



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A85-7

REPORT OF THE AUDIT DIVISION
ON THE
PHIL SHEA FOR CONGRESS COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Phil Shea For Congress Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. Prior to conducting any audit under this section, the Commission shall 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.

The Committee registered with the Clerk of the House of Representatives on April 3, 1984. The Committee maintains its headquarters in Lowell, Massachusetts. The Audit covered the period March 27, 1984, the opening date of the first report filed by the Committee, through December 31, 1984, the closing date for the latest report which should have been filed at the time the audit was approved.^{1/} The Committee reported a cash balance on March 27, 1984 of \$-0-; total receipts of \$374,518.06; total expenditures of \$373,478.97; and a cash balance on October 15, 1984 of \$1,289.59. ^{2/}

This audit report is based on documents and workpapers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to the Commissioners and appropriate staff for review.

^{1/} The Committee did not file a disclosure report covering the period October 16, 1984 through December 1, 1984 (see Finding II.A.)

^{2/} The reported totals do not calculate correctly due to mathematical errors.

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B. Key Personnel

The Treasurer of the Committee during the period covered by the audit was Francis McDougall.

C. Scope

The Audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations

Committee officials chose not to comment on the findings discussed at the exit conference, but stated that an official explanation addressing each of the problem areas would be included in the Committee's response to the interim audit report. The Committee did not submit a written response to the findings contained in the interim audit report within the period provided; however, amendments were filed as noted in Findings A. and B. prior to the Committee's receipt of the interim audit report.

A. Failure to File Reports

Section 434(a)(2)(A)(iii) of Title 2 of the United States Code states, in part, that if the political committee is the principal campaign committee of a candidate for the House of Representatives in any calendar year during which there is a scheduled election for which such candidate is seeking election, the Treasurer shall file quarterly reports, which shall be filed no later than 15 days after the last day of each calendar quarter: except that the report for the quarter ending December 31 shall be filed no later than January 31 of the following calendar year.

The Committee did not file a disclosure report for the period October 16, 1984 through December 31, 1984. Based on the Audit staff's review of the bank records made available, \$44,345 in receipt and \$44,537.41 in disbursement activity occurred during this period.

On September 26, 1985 the Committee filed a disclosure report covering the period from October 16, 1984 through December 31, 1984.

Recommendation

The Audit staff recommends no further action on this matter.

B. Disclosure of Loans

Section 431(8)(A)(i) of Title 2 of the United States Code states, in part, that the term "contribution" includes any gift, subscription, loan, advance, or deposit of money or anything of value.

Section 434(b)(3)(E) of Title 2 of the United States Code requires that each report shall disclose the identification of each person who makes a loan to the reporting committee during the reporting period, together with the identification of any endorser or guarantor of such loan, and date and amount or value of such loan.

In addition, 11 C.F.R. § 104.3(d) requires the disclosure of the amount and nature of outstanding debts and obligations on Schedule C (Loans) or Schedule D (Debts and Obligations), as appropriate.

During the review of the Committee's loan activity, it was noted that the Committee reported the receipt of \$60,000 in loans from the Candidate. An examination of the loan documentation indicated that the Candidate received loans of \$40,000 and \$20,000 from a bank. The loans were secured by mortgages on the Candidate's personal residence. The Candidate, in turn, loaned \$60,000 to the Committee. However, the Committee did not disclose the terms of the loan (i.e. original source, due date, collateral, etc.) on Schedule C (Loans Schedule).

On September 26, 1985, the Committee filed an amended Schedule C which disclosed the terms of the loan.

Recommendation

The Audit staff recommends no further action on this matter.

C. Matters Referred to the Office of General Counsel

Certain matters noted during the audit were referred to the Commission's Office of General Counsel.

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