

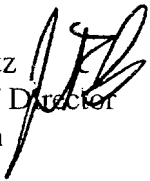


FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 4, 2009

MEMORANDUM

To: Judith Ingram
Press Officer

From: Joseph F. Stoltz 
Assistant Staff Director
Audit Division

Subject: Public Issuance of the Audit Report on Zinga for Congress

Attached please find a copy of the audit report on Zinga for Congress, which was approved by the Commission on May 22, 2009.

All parties involved have received informational copies of the report and the report may be released to the public June 4, 2009.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library
ITD Web



Report of the Audit Division on Zinga 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)

Zinga for Congress is the principal campaign committee for Andrea Lane Zinga, Republican candidate for the U.S. House of Representatives from the state of Illinois, 17th District and is headquartered in Moline, Illinois. For more information, see the Campaign Organization Chart, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - Contributions from Individuals \$ 334,419
 - Contributions from Political Committees 91,760
 - Loans from the Candidate 25,000
 - Other Receipts 306
 - **Total Receipts** \$ 451,485
- **Disbursements**
 - Operating Expenditures \$ 415,456
 - Reimbursements to Candidate 35,000
 - **Total Disbursements** \$ 450,456

Findings and Recommendations (p. 3)

- Receipt of Contributions that Exceed Limits (Finding 1)
- Personal Use of Campaign Funds (Finding 2)
- Misstatement of Financial Activity (Finding 3)
- Disclosure of Occupation/Name of Employer (Finding 4)
- Disclosure of Disbursements (Finding 5)
- Disclosure of Debts and Obligations, Including Loans (Finding 6)

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 Zinga for Congress (ZFC), 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

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 disclosure of disbursements, debts and obligations.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Zinga for Congress
• Date of Registration	December 22, 2003
• Audit Coverage	January 1, 2005 – December 31, 2006
Headquarters	Moline, Illinois
Bank Information	
• Bank Depositories	One
• Bank Accounts	One
Treasurer	
• Treasurer When Audit Was Conducted	Charles McClurg
• Treasurer During Period Covered by Audit	Marleine Davis (12/5/03 – 4/14/05); No treasurer (4/15/05 – 5/23/05); Leon Walschaert (5/24/05 – 9/8/05); No treasurer (9/9/05-10/11/05); David Springer (10/12/05 – 5/22/06); Charles McClurg (5/23/06 – present)
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid staff and the above treasurers.

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2005	\$ 1,795
o Contributions from Individuals	\$ 334,419
o Contributions from Political Committees	91,760
o Loans from the Candidate	25,000
o Other Receipts	306
Total Receipts	\$ 451,485
o Operating Expenditures	\$ 415,456
o Reimbursements to Candidate	35,000
Total Disbursements	\$ 450,456
Cash on hand @ December 31, 2006	\$ 2,824

Part III

Summaries

Findings and Recommendations

Finding 1. Receipt of Contributions that Exceed Limits

The Audit staff identified 16 contributions from nine individuals that exceeded the limitation by \$8,600. Of these excessive contributions, \$1,800 could have been resolved by ZFC sending presumptive reattribution notices. The remaining \$6,800 appeared resolvable only by refund. The Audit staff recommended that ZFC provide evidence demonstrating that the contributions were not excessive, send notices to those contributors that were eligible for presumptive reattribution, or, refund the excessive amounts. ZFC's response to the interim audit report did not address this matter. Further, subsequent reports filed by ZFC did not disclose any refunds of the excessive contributions, a payment to the U.S. Treasury, or debts owed to the contributors. (For more detail, see p. 5)

Finding 2. Personal Use of Campaign Funds

ZFC made payments to the Candidate totaling \$9,473 and disclosed such payments as reimbursed expenses. At issue are seven payments, totaling \$5,749, that were supported only by a canceled check. Absent documentation supporting the campaign-related nature of the payments, the Audit staff considers these reimbursements to potentially be personal use of campaign funds. The Audit staff recommended that ZFC demonstrate that the payments did not represent personal use of campaign funds or seek a reimbursement from the Candidate of \$5,749. In response, ZFC provided the necessary documentation that materially demonstrated that the reimbursements to the Candidate were campaign-related. (For more detail, see p. 8)

