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REPORT OF THE AUDIT DIVISION  
ON

**Citizens for Bacchus 92**

Approved May 13, 1994

950/019-1124



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

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FEDERAL ELECTION COMMISSION

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June 1, 1994

MEMORANDUM

TO: RON HARRIS  
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
CITIZENS FOR BACCHUS 92

Attached please find a copy of the final audit report and related documents on Citizens for Bacchus 92 which was approved by the Commission on May 13, 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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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

FINAL AUDIT REPORT  
ON  
CITIZENS FOR BACCHUS '92  
  
EXECUTIVE SUMMARY

Citizens for Bacchus '92 (the Committee) registered with the Federal Election Commission on June 7, 1991 as the principal campaign committee for James L. Bacchus, Democratic candidate for the House of Representatives, Florida, 15th District.

The audit was conducted pursuant to 2 U.S.C. Section 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 (7/1/93) held after the audit fieldwork and later in an interim audit report. The Committee was given an opportunity to respond to the findings both after the exit conference and after receipt of the interim audit report. The Committee's responses to those findings are included in the final audit report.

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

Misstatement of Financial Activity - 2 U.S.C. Section 434(b)(1), (2), and (4). The Committee overstated its 1991 receipts by \$160 and understated its disbursements by \$1,740. For 1992, receipts were understated by \$1,151 and disbursements were overstated by \$3,628. Due to these discrepancies, 1992 ending cash was understated by \$2,880. The Committee responded to these findings by filing amended reports which corrected the misstatements.

Apparent Excessive Contributions - 2 U.S.C. Section 441a(1)(A). The Committee received contributions from 11 individuals who exceeded their primary contribution limits by a total of \$6,025. In response to the interim audit report, the Committee submitted copies of canceled refund checks to verify that \$4,025, representing 9 of the excessive contributions, had been refunded. For the remaining \$2,000 outstanding, the Committee provided the front of the refund checks as verification.

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48 Hour Notification of Contributions - 11 C.F.R. Section 104.5(f). The Audit staff identified 43 contributions totaling \$84,125 that were subject to the 48-hour notice requirements. Of this amount the Committee failed to file notices for 17 contributions total \$23,000 and filed late notices for 26 contributions totaling \$61,125. In response to the interim audit report the Committee's treasurer stated that steps had been taken to ensure future compliance with the 48 hour notice requirements.

Itemization of Receipts - 2 U.S.C. Section 434(b)(2)(I) and 11 C.F.R. Section 104.3(a)(4)(v). The Committee did not itemize 5 refunds totaling \$14,520 and interest received totaling \$7,118. After audit fieldwork the Committee filed a comprehensive amendment which disclosed the missing entries.

Omission of Disclosure Information - Disbursements - 2 U.S.C. Section 434(b)(5)(A) The Committee's disclosure reports contained incomplete or inadequate information for 101 disbursements totaling \$160,506. Eighty-four entries lacked complete addresses and 17 failed to provide an adequate "purpose". After audit fieldwork the Committee filed amended disclosure reports correcting the omissions.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D. C. 20543

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REPORT OF THE AUDIT DIVISION  
ON  
CITIZENS FOR BACCHUS 92

I. Background

A. Audit Authority

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This report is based on an audit of Citizens for Bacchus 92 (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 subsection, 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 June 3, 1991, the date of the Committee's initial bank transactions, through December 31, 1992. The Committee reported a beginning cash balance of \$0; total receipts for the period of \$781,451; total disbursements for the period of \$760,437 and an ending cash balance of \$21,014.

B. Campaign Organization

The Committee registered with the Clerk of the U.S. House of Representatives on June 7, 1991 as the principal campaign committee for James L. Bacchus, Democrat for the U.S. House of Representatives for the fifteenth District in the state of Florida. The Committee maintained its headquarters in Orlando, Florida. During the campaign, the Committee established campaign offices in Cocoa and Maitland, Florida.

