



FEDERAL ELECTION COMMISSION


WASHINGTON, D.C. 20463

AK005694

November 30, 1994

MEMORANDUM

TO: RON HARRIS, PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
FRIENDS OF CORRINE BROWN

Attached please find a copy of the final audit report and related documents on Friends of Corrine Brown which was approved by the Commission on November 17, 1994.

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

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**REPORT OF THE AUDIT DIVISION  
ON**

**Friends of Corrine Brown**

**Approved November 17, 1994**



**FEDERAL ELECTION COMMISSION  
999 E STREET, N.W.  
WASHINGTON, D.C.**

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

BJ006002

FINAL AUDIT REPORT  
ON  
FRIENDS OF CORRINE BROWN

EXECUTIVE SUMMARY

Friends of Corrine Brown (the Committee) registered with the Clerk of the U.S. House of Representatives on July 23, 1992 as the principal campaign committee for Corrine Brown, Democratic Candidate for the U.S. House of Representatives, Florida, 3rd District.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states, that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The findings of the audit were presented to the Committee at an exit conference held after the audit fieldwork (7/27/93) and later in an interim audit report. The Committee's responses to those findings are included in this final audit report.

The following is an overview of the findings contained in the final audit report.

Contributions from Corporations and Apparent Foreign Nationals - 2 U.S.C. §441(b) and (e). The Committee received \$4,200 in prohibited contributions from corporations and an apparent \$250 contribution from a foreign national. Three of the contributions, totaling \$1,250, were untimely refunded. In response to the interim report the Committee submitted copies of refund checks for the remaining \$3,200. However, copies of negotiated checks were provided for only 3 of the refunds totaling \$600.

Use of Corporate Aircraft - 2 U.S.C. §441(b); 11 CFR 114.9(e). A candidate committee must pay a corporation, in advance, either first class air fare or the usual charter rate (depending on the trip) for the use of the corporation's aircraft. The committee failed to provide any documentation showing that it had complied with this regulation when it used the corporate plane of Florida Rock Industries, Inc.

Misstatement of Financial Activity - 2 U.S.C. §434(b)(1), (2) and (4). The Committee understated its receipts by \$12,325 and its disbursements by a net amount \$24,480. Ending cash was overstated \$12,154. The Committee filed amended reports which materially corrected the misstatements.

Loans from the Candidate - 2 U.S.C. §431(8)(A)(i); 11 CFR 110.10. A candidate can make unlimited contributions--including loans--to his or her own campaign as long as the contributions are made from the candidate's personal funds. The Committee failed to submit documentation to show that \$14,500 in loans from the candidate were composed of her own personal funds. One loan was made on a personal check; the others were made by cashier's checks and, in one instance, by currency.

Itemization of Receipts and Disbursements - 2 U.S.C. §§434(b)(3), (4), (5) and 431(13); 11 CFR 104.3(a), 102.9(d) and 104.7. In its reports, the Committee failed to itemize \$14,000 in contributions from political committees and \$54,780 in disbursements. The Committee also failed to provide complete itemized information for \$73,600 in contributions from individuals and political committees/organizations. Furthermore, the occupation and employer were missing from itemized entries disclosing \$10,450 in contributions from individuals.

The Committee filed amended reports that materially corrected the omissions.

Recordkeeping - 2 U.S.C. §432(c)(5). The interim audit report had also recommended that the Committee submit the "purpose" of 117 disbursements totaling \$46,962 in order to comply with recordkeeping requirements. The Committee, however, failed to provide the "purpose" for disbursements totaling \$39,412.

Disbursements Made Payable to Cash - 2 U.S.C. §434(b)(5)(A); 11 CFR 103.3(a) and 102.11. Committee disbursements must be made by check drawn on the campaign depository account except for petty cash disbursements, which are limited to \$100 per transaction. The Committee wrote 46 checks totaling \$26,833 payable to cash, but only one \$25 check was identified as a petty cash disbursement. The Committee did not take recommended action to amend its reporting schedules to show the ultimate recipients of the cash disbursements.