Finding 3. Misstatement of Financial Activity

A comparison of ZFC's reported financial activity to its bank records revealed a misstatement of financial activity in calendar year 2006. Reported receipts were understated by \$23,926; reported disbursements were understated \$40,810; and the ending cash balance on December 31, 2006, was overstated as a result of the receipt and disbursement discrepancies. It appeared that the frequent change in treasurers as well as periods of time without a treasurer contributed to the above misstatements. The Audit staff recommended that ZFC amend its reports to correct the misstatements. In response, ZFC filed amended reports that materially corrected the above misstatements. (For more detail, see p. 9)

Finding 4. Disclosure of Occupation/Name of Employer

A review of contributions from individuals revealed that 148 itemized entries, totaling \$88,366, lacked, or did not adequately disclose, the contributor's occupation and/or name of employer. Furthermore, there was no evidence that "best efforts" to obtain, maintain,

and submit the information had been exercised. The Audit staff recommended that ZFC contact each contributor lacking this information, submit evidence of such contact, and disclose any information received. In response, ZFC documented its efforts to obtain the missing contributor information and filed amended reports that materially disclosed the contributor's occupation/name of employer. (For more detail, see p. 11)

Finding 5. Disclosure of Disbursements

Our review revealed that itemized disbursements, totaling \$50,158, lacked or inadequately disclosed the required information. The disclosure errors consisted of missing or inadequate purposes and improper reporting of payees and dates. The Audit staff recommended ZFC amend its reports to correct the disclosure errors. In response, ZFC filed amended reports that materially corrected the disclosure errors. (For more detail, see p. 12)

Finding 6. Disclosure of Debts and Obligations, Including Loans

The Audit staff identified debts and obligation totaling \$22,336 that were either not reported or not continuously reported on Schedule D (Debts and Obligations). Further, ZFC failed to continuously report two Candidate loans totaling \$75,000 on Schedule C (Loans). The Audit staff recommended that ZFC amend its reports to properly disclose the debts and loans. In response, ZFC filed amended Schedules C and D that materially corrected the disclosure errors note above. (For more detail, see p. 13)

Part IV

Findings and Recommendations

Finding 1. Receipt of Contributions that Exceed Limits

Summary

The Audit staff identified 16 contributions from nine individuals that exceeded the limitation by \$8,600. Of these excessive contributions, \$1,800 could have been resolved by ZFC sending presumptive reattribution notices. The remaining \$6,800 appeared resolvable only by refund. The Audit staff recommended that ZFC provide evidence demonstrating that the contributions were not excessive, send notices to those contributors that were eligible for presumptive reattribution, or, refund the excessive amounts. ZFC's response to the interim audit report did not address this matter. Further, subsequent reports filed by ZFC did not disclose any refunds of the excessive contributions, a payment to the U.S. Treasury, or debts owed to the contributors.

Legal Standard

A. Authorized Committee Limits. An authorized committee may not receive more than a total of \$2,100 per election from any one person or \$5,000 per election from a multicandidate political committee. 2 U.S.C. §441a(a)(1)(A), (2)(A) and (f); 11 CFR §§110.1(a) and (b), 110.9(a) and 110.17(b).

B. Handling Contributions That Appear Excessive. If a committee receives a contribution that appears to be excessive, the committee must either:

- Return the questionable check to the donor; or
- Deposit the check into its federal account and:
 - o Keep enough money in the account to cover all potential refunds;
 - o Keep a written record explaining why the contribution may be illegal;
 - o Include this explanation on Schedule A if the contribution has to be itemized before its legality is established;
 - o Seek a redesignation of the excessive portion, following the instructions provided in the Commission regulations (see below for explanations of redesignation); and
 - o If the committee does not receive a proper redesignation within 60 days after receiving the excessive contribution, refund the excessive portion to the donor. 11 CFR §§103.3(b)(3), (4) and (5) and 110.1(k)(3)(ii)(B).

