



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 1, 2010

MEMORANDUM

To: Judith Ingram
Press Officer

From: Joseph F. Stoltz *JFS*
Assistant Staff Director
Audit Division

Subject: Public Issuance of the Audit Report on Mike Gravel for President 2008

Attached please find a copy of the audit report on Mike Gravel for President 2008, which was approved by the Commission on January 22, 2010.

All parties involved have received informational copies of the report and the report may be released to the public on February 1, 2010.

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 Mike Gravel for President 2008

March 29, 2006 – December 31, 2008

Why the Audit Was Done

Federal law requires the Commission to audit every political committee established by a candidate who receives public funds for the primary campaign.¹ The audit determines whether the candidate was entitled to all of the matching funds received, whether the campaign used the matching funds in accordance with the law, whether the candidate is entitled to additional matching funds, and whether the campaign otherwise complied with the limitations, prohibitions, and disclosure requirements of the election law.

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 Committee (p. 2)

Mike Gravel for President 2008 is the principal campaign committee of Mike Gravel, a candidate for the Libertarian Party's nomination for the office of President of the United States. The Committee is headquartered in Arlington, VA. For more information, see chart on the Campaign Organization, p. 2.

Financial Activity (p. 3)

• Receipts	
○ Contributions from Individuals	\$ 505,983
○ Contributions from Political Committees	1,038
○ Loans Received from Candidate	72,616
○ Matching Funds Received	100,000
○ Other Receipts	540
○ Total Receipts	\$ 680,177
• Disbursements	
○ Operating Expenditures	\$ 552,093
○ Loan Repayments to Candidate	72,616
○ Total Disbursements	\$ 624,709

Finding and Recommendation (p. 4)

- Net Outstanding Campaign Obligations

¹ 26 U.S.C. §9038(a).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Inventory of Campaign Records	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	3
Part III. Summary	
Finding and Recommendation	4
Part IV. Finding and Recommendation	
Net Outstanding Campaign Obligations	5

Part I

Background

Authority for Audit

This report is based on an audit of Mike Gravel for President 2008 (MGP), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9038(a) of Title 26 of the United States Code. That section states "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received [matching] payments under section 9037." Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

Scope of Audit

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The receipt of transfers from other authorized committees.
4. The disclosure of contributions and transfers received.
5. The disclosure of disbursements, debts and obligations.
6. The recordkeeping process and completeness of records.
7. The consistency between reported figures and bank records.
8. The accuracy of the Statement of Net Outstanding Campaign Obligations.
9. The campaign's compliance with spending limitations.
10. Other campaign operations necessary to the review.

Inventory of Campaign Records

The Audit staff routinely conducts an inventory of campaign records before it begins the audit fieldwork. MGP records were materially complete and the fieldwork began immediately.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Mike Gravel for President 2008
• Date of Registration	April 21, 2006
• Eligibility Period ²	January 10, 2007 – May 25, 2008
• Audit Coverage	March 29, 2006 – December 31, 2008 ³
Headquarters	Arlington, VA
Bank Information	
• Bank Depositories	One
• Bank Accounts	Two checking
Treasurer	
• Treasurer When Audit Was Conducted	Mike Gravel
• Treasurer During Period Covered by Audit	Gregory Fossedal (4/21/06 – 8/1/06) Mike Gravel (8/2/06 – present)
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations	Paid staff

² On January 10, 2008, the Candidate submitted a Letter of Candidate and Committee Agreements and Certifications. A threshold submission was submitted on August 4, 2008 and the Candidate was certified eligible to receive matching funds on December 10, 2008. The period during which the Candidate was eligible for matching funds, was determined to have begun on January 10, 2007 and ended on the date the Libertarian Party nominated its Presidential candidate at its national convention. See 11 CFR §9033.

³ Limited reviews of receipts and expenditures were performed after December 31, 2008, to determine whether the candidate was eligible to receive additional matching funds.

Overview of Financial Activity (Audited Amounts)

Cash on hand @ March 29, 2006	\$ 0
o Contributions from Individuals	\$ 505,983 ⁴
o Contributions from Political Committees	1,038
o Loans Received from Candidate	72,616
o Matching Funds Received	100,000 ⁵
o Other Receipts	540
Total Receipts	\$ 680,177
o Operating Expenditures	\$ 552,093
o Loan Repayments to Candidate	72,616
Total Disbursements	\$ 624,709
Cash on hand @ December 31, 2008	\$ 55,468

⁴ Approximately 7,300 contributions from more than 5,200 individuals.