48-Hour Notices - 2 U.S.C. §434(a)(6); 11 CFR 104.5(f). The audit found that the Committee failed to file 48-hour notices for contributions totaling \$80,870. Candidate committees are required to file these notices to disclose contributions of \$1,000 or more received shortly before an election.

Transfer from Candidate's Nonfederal Committee - 11 CFR 110.3(c)(6). The Committee received a transfer of \$2,326 from the Candidate's nonfederal committee. Initially, the transfer was not itemized, nor did the nonfederal committee register as required with the Commission. Subsequently, the Committee disclosed, on amended reports, the source of the funds used to make the transfer.





REPORT OF THE AUDIT DIVISION  
ON  
FRIENDS OF CORRINE BROWN

I. Background

A. Overview

This report is based on an audit of Friends of Corrine Brown (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 audit covered the period from June 10, 1992, the date of the Committee's first bank transaction, through December 31, 1992. The Committee reported a beginning cash balance of \$0; total receipts for the period of \$286,556; total disbursements for the period of \$275,708; and an ending cash balance of \$13,553<sup>1</sup>/<sub>1</sub>.

B. Campaign Organization

The Committee registered with the Clerk of the U.S. House of Representatives on July 23, 1992 as the principal campaign committee for Corrine Brown, Democratic candidate for the

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<sup>1</sup>/ These amounts are the calendar year to date totals reported on the 1992 Year End Report. The amounts do not foot due to a mathematical discrepancy of \$2,705. The amounts as disclosed by report period total \$289,261 for receipts and \$275,708 for disbursements. All amounts are rounded to the nearest dollar.



3rd District, U.S. House of Representatives from the state of Florida. The Committee maintains its headquarters in Jacksonville, Florida.

The audit indicated that the Committee was financed through contributions from political committees (\$147,363), contributions from individuals (\$124,772), loans from the candidate (\$14,500), and transfers from the candidate's non-federal campaign (\$2,326).

This report is based on documents and work papers 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.

C. Key Personnel

The Treasurer during the period of the audit was Dr. Kenneth W. Jones. The current treasurer is Ms. Gloria Simmons.

D. Scope

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitation;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (Finding II.A.);
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed (Findings II.D, E and H);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (Finding II.D.);
5. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records (Finding II.B.);
6. adequate recordkeeping for campaign transactions (Finding II.F.);

7. other audit procedures that were deemed necessary in the situation.

It should be noted that substantive testing of debts and obligations was not performed due to a lack of vendor generated documentation (such as invoices, receipted bills, etc.).

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

## II. Audit Findings and Recommendations

### A. Apparent Prohibited Contributions

#### 1. Contributions from Corporations and Foreign Nationals

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution in connection with any election to federal office and further states that it is unlawful for any candidate, political committee or any other person knowingly to accept or receive any contribution prohibited by this section.

Section 441(e) of Title 2 of the United States Code states, in part, that it shall be unlawful for a foreign national directly or through any other person, to make any contribution of money or anything of value in connection with an election to any political office or in connection with any primary election, convention, or caucus held to select candidates for any political office; or for any person to solicit, accept, or receive any such contribution from a foreign national.

Sections 103.3(b)(1) and (4) of Title 11 of the Code of Federal Regulations state, in part, that contributions that present genuine questions as to whether they were made by corporations or foreign nationals may be, within 10 days of the treasurer's receipt, either deposited into a campaign depository or returned to the contributor. If any such contribution is deposited, the treasurer shall make his or her best efforts to determine the legality of the contribution. If the contribution cannot be determined to be legal, the treasurer shall, within 30 days of receipt of the contribution, refund the contribution to the contributor. Any contribution which appears to be illegal and which is deposited into a campaign depository shall not be used for any disbursements by the political committee until the contribution has been determined to be legal. The political committee must either establish a separate account in a campaign depository for such contributions or maintain sufficient funds to make all such refunds.

A review of the Committee's contributor records identified 17 contributions from corporations totaling \$4,200 and 1 contribution drawn on the account of an apparent foreign national for \$250. The corporate contributions were verified as such by the appropriate Secretary of State. Three of the corporate contributions totaling \$1,250 were untimely refunded. No action was taken with regard to the remaining \$3,200 (\$2,950, corporate; \$250 foreign national.)