C. Joint Contributions. Any contribution made by more than one person (except for a contribution made by a partnership) must include the signature of each contributor on the check or in a separate writing. A joint contribution is attributed equally to each donor unless a statement indicates that the funds should be divided differently. 11 CFR §110.1(k)(1) and (2).

D. Reattribution of Excessive Contributions. The Commission regulations permit committees to ask donors of excessive contributions (or contributions that exceed the committee's net debts outstanding) whether they had intended their contribution to be a joint contribution from more than one person and whether they would like to reattribute the excess amount to the other contributor. The committee must inform the contributor that:

1. The reattribution must be signed by both contributors;
2. The reattribution must be received by the committee within 60 days after the committee received the original contribution; and
3. The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3).

Within 60 days after receiving the excessive contribution, the committee must either receive the proper reattribution or refund the excessive portion to the donor. 11 CFR §§103.3(b)(3) and 110.1(k)(3)(ii)(B). Further, a political committee must retain written records concerning the reattribution in order for it to be effective. 11 CFR §110.1(l)(5).

Notwithstanding the above, any excessive contribution that was made on a written instrument that is imprinted with the names of more than one individual may be attributed among the individuals listed unless instructed otherwise by the contributor(s). The committee must inform each contributor:

1. How the contribution was attributed; and
2. The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3)(B).

E. Redesignation of Excessive Contributions. When an authorized candidate committee receives an excessive contribution (or a contribution that exceeds the committee's net debts outstanding), the committee may ask the contributor to redesignate the excess portion of the contribution for use in another election. The committee must inform the contributor that:

1. The redesignation must be signed by the contributor;
2. The redesignation must be received by the committee within 60 days after the committee received the original contribution; and
3. The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(b)(5).

Within 60 days after receiving the excessive contribution, the committee must either receive the proper redesignation or refund the excessive portion to the donor. 11 CFR §§103.3(b)(3) and 110.1(b)(5)(ii)(A). Further, a political committee must retain written records concerning the redesignation in order for it to be effective. 11 CFR §110.1(l)(5).

When an individual makes an excessive contribution to a candidate's authorized committee, the campaign may presumptively redesignate the excessive portion to the general election if the contribution:

1. Is made before that candidate's primary election;
2. Is not designated in writing for a particular election;
3. Would be excessive if treated as a primary election contribution; and

4. As redesignated, does not cause the contributor to exceed any other contribution limit. 110.1(b)(5)(ii)(B)(1)-(4).

The committee is required to notify the contributor of the redesignation within 60 days of the treasurer's receipt of the contribution, and must offer the contributor the option to receive a refund instead.

Facts and Analysis

The Audit staff identified 16 contributions from nine individuals that exceeded the limitations by \$8,600. Of these excessive contributions, one contributor was excessive by \$650 for the primary election and eight contributors were excessive by \$7,950 for the general election. Evidence that ZFC sought signed redesignations or reattributions was not provided nor was evidence provided that the contributors were notified that their contributions were presumptively redesignated and/or reattributed.

It should be noted that excessive contributions totaling \$1,800 qualified for presumptive reattribution. The remaining excessive contributions (\$6,800) appeared resolvable only by refund to the contributors or disgorgement to the U.S. Treasury. Finally, ZFC did not maintain a separate account or a sufficient balance in its bank account to refund the excessive contributions.

The Audit staff discussed this matter with ZFC representatives at an exit conference and provided a schedule of the apparent excessive contributions. ZFC representatives stated they would attempt to obtain additional designations/affidavits pertaining to the election designations.

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC provide evidence demonstrating that contributions totaling \$8,600 were not excessive. Such evidence was to include, but not be limited to, documentation that the contributions were reattributed or redesignated in a timely manner or that the excessive contributions were timely refunded.