The audit determined that the Committee was financed primarily by contributions from political action committees (\$432,737) and contributions from individuals (\$331,389). The remaining receipts were from interest earned on certificates of deposit, other political party contributions, and interest earned on Committee bank accounts.

This 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.

C. Key Personnel

Initially, the Treasurer for the Committee was Mr. Bruce C. Starling. On August 10, 1992, Mr. Jack Oppenheimer assumed the duties of Treasurer.

D. Scope

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (see Finding II.B.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
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 (see Findings II.C., and II.D.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.E.);
5. proper disclosure of campaign debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records (see Finding II.A.);
7. adequate recordkeeping for campaign transactions;

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- 8. other audit procedures that were deemed necessary in the situation.

The Audit staff's review of the Committee's receipts was limited to testing the Committee's contribution database due to the lack of third party documentation; i.e., copies of contributor checks or contributor response devices.

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

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 states, in relevant part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and disbursements received or made during the reporting period and the calendar year.

1. Calendar Year 1991

Between June 1991 and December 31, 1991, reported receipts were overstated by \$160; reported disbursements were understated by \$1,740; and reported cash on hand was overstated by \$1,900.

The misstatement of receipts resulted from an unreported \$500 political committee contribution; net addition errors of \$295 which resulted in under reported receipts, and a \$955 reconciling item.

The misstatement of disbursements resulted from the Committee reporting a \$2,039 disbursement as a memo entry; unreported disbursements totaling \$167; reporting disbursements totaling \$402 which were not supported by canceled check copies or other documentation in the Committee's vendor files and a \$64 reconciling item.

2. Calendar Year 1992

Between January 1, 1992 and December 31, 1992 reported receipts were understated by \$1,151; reported disbursements were overstated by \$3,628 and reported cash on hand at 12/31/92 was understated by \$2,880. Attachment 1 details the reporting errors in receipts and disbursements.

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At the exit conference, the Committee was provided with schedules detailing the misstatements. In response, the Committee filed comprehensive amendments for both 1991 and 1992 which materially corrected the misstatements noted above.

B. Apparent Excessive Contributions

Section 441a(a)(1) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$1,000.

Section 431(1)(A) of Title 2 of the United States Code defines, in part, "election" to include a general, special, primary, or run-off election.

The Committee maintained a record of contributions in a computerized database. Each record contained the contributor's name, address, the amount of the contribution, and a date. According to a Committee official, the information entered into the database was obtained from the contributor checks and/or solicitation devices received with the contributions. The Committee did not retain copies of the contributor's checks or solicitation devices once the information was entered onto the database. A Committee official stated that when entering the contributor information, the data entry staff was inconsistent with regard to entering the date of the contributions. In some instances it appeared the check date was entered, and at other times the deposit date was entered.

Our review of contributions recorded on the database identified 11 excessive contributions. These contributions exceeded the contributor's limitations by \$6,025 with regard to the primary election.

The Audit staff did not find any evidence that the Committee attempted to reattribute or redesignate any of the contributions pursuant to Section 110.1(k)(3)(i) or Section 110.1(b)(5) of Title 11 of the Code of Federal Regulations.

At the exit conference, the Committee was provided with schedules detailing the excessive contributions. Committee officials stated that they were unaware that it was necessary to obtain redesignation letters for contributions to be redesignated to the general election. In addition, they stated that refunds of any excessive contributions would be made.

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According to copies of refund checks provided by the Committee, refunds totaling \$4,525 <sup>1/</sup> were made on July 13, 1993, relative to 9 contributions. The Committee did not provide any additional documentation on the 2 remaining excessive contributions totaling \$2,000.

In the interim audit report the Audit staff recommended that the Committee provide evidence that the remaining \$2,000 in unrefunded contributions were not excessive. Absent such evidence the audit staff recommended the Committee refund the excessive contributions and provide evidence of the negotiated refund checks (copies of front and back) for all refunded contributions for the Audit staff's review.