The Committee did not establish a separate bank account for questionable contributions; however, during the campaign cycle, the balance maintained in the Committee's bank account was sufficient to make the refunds.

At the exit conference, the Committee was provided with a schedule of the apparent prohibited contributions. An official for the Committee stated that the Committee would submit evidence that the \$250 contribution is not from a foreign national.

The interim audit report recommended that the Committee provide evidence that the contributions are not prohibited; or refund the contributions to the contributors and provide evidence of such refunds (copies of the front and back of the negotiated refund checks).

In response to the interim report, the Committee provided copies of refund checks in the amount of \$3,200. (\$2,950 corporate; \$250 foreign national) However, copies of negotiated checks were provided for only 3 of the refunds, totaling \$600. These three checks were issued in 1993 shortly after the conclusion of audit fieldwork. The remaining refund checks, totaling \$2,600, were dated July 20, 1994 and July 25, 1994, just prior to and after the July 22, 1994 due date for the Committee's response. A Committee official stated that copies of the negotiated refund checks would be provided once they were returned by the bank.

## 2. Use of Corporate Aircraft

Section 114.9(e) of Title 11 of the Code of Federal Regulations states that a candidate, candidate's agent, or person traveling on behalf of a candidate who uses an airplane which is owned or leased by a corporation or labor organization other than a corporation of labor organization licensed to offer commercial services for travel in connection with a Federal election must, in advance, reimburse the corporation or labor organization. In the case of travel to a city served by regularly scheduled commercial service, the first class air fare shall be used. In the case of travel to a city not served by a regularly scheduled commercial service, the usual charter rate shall be used.

During the review of the Committee's disbursements, the Audit staff identified payments to Florida Rock Industries

Inc., Aviation Department, totaling \$4,111 for transportation services rendered to the Committee. According to the 1993 Edition of Standard & Poors Register, Florida Rock Industries, Inc. is a producer of building materials (e.g. ready mix concrete, concrete blocks, crushed limestone, building sand, etc.). Since Florida Rock Industries Inc. is not a corporation licensed to offer commercial service for travel, the Committee is required to make payment in advance for the services received.

Invoices related to the travel services are dated August 26, 1992 (\$1,289) and October 13, 1992 (\$2,823). The October 13, 1992 invoice indicates that the transportation services were rendered on September 23, 1992. The dates of the flights covered by the August invoice are not known. Payments on the invoices were made on the following dates:

12/17/92	\$1,300
12/23/92	\$2,500
2/22/93	\$ 311

The Audit staff requested that the Committee provide the flight dates, a copy of the flight itineraries and passenger listings. An official for the Committee stated that she would obtain the requested information.

The interim audit report recommended that the Committee provide the requested information as well as an explanation of how the the cost of each flight was determined. In response to the interim report, Counsel for the Committee stated that:

"...The Commission's regulations specifically provide for this practice. At the time the aircraft was used, the Campaign was not aware that advance payment was required. The trips were made under the pressure of the campaign and the staff was unfamiliar with any such requirement. The Committee, nevertheless, made the necessary payments when it discovered the omission."

Since none of the requested documentation was provided, the Committee has not complied with the interim report recommendation. Without the requested information it is clear only that the flights were not paid in advance, but it cannot be determined if the billings were correctly calculated.

#### B. Misstatement of Financial Activity

Sections 434(b)(1), (2) and (4) of Title 2 of the United States Code require a committee to report the amount of cash on hand at the beginning of each reporting period and the total amount of all receipts and disbursements for the reporting period and calendar year.