Absent such evidence, ZFC should have sent notices to those contributors that were eligible for presumptive reattribution (\$1,800) to inform them how the contribution was attributed and offering the contributors an option of receiving a refund. For notices sent to contributors, ZFC should have provided a copy of each notice and evidence that it was sent. Absent a request for a refund by the contributors, these notices obviated the need for a refund or payment to the U.S. Treasury; and,

For the remaining excessive contributions (\$6,800), ZFC should have refunded the excessive portions to the contributors or paid that amount to the U.S. Treasury and provided evidence of the refunds or payment to the U.S. Treasury (copies of the front and back of negotiated check(s)); or,

If funds were not available to make the necessary refunds, ZFC should have disclosed the contributions requiring refunds as debts owed on Schedule D (Debts and Obligations) until funds became available to make such refunds.

ZFC's response to the interim audit report did not address this matter. Further, subsequent reports filed by ZFC did not disclose refunds of the excessive contributions, a payment to the U.S. Treasury, or debts owed to the contributors.

Finding 2. Personal Use of Campaign Funds

Summary

ZFC made payments to the Candidate totaling \$9,473 and disclosed such payments as reimbursed expenses. At issue are seven payments, totaling \$5,749, that were supported only by a canceled check. Absent documentation supporting the campaign-related nature of the payments, the Audit staff considers these reimbursements to potentially be personal use of campaign funds. The Audit staff recommended that ZFC demonstrate that the payments did not represent personal use of campaign funds or seek a reimbursement from the Candidate of \$5,749. In response, ZFC provided the necessary documentation that materially demonstrated that the reimbursements to the Candidate were campaign related.

Legal Standard

A. Required Records for Disbursements. For each disbursement, the treasurer of a political committee must keep records on the:

- Amount;
- Date;
- Name and address of the payee;
- Purpose (a brief description of why the disbursement was made); and
- If the disbursement was made on behalf of a candidate, the candidate's name and the office sought by the candidate.
- If the disbursement was in excess of \$200, the records must include a receipt or invoice from the payee, or a cancelled check or share draft to the payee. If the disbursement was by credit card, the record must include the monthly statement or customer receipt and the cancelled check used to pay the credit card bill. 2 U.S.C. §432(c)(5) and 11 CFR §102.9(b).

B. Use of Campaign Funds. Using campaign funds for personal use is prohibited. 2 U.S.C. §439a(b)(1).

C. Personal Use Defined. Personal use is defined as any use of funds in a campaign account of a present or former candidate to fulfill a commitment, obligation or expense of any person that would exist irrespective of the candidate's campaign or duties as a Federal officeholder. 11 CFR §113.1(g).

If a committee uses campaign funds to pay expenses associated with travel that involves both personal activities and campaign or office related activities, the incremental

expenses that result from the personal activities are personal use, unless the person(s) benefiting from this use reimburse(s) the campaign account within thirty days for the amount of the incremental expenses. 11 CFR §113.1(g)(1).

Facts and Analysis

During the audit period, ZFC made 12 payments to the Candidate totaling \$9,473. The payments were disclosed as either campaign-related expenses or reimbursements for charges on the candidate's personal credit card. At issue are seven payments totaling \$5,749. The only documentation supporting these payments was a canceled check payable to the Candidate. Absent documentation supporting the campaign-related nature of the reimbursements, the Audit staff considered these payments to potentially be personal use of campaign funds.

This matter was discussed at the exit conference and schedules detailing the above transactions were provided to ZFC. Representatives stated they would attempt to obtain the necessary documentation.

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC provide documentation that demonstrated the payments (\$5,749) represented reimbursements of campaign-related expenses. In response, ZFC provided documentation that materially demonstrated that the reimbursements to the Candidate were campaign-related.

Finding 3. Misstatement of Financial Activity

Summary

A comparison of ZFC's reported financial activity to its bank records revealed a misstatement of financial activity in calendar year 2006. Reported receipts were understated by \$23,926; reported disbursements were understated \$40,810; and the ending cash balance on December 31, 2006, was overstated as a result of the receipt and disbursement discrepancies. It appeared that the frequent change in treasurers as well as periods of time without a treasurer contributed to the above misstatements. The Audit staff recommended that ZFC amend its reports to correct the misstatements. In response, ZFC filed amended reports that materially corrected the above 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;
- 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 the reported financial activity to the bank records and determined there was a misstatement of activity in 2006. The following chart outlines the discrepancies.