In response to the interim audit report, the Committee provided copies of negotiated refund checks for the 9 contributions totaling \$4525. In addition copies of the fronts of the 2 remaining refund checks totaling \$2,000 were also provided. In a letter which accompanied the check copies, the Committee's treasurer stated that copies of the two remaining negotiated refund checks would be provided once they become available.

C. 48 Hour Notification of Contributions

~~Section 104.5(f) of Title 11 of the Code of Federal Regulations states if any contribution of \$1,000 or more is received by any authorized committee of a candidate after the 20th day, but more than 48 hours before 12:01 a.m. of the day of the election, the principal campaign committee of that candidate shall notify the Commission 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 by the candidate, 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.~~

As discussed above in Finding II.B., the Committee's contribution records consisted of a computerized database. Our review of the Committee's contributions from political committees and individuals identified 43 contributions totaling \$84,125 subject to the 48 hour notice requirements based on the date recorded in the database. Of this amount the Committee failed to file any notices for 17 contributions totaling \$23,000. For the remaining 26 contributions totaling \$61,125 the Committee did file notices, however they were not filed within 48 hours of the date recorded on the database.

1/ The Committee refunded \$1,000 to one contributor although the excessive amount was only \$500.

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With respect to the primary election, the Committee filed six 48 hour contribution notices which were received 4 to 9 days after the date recorded on the database. In addition, the contribution date contained in the notices was not the date recorded on the database. In each case the date contained in the notice was later than the date recorded on the database giving the appearance of a timely notice. With respect to the general election, the Committee's notice was received November 6, 1992, and detailed 20 contributions totaling \$50,500. The notice did not contain the dates of the contributions, and was received between 11 and 23 days later than the dates recorded on the database.

At the exit conference, the Committee was provided with schedules detailing the irregularities. Subsequent to the completion of fieldwork, the Committee responded with the following explanation:

"Due to redistricting, the campaign office was moved to Cocoa, Florida. This is fifty miles away from the location of the original office and the bank we used for the campaign account. A new campaign post office box was opened in Cocoa, and we maintained the one in Orlando. Contributions were received through the Orlando box, the Cocoa box and at events directly. Checks were sent to the assistant treasurer by mail or by a staffer, if one was heading to Orlando.

Most of the 48 hour notices were made timely. Apparently some were not. The arrangement was cumbersome and resulted in delays. To ease the process, we did, for a short period of time, deposit monies in a Brevard County branch bank. However, we discontinued use of the Brevard account when back-up documents were not getting sent to the assistant treasurer with the deposit information.

We are taking steps to solve these problems, which were caused by the unexpected results of redistricting occurring well into the campaign. We have begun banking in Brevard County and are in the process of closing the Orlando post office box. Every effort will be made to fully comply with this requirement."

The Committee's contention that most of the 48 hour notices were filed timely is incorrect. As discussed above, of the 43 contributions subject to the 48 hour contribution notice requirements, based on the receipt date recorded on the database, 26 were not filed timely by the Committee. Also, the above response does not address the 17 contributions subject to the 48

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hour contribution notice requirement which were not filed at all; why there were no dates on the notices filed for the general election; and why the dates on the six 48 hour notices filed for the primary election were different than the dates recorded on the database giving the appearance of a timely notice.

In the interim audit report, the Audit staff recommended that the Committee provide further explanations regarding the:

- o Failure to file 48 hour notices for 17 contributions totaling \$23,000;
- o late filing of notices for 26 contributions totaling \$61,125;
- o incorrect dates disclosed in the 48 hour notices filed for the primary election; and
- o absence of dates on the notice filed for the general election.

In addition, the Audit staff recommended the Committee implement procedures to insure compliance with the 48 hour contribution notice requirements in the future.

In response to the interim audit report, the Committee's treasurer stated that steps have been taken to insure compliance with the 48 hour contribution notice requirements in the future. These steps include moving the committee's checking account and post office box closer to the campaign headquarters; the Committee's treasurer attending an FEC seminar to improve his understanding of the regulations; creating a standard form for recording the receipt of contributions which require 48 hour notice; establishing procedures to FAX the notices; and consolidating all fundraising data on computer in the Committee's campaign office.