The Audit staff performed a reconciliation of the Committee's reported financial activity to its bank activity for the period June 10, 1992 to December 31, 1992. The reconciliation disclosed the following misstatements:

1. Receipts

The Committee's reported receipts were understated by \$12,325. The components of the misstatement are as follows:

1992 Reported Receipts		\$289,261
Mathematical discrepancy between supporting Schedule A and the summary page total of the October Quarterly report.	\$3,270	
In-kind contributions not reported	3,622	
Transfers from the Candidate's non-federal account not reported	2,326	
Unexplained difference	<u>3,107</u>	
Net Adjustment		<u>12,325</u>
Correct reportable receipts		<u>\$301,586</u>

2. Disbursements

The Committee's reported disbursements were understated by a net amount of \$24,480. The components of the misstatement are as follows:

1992 Reported Disbursements		\$275,708
In-kind contributions not reported	3,622	
Bank Service Charges/Debits not reported	1,761	
Disbursements reported in error. <sup>2/</sup>	(20,491)	

<sup>2/</sup> No documentation for these disbursements was present in the Committee's records (such as canceled checks or debits to bank accounts).

Disbursements not reported	49,262	
Disbursements reported twice on Post General report.		
1. Refunds	(1,250)	
2. Loan Repayment	(6,000)	
Unexplained difference	<u>(2,424)</u>	
Net Adjustment		<u>24,480</u>
Correct reportable receipts		<u>\$300,188</u>

### 3. Ending Cash on Hand Balance

The reported ending balance at December 31, 1992 was overstated by a net amount of \$12,154, resulting from the misstatements detailed above. The correct ending balance was \$1,399.

On August 4, 1993, the Committee filed amended reports for 1992 which materially corrected the misstatement of financial activity.

### C. Loans from the Candidate

Section 431(8)(A)(i) of Title 2 of the United States Code defines the term "contribution" to include any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.

Section 110.10(a) of Title 11 of the Code of Federal Regulations states that candidates for Federal office may make unlimited expenditures from personal funds.

Section 110.10(b) of Title 11 of the Code of Federal Regulations defines "personal funds" as any assets which, under applicable state law, at the time he or she became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had either legal and rightful title or an equitable interest.

The Audit staff identified 5 loans from the Candidate to the Committee totaling \$14,500. As of year end 1992, the Committee had repaid \$11,000 to the Candidate in 4 installments leaving \$3,500 outstanding. The loans were made to the Committee in the following form:

July 24, 1992	- \$3,000	Cashier's check
July 31, 1992	- \$3,000	Cashier's check

August 28, 1992 - \$2,000 Personal check (#3441)  
August 28, 1992 - \$5,000 Credit Memo  
August 31, 1992 - \$1,500 Currency

Documentation provided by the Committee consisted of copies of the cashier's checks, the Candidate's personal check and a deposit slip for a currency deposit of \$1,500. Notations on the copy of the deposit slip indicate that the deposit is a loan from the Candidate. No documentation was provided for the \$5,000 credit memo. However, a notation on the Committee's bank records indicate that it is a loan. Documentation to establish the Candidate's ownership of the funds used to make the loans was not provided.

At the exit conference, a Committee official stated that she would obtain further documentation regarding the source of the loans.

The interim audit report recommended that the Committee provide documentation that demonstrates that the loans were made using the Candidate's personal funds. The documentation should include but is not limited to:

1. Bank statements from the Candidate's personal checking account which show the deposits from which the \$2,000 loan on August 28, 1992 was made, together with a description of the source of the deposits; and
2. A description of the source of the funds used to make the remaining \$12,500 in loans together with documentation to establish that the funds were the Candidate's personal funds. The documentation should include, but is not limited to, bank statements, canceled checks, credit and/or debit memoranda, etc.

In response to the interim report, Counsel for the Committee stated:

"...There is no indication in the report or otherwise that Representative Brown did not have the nominal personal funds to make this series of small loans. There is no cause shown by the Audit staff for making any additional showing on this point, certainly no justification for any production of all financial records of a public official who maintains some basic right to privacy in such matters."

None of the requested documentation was provided. Therefore, the Committee has not complied with the interim report recommendation and the source of the funds used by the candidate to make the loans to the Committee is still unknown.

#### D. Itemization of Receipts and Disbursements

Sections 434(b)(3)(A) and (B) of Title 2 of the United States Code state that each report shall disclose the identification of each person (other than a political committee) who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, or in any lesser amount if the reporting committee should so elect, together with the date and amount of any such contribution. Each report shall also disclose any political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of any such contribution.

