



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

A87-12

December 8, 1987

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJ*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT-
ROARK FOR CONGRESS COMMITTEE

Attached please find a copy of the final audit report of the Roark for Congress Committee which was approved by the Commission on December 2, 1987.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: FEC Library
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Office of General Counsel

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WASHINGTON, D.C. 20463

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REPORT OF THE AUDIT DIVISION
ON
ROARK FOR CONGRESS COMMITTEE

I. Background

A. Overview

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This report is based on an audit of Roark 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 2 U.S.C. § 438(b) 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 March 26, 1986, and maintains its headquarters in Shelby, North Carolina. The audit covered the period from February 4, 1986, the inception date of the bank activity, through December 31, 1986. The Committee reported a cash balance on February 1, 1986 of \$-0-; total receipts of \$199,454.22; total disbursements of \$196,442.24, and a cash balance on December 31, 1986 of \$3,011.98.

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.

B. Key Personnel

The Treasurer of the Committee during the period covered by the audit was Terresa T. Bullock.

C. Scope

The audit included such tests as verification of total reported receipts and disbursements 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

A. Misstatement of Financial Activity

Section 434(b) (1), (2) and (4) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period, and disclose the total amount of all receipts and disbursements for the reporting period and the calendar year.

In addition, 11 C.F.R. § 104.13(a) states, in part, that each in-kind contribution shall be reported as a contribution and as an expenditure.

A reconciliation between the Committee's reported activity and bank activity for the audit period disclosed that the Committee had understated receipts by \$22,549.05, and disbursements by \$22,344.05, resulting in an understatement of ending cash of \$205.00. An analysis of the Committee's receipts and disbursements identified the following transactions which had not been reported.

A loan of \$8,000 received on November 7, 1986 from the candidate was not reported as a receipt.^{1/} In-kind contributions totalling \$9,854.50 were not reported as receipts or expenditures. A \$10,000 debit memo/phone transfer was not reported and a deposit of \$1,527.00 credited on September 26, 1986, was not reported. Unitemized receipts on the Committee's Year End report were under reported by \$1,169.17. In addition, miscellaneous discrepancies resulted in an understatement of receipts totalling \$1,998.38 and an understatement of disbursements totalling \$2,489.55. A Committee representative was provided a copy of the \$10,000 bank debit memo, a copy of the unreported deposit slip for \$1,527, and a schedule of the unreported in-kind contributions at the exit conference.

^{1/} The loan was apparently included in total debts and obligations on Line 10 of the Committee's Post General disclosure report Summary Page; however, Schedule C's were not provided. See Finding II.F.

The Committee representative stated that he was aware of the discrepancy between reported activity and bank activity, but had been unable to identify all the specific items causing the understatements.

In the Interim Audit Report the Audit staff recommended that the Committee file a comprehensive amendment correcting the receipts, disbursements, and cash on hand figures as noted above.

The Committee filed an amendment materially correcting the matters noted above.

Recommendation #1

The Audit staff recommends no further action.

B. Itemization of Expenditures

Section 434(b)(5)(A) of Title 2 of the United States Code states that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee to meet a candidate or committee operating expense, together with the date, amount, and purpose of such operating expenditure.

During pre-audit review of the Committee's disclosure reports, it was noted that the Committee's Pre-Runoff report covering the period April 17, 1986, through May 14, 1986, did not contain any itemized expenditure schedules. A review of the Committee's canceled checks for that period disclosed that 32 expenditures, totalling \$11,198.79, required itemization.

An analysis of the Committee's expenditure processing system revealed that, except for the Pre-Runoff report expenditures noted above, all expenditures in excess of \$200 were itemized properly. However, expenditures in amounts less than \$200, but which aggregated in excess of \$200 to a person, were not itemized. A 100% review of these expenditures indicated that 72 expenditures, totalling \$7,051.84, were not itemized as required.

To summarize, expenditures totalling \$18,250.63, or 10.1% of expenditures requiring itemization were not itemized. Schedules of these expenditures were provided to a Committee representative at the exit conference. These expenditures are in addition to the in-kind receipts/expenditures totalling \$9,854.50 and the \$10,000 debit memo requiring disclosure under Finding II.A.

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A Committee representative said that an amended report would be filed.

The Audit staff recommended in the Interim Audit Report that the Committee file, as part of a comprehensive amendment, schedules itemizing the expenditures noted above.

The Committee filed a comprehensive amendment with supporting schedules itemizing 1) the expenditures totalling \$18,250.63, 2) the in-kind receipts/expenditures totalling \$9,854.50, and 3) the \$10,000 debit memo.

Recommendation #2

The Audit staff recommends no further action.

C. Itemization of Contributions Received from Political Committees

Section 434(b)(3) of Title 2 of the United States Code states, in relevant part, that each report filed by a political committee shall disclose the identification of each political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of any such contribution. In addition, Section 104.3(a)(4)(ii) of Title 11 of the Code of Federal Regulations states that each report shall itemize contributions from all committees (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period.

A review of the Committee's disclosure reports and receipts records disclosed that the Committee did not itemize seven contributions received from political committees and four contributions received from other committees totalling \$6,950. These contributions account for 12.7% of the dollar amount of such contributions requiring itemization. A schedule of the contributions was provided to a Committee representative at the exit conference.