The Committee treasurer further stated that there was no further explanation for the failure to file the required notices, however redistricting which required the candidate to both personally move and move his campaign headquarters contributed to the problem.

D. Itemization of Receipts

Section 434(b)(2)(I) of Title 2 of the United States Code states that each report under this section shall disclose for the reporting period and calendar year the total amount of all rebates, refunds, and other offsets to operating expenditures.

Section 104.3(a)(4)(v) of Title 11 of the Code of Federal Regulations requires the itemization of receipts for authorized committees, including the identification of each person who provides a rebate, refund or other offset to operating

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expenditures to the reporting committee in an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such receipt.

Our review of the Committee's receipts database and disclosure reports identified 5 refunds from vendors totaling \$14,520 which were not itemized as required. Additionally, the Committee did not itemize interest received in the amount of \$7,118.

At the exit conference, the Committee was provided with schedules detailing the unitemized refunds and interest discussed above. Subsequent to the completion of fieldwork the Committee filed, as part of a comprehensive amendment, Schedules A which materially corrected the itemization of refunds and interest received.

E. Omission of Disclosure Information - Disbursements

Section 434(b)(5)(A) of Title 2 of the United States Code states 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 104.3(b)(4)(i)(A) of Title 11 of the Code of Federal Regulations states, in part, purpose means a brief statement or description of why the disbursements or description of why the disbursement was made. Examples of statements or descriptions which meet the requirements include the following: dinner expense, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expenses reimbursed and catering costs. However, statements or descriptions such as advance, election day expenses, other expenses, expenses, expense reimbursement, miscellaneous, outside services, Get-out-the-vote and voter registration would not meet the requirements for reporting the purpose of an expenditure.

A review of the Committee's disbursements identified 101 instances of incomplete or inadequate information appearing on disclosure reports totaling \$160,506. Eighty-four of the errors resulted from the Committee not disclosing a complete address. The remaining 17 errors resulted from the Committee disclosing an inadequate purpose.

At the exit conference, the Committee was provided with schedules which included examples of the disclosure errors. Subsequent to the completion of fieldwork, the Committee filed amended Schedules B which materially corrected the public record.

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CITIZENS FOR BACCHUS 92  
1992 REPORTING ERRORS

	<u>Receipts</u>	<u>Disbursements</u>
<u>Reported Totals</u>	\$538,052	\$698,493
Unreported Interest Received	950	
Unreported PAC Contributions	5,100	
NSF Contribution Checks reported in error	(2,750)	
Net Addition Errors	(2,000)	
Reconciling item	(148)	
Unreported Wire Transfer		2,500
Wire Transfer reported incorrectly		103,124
Disbursements reported twice		(55,000)
Disbursement reported but not made		(6,554)
Inter Account Transfer reported		(1,904)
Over reported Unitemized Disbursements		(47,092)
Void Check reported		(1,054)
Disbursement reported as Memo Entry		2,432
Reconciling Item		(80)
CORRECT REPORTABLE TOTALS	<u>\$539,204</u>	<u>\$694,865</u>

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C.

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May 24, 1994

Mr. Jack Oppenheimer  
Citizens for Bacchus 92  
P.O. Box 361235  
Melbourne, FL 32936-1235

Dear Mr. Oppenheimer:

Attached please find the Final Audit Report on Citizens for Bacchus 92. The Commission approved the report on May 13, 1994.

The Commission approved Final Audit Report will be placed on the public record on June 1, 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 Tom Hunter or Ray Lisi of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,

*Robert J. Costa*

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

Chronology

Citizens for Bacchus 92

Audit Fieldwork	6/14/93 - 7/1/93
Interim Audit Report to Committee	3/10/94
Response Received to Interim Audit Report	4/11/94
Final Audit Report Approved	5/13/94

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