Sections 434(b)(4)(A) and (5)(A) of Title 2 of the United States Code state that each report shall disclose for the reporting period and the calendar year, the total amount of all expenditures made to meet candidate or committee operating expenses; and 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.

##### 1. Receipts

The Audit staff's review of the Committee's receipts identified 16 contributions from political committees/organizations totaling \$14,000 that were not itemized as required. This represents 8.5% of the total amount of contributions from political committees/organizations.

##### 2. Disbursements

The Audit staff's review of the Committee's disbursements identified more than 90 disbursements totaling \$54,780 or 19.5% of the total amount requiring itemization, that were not itemized as required.

The findings noted above were presented to the Committee at the exit conference. On August 4, 1993, the Committee filed amended reports which materially corrected the itemization errors.

#### E. Omission of Disclosure Information for Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the identity of all persons who make a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year together with the date and amount of any such contribution.



Section 434(b)(3)(B) of Title 2 of the United States Code states that each report under this section 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 the amount of any such contribution.

Sections 431(13)(A) and (B) of Title 2 of the United States Code defines "identification" to mean, in the case of any individual, the name, mailing address, and the occupation of such individual, as well as the name of his or her employer; and in the case of any other person, the full name and mailing address of such person.

Section 104.3(a)(4) of Title 11 of the Code of Federal Regulations requires that in addition to the above, the aggregate year-to-date total for such contributor be reported.

Section 102.9(d) of Title 11 of the Code of Federal Regulations states, in part, that in performing recordkeeping duties, the treasurer or his or her authorized agent shall use his or her best efforts to obtain, maintain and submit the required information and shall keep a complete record of such efforts.

Section 104.7(a) and (b) 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. Best efforts will not be deemed to have been exercised if the treasurer has not made at least one effort per solicitation either by a written request or by an oral request documented in writing to obtain such information from the contributor.

The Audit staff reviewed the Committee's reports and identified entries for 27 contributions from individuals totaling \$13,250 and 57 contributions from political committees/ organizations totaling \$60,350 that were missing either the name, the address, the aggregate year-to-date amount or the date of receipt. These amounts represent 39% and 40%, respectively, of the total amount of contributions for which the information was required.

In addition, the Audit staff identified 27 contributions from individuals totaling \$10,450, which represents 31% of the dollar amount of contributions requiring itemization, that were missing the occupation and/or name of employer.

The Committee provided the Audit staff with a copy of a contributor response card. The card contained a request for all of the required information except name of employer. In addition, the Committee did not present evidence that demonstrated which if

any of the contributors received the card. None of the response cards returned by contributors were available for review by the Audit staff. Therefore, the Audit staff is unable to determine whether the Treasurer exercised "best efforts" to obtain the required information.

At the exit conference the Committee was informed of the reporting problems. On August 4, 1993, the Committee filed amended reports which materially corrected the disclosure errors.

#### F. Recordkeeping for Disbursements

Section 432(c)(5) of Title 2 of the United States Code states, in part, that the treasurer of a political committee shall keep an account of the name and address of every person to whom any disbursement is made, the date, amount, and purpose of the disbursement, and the name of the candidate and the office sought by the candidate, if any, for whom the disbursement was made, including a receipt, invoice, or canceled check for each disbursement in excess of \$200.

Section 102.9(b)(i)(iv) states that "purpose" has the same meaning given the term at 11 CFR 104.3(b)(3)(i)(A), which is "a brief statement or description of why the disbursement is made."

The Audit staff reviewed the Committee's disbursements records and identified 117 disbursements, totaling \$46,962, for which the Committee had inadequate documentation. The disbursements records maintained by the Committee generally included a canceled check with a purpose recorded on the memo line and/or a check stub on which the purpose was recorded. However, for the disbursements noted above, the documentation contained either no purpose or an inadequate purpose. The majority of the checks were made payable to individuals or to cash.

The finding was presented to the Committee at the exit conference. The Committee had no comment.

The interim audit report recommended that the Committee provide documentation for the \$46,962 in disbursements noted above, including but not limited to, receipted bills, invoices or canceled checks.