2006 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2006	\$5,355	\$2,605	\$2,750 Overstated
Receipts	\$387,625	\$411,551	\$23,926 Understated
Disbursements	\$370,522	\$411,332	\$40,810 Understated
Ending Cash Balance @ December 31, 2006	\$22,459	\$2,824	\$19,635 Overstated

The understatement of receipts was due to the following:

- Contributions from PACs (\$10,000) and from individuals were deposited but not reported. + \$19,126
- Unexplained difference + 4,800
- Understatement of Receipts \$23,926

The understatement of disbursements was due to the following:

- Disbursements not reported. The majority of which represent loan repayments to the candidate. + \$47,743
- Disbursements over reported - 6,640
- Unexplained difference - 293
- Net Understatement of Disbursements \$40,810

The overstatement of the ending cash balance on December 31, 2006, resulted from the receipt and disbursement discrepancies noted above, along with the beginning cash discrepancy.

It appeared that the frequent change in treasurers as well as periods of time without a treasurer contributed to the above misstatements.

The Audit staff discussed this matter at the exit conference and provided schedules of the reporting discrepancies. ZFC representatives expressed concerns about how to amend their reports and the time needed to do so because ZFC does not possess complete electronic data for the audit period. Each treasurer used their own computer to upload

files in order to file the electronic disclosure reports. The back-up files from the previous treasurers are not available to ZFC.²

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC amend its reports to correct the misstatements noted above. In addition, the Audit staff recommended that ZFC amend its most recently filed report to correct the cash on hand balance with an explanation that the change resulted from a prior period audit adjustment.

In response, ZFC filed amended reports that materially corrected the misstatements discussed above.

Finding 4. Disclosure of Occupation/Name of Employer

Summary

A review of contributions from individuals revealed that 148 contributions totaling \$88,366 lacked, or did not adequately disclose, the contributor's occupation and/or name of employer. Furthermore, there was no evidence that "best efforts" to obtain, maintain, and submit the information had been exercised. The Audit staff recommended that ZFC contact each contributor lacking this information, submit evidence of such contact, and disclose any information received. In response, ZFC documented its efforts to obtain the missing contributor information and filed amended reports that materially disclosed the contributor's occupation/name of employer.

Legal Standard

A. Itemization Required for Contributions from Individuals. An authorized candidate committee must itemize any contribution from an individual if it exceeds \$200 per election cycle, either by itself or when combined with other contributions from the same contributor. 2 U.S.C. §434(b)(3)(A).

B. Required Information for Contributions from Individuals. For each itemized contribution from an individual, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The contributor's occupation and the name of his or her employer;
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The election cycle-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

C. Best Efforts Ensures Compliance. When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(i).

² The Audit staff assisted ZFC with filing the amended reports.

D. Definition of Best Efforts. The treasurer and the committee will be considered to have used “best efforts” if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
 - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee’s records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

Facts and Analysis

A review of contributions from individuals revealed that 148 contributions totaling \$88,366 lacked, or did not adequately disclose, the contributor’s occupation and/or name of employer. This amount represented about 40 % of the dollar value of individual contributions itemized (\$220,211) by ZFC. In most cases, the required information was either missing or disclosed as “best efforts.” With respect to these contributions, there was no evidence that “best efforts” to obtain, maintain, and submit the information had been exercised.

The Audit staff discussed this matter with ZFC representatives at an exit conference and provided schedules of the disclosure errors. ZFC representatives stated they would search for best efforts letters.

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC contact each contributor lacking this information, submit evidence of such contact, and disclose any information received on an amended report(s). In response, ZFC submitted a form letter it sent to the contributors and a worksheet that documented the contributor’s occupation and/or name of employer it had obtained. In addition, ZFC filed amended reports that materially disclosed the contributor’s occupation/name of employer.