⁵ As of December 18, 2008, MGP received matching funds of \$100,000. An additional \$115,967 was received January 22, 2009, for a total of \$215,967.

Part III

Summary

Finding and Recommendation

Net Outstanding Campaign Obligations

The Audit staff's review of MGP's financial activity through June 30, 2009, and estimated winding down costs indicated that the Candidate did not receive matching fund payments in excess of his entitlement. (For more detail, see p. 5)

Part IV

Finding and Recommendation

Net Outstanding Campaign Obligations

Summary

The Audit staff's review of MGP's financial activity through June 30, 2009, and estimated winding down costs indicated that the candidate did not receive matching fund payments in excess of his entitlement.

Legal Standard

A. Net Outstanding Campaign Obligations (NOCO). Within 15 days after the candidate's date of ineligibility (see definition below), the candidate must submit a statement of "net outstanding campaign obligations." This statement must contain, among other things:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9034.5(a).

B. Date of Ineligibility. The date of ineligibility is whichever of the following dates occurs first:

- The day on which the candidate ceases to be active in more than one state;
- The 30th day following the second consecutive primary in which the candidate receives less than 10 percent of the popular vote;
- The end of the matching payment period, which is generally the day when the party nominates its candidate for the general election; or
- In the case of a candidate whose party does not make its selection at a national convention, the last day of the last national convention held by a major party in the calendar year. 11 CFR §§9032.6 and 9033.5.

C. Qualified Campaign Expense. Each of the following expenses is a qualified campaign expense.

- An expense that is:
 - Incurred by or on behalf of the candidate (or his or her campaign) during the period beginning on the day the individual becomes a candidate and continuing through the last day of the candidate's eligibility under 11 CFR §9033.5;
 - Made in connection with the candidate's campaign for nomination; and
 - Not incurred or paid in violation of any federal law or the law of the state where the expense was incurred or paid. 11 CFR §9032.9.
- An expense incurred for the purpose of determining whether an individual should become a candidate, if that individual subsequently becomes a candidate, regardless of when that expense is paid. 11 CFR §9034.4.

- An expense associated with winding down the campaign and terminating political activity. 11 CFR §9034.4(a)(3).

D. Entitlement to Matching Payments after Date of Ineligibility. If, on the date of ineligibility (see above), a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that he or she still has net outstanding campaign debts on the day when the matching payments are made. 11 CFR §9034.1(b).

Facts and Analysis

The Candidate's date of ineligibility (DOI) was May 25, 2008. The Candidate was determined eligible for Matching Funds on December 11, 2008. The Audit staff reviewed MGP's financial activity through June 30, 2009, analyzed estimated winding down costs and prepared the following Statement of Net Outstanding Campaign Obligations:

**Mike Gravel for President 2008
Statement of Net Outstanding Campaign Obligations
As of May 25, 2008
Prepared June 30, 2009**

Assets

Cash in bank	\$ 2,165
--------------	----------

Total Assets	\$ 2,165
---------------------	-----------------

Liabilities

Accounts Payable for Qualified Campaign Expenses Outstanding	\$ 181,358
---	------------

Winding Down Costs:

Actual Winding Down Expenses Paid (5/26/08 – 6/30/09)	26,606
--	--------

Estimated Winding Down Costs (7/1/09– 12/31/09)	10,773[a]
--	-----------

Loan Payable at May 25, 2008	44,616
------------------------------	--------

Total Liabilities	<u>\$ 263,353</u>
--------------------------	--------------------------

Net Outstanding Campaign Obligations (Deficit) as of May 25, 2008 (\$ 261,188)

[a] The Audit staff will review MGP'S disclosure reports to compare actual figures with the estimates and prepare adjustments accordingly.

Shown below are adjustments for funds received after May 25, 2008, through June 30, 2009, based on the most current financial information available:

Net Outstanding Campaign Obligations (Deficit) as of 5/25/08	(\$261,188)
Receipts through 6/30/09	4,756
Matching Funds Received through 6/30/09	215,967
Remaining Net Outstanding Campaign Obligations (Deficit) as of 6/30/09	(\$40,465)

As shown above, MGP has not received matching fund payments in excess of its entitlement. At the exit conference MGP representatives were provided copies of relevant workpapers to support the NOCO statement.

Preliminary Audit Report Recommendation and Committee Response

The Audit staff recommended that MGP identify any adjustment it believed was required to any component of the NOCO statement and provide any other comments it desired. By email, MGP's counsel responded that since there were no findings [other than the NOCO statement], there would be no written response.