In the response to the interim audit report, Counsel for the Committee stated that the Audit staff's listing contained several errors:

Counsel stated that the Committee is required to maintain receipts, invoices or canceled checks only for disbursements over \$200; however, 2 U.S.C. §432(c)(5) states that Treasurers must keep an account of all disbursements, including the name and address of every person to whom any disbursement is made, date, amount, and purpose of the disbursement. As stated above, for the disbursements noted, the Committee's documentation

contained either no purpose or an inadequate purpose or were made payable to cash.

The response details 6 disbursements totaling \$808.18 for which the payees are listed as unknown. The Committee submitted check copies for 4 of the disbursements totaling \$428.18 showing the payees. However, the check copies do not include an adequate purpose and no additional documentation, which describes the purpose for the disbursements, was included. The Committee did not provide any documentation for the 2 remaining disbursements totaling \$380.00. The Committee's response does not demonstrate that the Committee satisfied the recordkeeping requirements of the Act and regulations.

For disbursements totaling \$13,089.31, Counsel stated:

"A majority of the expenditures listed on Attachment 2 are for campaign workers and get-out-the-vote efforts for which no documentation of the nature requested by the audit staff [exists] other than canceled checks. No invoice or receipt would have been available for these disbursements. They went to pay individuals working on the campaign both part-time and on an occasional basis right around an election day. There are also disbursements for campaign workers expenses. Campaign workers will frequently have nominal expenses for local travel, food and other purchases that are not the sort for which a receipt would be available. These workers often played a brief, but central, role in the campaign and were sporadic at best in their attention to recordkeeping requirements."

The Committee submitted check copies and check stubs for the disbursements. However, these records do not include an adequate purpose and no additional documentation which describes the purpose for the disbursements was included. The Committee's response does not demonstrate that the Committee satisfied the recordkeeping requirements of the Act and regulations.

Finally, Counsel provided evidence that 7 disbursements totaling \$6,250 were adequately documented.

Notwithstanding the above adjustments, the Committee has not maintained adequate records for disbursements totaling \$40,711.73.

G. Disbursements Made Payable to Cash

Section 434(b)(5)(A) of Title 2 of the United States Code states that each report under this section 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.

Section 103.3(a) of Title 11 of the Code of Federal Regulations states, in part, that a committee shall make all disbursements by check or similar drafts drawn on an account at its designated campaign depository, except for expenditures of \$100 or less made from a petty cash fund pursuant to 11 CFR 102.11

Section 102.11 of Title 11 of the Code of Federal Regulations states that a political committee may maintain a petty cash fund out of which it may make expenditures not in excess of \$100 to any person per purchase or transaction. If a petty cash fund is maintained, it shall be the duty of the treasurer of the political committee to keep and maintain a written journal of all disbursements. This written journal shall include the name and address of every person to whom any disbursement is made, as well as the date, amount, and purpose of such disbursement. In addition, if any disbursement is made for a candidate, the journal shall include the name of that candidate and the office (including State and Congressional district) sought by such candidate.

During the review of the Committee's disbursements, the Audit staff identified 46 checks totaling \$26,833 made payable to cash. Only one of the disbursements for \$25 was identified as petty cash. The remaining disbursements were for purposes described on the check stubs as GOTV, field workers, travel expense, etc. The Committee did not report or itemize \$20,047 of the disbursements on the disclosure reports initially filed (see Finding II.D.2.). However, on the amended reports filed on August 4, 1992, the payees of the disbursements are disclosed as cash.

At the exit conference, the Committee was provided with a schedule of the cash disbursements.

The interim audit report recommended that the Committee file amended Schedules B (Itemized Disbursements) for those cash disbursements noted above which require itemization and disclose the identity of the persons who ultimately received the cash disbursements.

In response to the interim report, Counsel for the Committee stated that:

"The Committee's cash disbursements reflect the large number of expenditures that a volunteer campaign must make day-to-day and a lack of familiarity with the petty cash rules under the FECA..."