The Audit staff recommended in the Interim Audit Report that the Committee file a comprehensive amendment itemizing the contributions noted above.

The Committee filed, as part of a comprehensive amendment, a schedule itemizing the contributions noted above.

Recommendation #3

The Audit staff recommends no further action.

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D. Receipt of Contributions of Currency in Excess of the Limitation

Section 441g of Title 2 of the United States Code states, in part, that no person shall make contributions of currency to or for the benefit of any candidate which, in the aggregate, exceed \$100, with respect to any campaign of such candidate for election to Federal office. Section 110.9(a) of Title 11 of the Code of Federal Regulations states, in part, that no candidate or political committee shall accept any contribution of currency in excess of \$100.

A review of the Committee's contribution and receipts records disclosed that the Committee received \$2,100 in currency contributions in excess of the limitation.

The Audit staff recommended in the Interim Audit Report that the Committee present evidence that the contributions were not excessive, or make refunds of the excessive portions and submit evidence of the refunds, including copies of the front and back of canceled checks to the Audit staff for review.

The Committee submitted copies of the front and back of canceled checks as evidence of the refunds of the excessive portions.

Recommendation #4

The Audit staff recommends no further action on this matter.

E. Omission of Disclosure Information on Reports of Receipts

Section 434(b)(3) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person who makes a contribution to the reporting committee, whose contribution or contributions aggregate in excess of \$200 within the calendar year, together with the date and amount of any such contribution. Section 431(13) of Title 2 of the United States Code defines the term identification as the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 104.7 of Title 11 of the Code of Federal Regulations states that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain and submit the information required by the Act for the political committee, any report of such committee shall be considered in compliance with the Act. The section further states that such effort shall consist of a clear request for the

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information which informs the contributor that the reporting of such information is required by law.

A review of the solicitation material provided by the Committee failed to support best efforts by the Committee to obtain required information regarding occupation and name of employer. The solicitation material did not request the name of employer. One solicitation provided space for occupation information. Contribution acknowledgements generated by the Committee provided space for occupation information only.

A review of the Committee's reports disclosed that occupation and/or name of employer was missing for 92 out of 195 itemized contributions, or 47% of the itemized contributions from individuals. A schedule, detailing the irregularities noted above, was provided to the Committee at the conclusion of the audit fieldwork.

The Committee representative stated that the Committee would obtain and provide the missing disclosure information on a comprehensive amendment.

The Audit staff recommended in the Interim Audit Report that the Committee obtain the missing information and disclose the information obtained as part of a comprehensive amendment.

The Committee filed a comprehensive amendment which complied materially with the above recommendation.

Recommendation #5

The Audit staff recommends no further action.

F. Disclosure of Debts and Obligations

Section 434(b) (8) of Title 2 of the United States Code states, in part, that each report shall disclose the amount and nature of outstanding debts and obligations owed by the political committee. In addition, 11 C.F.R. § 104.3(d) states, in part, that each report shall, on Schedule C or D as appropriate, disclose the amount and nature of outstanding debts and obligations owed by the reporting committee. Where such debts and obligations are settled for less than their reported amount or value, each report shall contain a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the amount paid.

On its 1986 Year End report, the Committee reported \$12,192.73 in debts owed; however, no Schedule C or D was provided with the report. A review of the Committee's accounts payable file identified \$4,273.08 in debts owed to 7 vendors and

an \$8,000 loan owed to the candidate at December 31, 1986. The loan received from the candidate was not reported when received as either a contribution on Schedule A or a loan on Schedule C.

In addition, the Committee received, on September 26, 1986, six one-thousand dollar loans from six individuals which were not disclosed on Schedule C. The loans were reported on Schedules A as contributions when received. Committee records indicate that three payments, totalling \$2,137.00, were made on the loans; however, it is not clear to which loans the payments were applied. The loan agreements state that the maker (the Committee) was to have credits applied toward the principal balance equal to one-sixth of the expenses incurred by the Committee for fundraising activities in Watauga County, North Carolina. In addition, payment of the remaining principal balance was limited to an amount equal to one-sixth of the total campaign contributions received from residents of Watauga County, North Carolina. After the credits and payments were applied, any balance would be automatically waived, forgiven, and forfeited as of November 4, 1986.

Committee records did not indicate how all credits were applied to the loans, or whether the loans were forgiven and, if so, at what amount.

The Audit staff recommended in the Interim Audit Report that the Committee file a comprehensive amendment including Schedules C and D which disclose the debts owed to the vendors, the six individuals, and the candidate.

In addition, the Audit staff recommended that the Committee provide for the Audit staff's review, information regarding payments or credits, including balances at November 4, 1986, relative to the six one-thousand dollar loans.

The Audit staff further recommended that the comprehensive amendment should include on Schedule C payments and credits on these loans and the balances of these loans at December 31, 1986. If the loans have been forgiven, the comprehensive amendment should contain an explanation as to the disposition of the balances.

The Committee materially complied with the Audit staff recommendation by filing, as part of a comprehensive amendment, Schedules C and D disclosing the debts and obligations noted above.

In addition, the Committee explained that of the original loan of \$6,000 from the individuals identified on Schedule C, \$3,408 was forgiven by the individuals. This amount was transferred to a pro-rata contribution by each of the six

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The Staff Dept recommends no further action.

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