Finding 5. Disclosure of Disbursements

Summary

Our review revealed that itemized disbursements, totaling \$50,158, lacked or inadequately disclosed the required information. The disclosure errors consisted of missing or inadequate purposes and improper reporting of payees and dates. The Audit staff recommended ZFC amend its reports to correct these disclosure errors. In response, ZFC filed amended reports that materially corrected the disclosure errors.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made—see below). 11 CFR §104.3(b)(4)(i).

B. Examples of Purpose.

- **Adequate Descriptions.** Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, catering costs, loan repayment, or contribution refund. 11 CFR §104.3 (b)(4)(i)(A).
- **Inadequate Descriptions.** The following descriptions do not meet the requirement for reporting “purpose”: advance, Election Day expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote, and voter registration. 11 CFR §104.3 (b)(4)(i)(A).

Facts and Analysis

Our review revealed that \$50,158 in itemized disbursements lacked or inadequately disclosed the required information. This amount represents 12.4% of the dollar value of disbursements requiring itemization (\$405,195). The majority of these errors were due to missing or inadequate purposes and improper reporting of payee and dates.

For those transactions with an inadequate purpose, it was determined that a person not associated with ZFC would not easily discern why the disbursement was made when reading the name of the recipient with the purpose disclosed on Schedules B.

The Audit staff discussed this matter at an exit conference and provided schedules of the disclosure errors noted above. ZFC representatives did not have any questions.

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC amend its reports to correct the disclosure errors. In response, ZFC filed amended reports that materially corrected the disclosure errors noted above.

Finding 6. Disclosure of Debts and Obligations, Including Loans

Summary

The Audit staff identified debts and obligation totaling \$22,336 that were either not reported or not continuously reported on Schedule D (Debts and Obligations). Further, ZFC failed to continuously report two Candidate loans totaling \$75,000 on Schedule C

(Loans). The Audit staff recommended that ZFC amend its reports to properly disclose the debts and loans. In response, ZFC filed amended Schedules C and D that materially corrected the disclosure errors note above.

Legal Standard

A. Contents of Reports. Each report must disclose for the reporting period and for the 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).

B. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

C. Separate Schedules. A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

D. Itemizing Debts, Obligations and Loans.

- A debt or obligation, including a loan, of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
- A debt or obligation, including a loan, exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

The Audit staff identified debts and obligations totaling \$22,336 that were either not itemized or not continuously reported on Schedules D. These debts consisted of:

- Debts owed to vendors (\$8,712) that were not paid during the reporting period in which the debt was incurred.
- Debts owed to vendors (\$13,624) that were initially reported on Schedule D, but not continuously reported until such time as the debt was paid in full.

In addition, ZFC failed to continuously disclose two Candidate loans totaling \$75,000 on Schedule C and failed to disclose on Schedule C any repayments made on the loans. The first loan, a \$50,000 loan made on June 30, 2004 was reported continuously up through the July 2006 Quarterly report. Subsequent reports did not include this loan. On December 29, 2006, ZFC repaid the Candidate \$10,000. However, since the outstanding loan was no longer disclosed on Schedule C, the payment although disclosed as a disbursement on Schedule B, did not appear on Schedule C. The balance of the loan was not repaid and must be continuously reported unless forgiven by the Candidate.

A second Candidate loan (\$25,000) was received on June 30, 2006, and repaid in full on July 7, 2006. This loan was initially disclosed on the July 2006 Quarterly Report.

However, neither the loan nor the repayment of the loan was disclosed on Schedule C with the October 2006 Quarterly report.

The Audit staff discussed this matter with a ZFC representative and provided schedules of reporting errors. The ZFC representatives stated they were not aware of this matter but agreed to file amended reports.

Interim Audit Report Recommendation and Committee's Response

The Audit staff recommended that ZFC file amended reports disclosing the debts and obligations, loans and payments on the appropriate Schedules. It was further recommended that ZFC continuously report the balance of the \$50,000 loan until repaid or forgiven. In response, ZFC file amended Schedules C and D that materially corrected the disclosure errors note above.