The Committee's response did not include amended Schedules B. Therefore, the Committee has not complied with the recommendation of the interim report.

#### H. 48 Hour Notice Filings

Section 104.5(f) of Title 11 of the Code of Federal Regulations requires that any authorized committee of a candidate that receives any contribution of \$1,000 or more after the 20th day, but more than 48 hours, before 12:01 AM of the day of the election notify the Clerk of the House within 48 hours of receipt of the contribution. The notification shall be in writing and shall include the name of the candidate and office sought, the identification of the contributor and the date of receipt and amount of the contribution. The notification shall be in addition to the reporting of these contributions on the post-election report.

The dates of the elections in the state of Florida were as follows:

September 1, 1992	Primary election
October 1, 1992	Run off election
November 3, 1992	General election

The Committee was required to notify the Clerk of the House of Representatives of any contributions of \$1,000 or more received during the following periods:

August 13, 1992	through	August 29, 1992
September 12, 1992	through	September 28, 1992
October 15, 1992	through	October 31, 1992

During the periods noted above the Committee received 45 contributions of \$1,000 or more totaling \$80,870 for which 48 hour notices were not filed.

At the exit conference, Counsel for the Committee stated that Corrine Brown was a first time candidate and her staff was inexperienced with the federal campaign laws and requirements. The Committee was provided with a schedule of the 45 contributions.

The interim audit report recommended that the Committee provide any evidence which demonstrates that it has complied with 11 C.F.R. §104.5(f).

The Committee's response to the interim report was silent regarding this issue.

I. Transfer from Candidate's Nonfederal Committee

11 C.F.R. §110.3(c)(6) states that a candidate's nonfederal campaign committee may transfer funds to his or her authorized federal committee provided that the funds transferred are not composed of contributions that would be in violation of the Act. If a candidate's nonfederal campaign committee transfers more than \$1,000 to the candidate's authorized federal committee, the nonfederal committee becomes a political committee pursuant to 11 CFR 100.5(a) and must register as such within 10 days after making the transfer and file at least one report disclosing the source(s) of its cash on hand balance and the amount transferred to the federal campaign committee.

The Committee received a transfer of \$2,326 from the Candidate's nonfederal committee. The transfer was not itemized on the Committee's reports initially filed. In addition, the nonfederal committee did not register with the Commission as a political committee as required.

The Audit staff reviewed copies of the Campaign Treasurer's Reports filed by the nonfederal committee with the state of Florida and determined that the nonfederal committee's cash on hand contained sufficient permissible funds to make the transfer. The transfer was subsequently itemized on amended reports filed after the audit fieldwork. The amended report contained a memo Schedule A (Schedule of Itemized Receipts) which disclosed the source of the contributions contained in the transfer.

In response to this finding, Counsel for the Committee stated that "they [the Committee] were not aware of the requirement to register the state legislative committee at the time of the transfer. They understood that disclosure on the Committee's report was sufficient to inform the public and comply with federal law."

Since the funds used to make the transfer were permissible and the source of the funds was disclosed, the Audit staff recommends no further Committee action with regard to this matter.





FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

AK005669

November 21, 1994

Ms. Glorinda Simmons, Treasurer  
Friends of Corrine Brown  
1248 West Edgewood Avenue  
Jacksonville, FL 32208

Dear Ms. Simmons:

Attached please find the Final Audit Report on Friends of Corrine Brown. The Commission approved the report on November 17, 1994.

The Commission approved Final Audit Report will be placed on the public record on November 30, 1994. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 219-4155. Any questions you have related to matters covered during the audit or in the report should be directed to Wanda Thomas or Ray Lisi of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

cc: Ms. B. Holly Schadler  
Ms. Amy Gilbert





**CHRONOLOGY**  
**FRIENDS OF CORRINE BROWN**

<b>Audit Fieldwork</b>	<b>7/12/93 - 7/27/93</b>
<b>Interim Audit Report to the Committee</b>	<b>5/6/94</b>
<b>Response Received to the Interim Audit Report</b>	<b>7/24/94 &amp; 7/26/94</b>
<b>Final Audit Report Approved</b>	<b>11/17/94</b>