterfield for Congress Committee (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 consistency between reported figures and bank records;
2. The disclosure of individual contributors' occupation and name of employer; and,
3. The review of loans.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Butterfield for Congress Committee
• Date of Registration	May 19, 2004
• Audit Coverage	January 1, 2005 – December 31, 2006
Headquarters	Wilson, North Carolina
Bank Information	
• Bank Depositories	One
• Bank Accounts	One checking account
Treasurer	
• Treasurer When Audit Was Conducted	Ernest Leonard
• Treasurer During Period Covered by Audit	Ernest Leonard
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, 2005	\$ 28,336
○ From Individuals	119,358
○ From Other Political Committees	264,855
○ Other Receipts and Offsets to Operating Expenditures	1,904
Total Receipts	\$ 386,117
○ Operating Expenditures	228,296
○ Loan Repayments	35,000
○ Other Disbursements	96,824
Total Disbursements	\$ 360,120
Cash on hand @ December 31, 2006	\$ 54,333

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 was understated by \$2,950; receipts, disbursements and ending cash were overstated by \$6,250, \$1,069 and \$2,231, respectively. In the interim report, the Audit staff recommended that BFC amend its disclosure reports to correct these misstatements. In response, BFC filed amended reports that 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 was understated by \$2,950; receipts, disbursements and ending cash were overstated by \$6,250, \$1,069 and \$2,231, respectively. In the interim report, the Audit staff recommended that BFC amend its disclosure reports to correct these misstatements. In response, BFC filed amended reports that 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 calendar year; and
- The total amount of disbursements for the reporting period and for the calendar year;
- 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 and determined that there was a misstatement of cash on hand, receipts, and disbursements in calendar year 2005. The following chart outlines the discrepancies and succeeding paragraphs explain, to the extent possible, the reasons for the misstatements.

2005 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2005	\$25,386	\$28,336	\$2,950 Understated
Receipts	\$191,170	\$184,920	\$6,250 Overstated
Disbursements	\$139,765	\$138,696	\$1,069 Overstated
Ending Cash Balance @ December 31, 2005	\$76,791	\$74,560	\$2,231 Overstated

The \$2,950 understatement of beginning cash on hand could not be explained but most likely resulted from prior period errors.

The overstatement of receipts resulted from the following:

• Four contributions from other political committees reported twice	- \$5,000
• Two reported contributions from other political committees could not be traced to the bank records	- 1,500
• One unreported credit card receipt	<u>+ 250</u>
Net Overstatement of Receipts	- \$6,250

The \$1,069 overstatement of disbursements could not be explained. Also, the cash on hand at December 31, 2005 was overstated by \$2,231 as a result of the misstatements detailed above.

The Audit staff explained the misstatements to BFC's treasurer and provided schedules detailing these discrepancies. The treasurer stated that BFC would amend its reports to correct the misstatements.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that BFC:

- amend its 2005 reports to correct the misstatements; and
- amend the cash balance on its most recently filed report with an explanation that it resulted from audit adjustments from a prior period. It is further recommended that BFC reconcile the cash balance on its most recent report to identify any subsequent discrepancies that may impact adjustments recommended by the Audit staff.

In response, BFC materially corrected its most recently filed report with an explanation for the change. In addition, the BFC Treasurer noted that they had reconciled reported figures to bank records for periods subsequent to the period covered by the audit.