



FEDERAL ELECTION COMMISSION

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WASHINGTON, D.C. 20546

January 17, 1995

MEMORANDUM

TO: RONALD M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
LYNN YEAKEL FOR SENATE

Attached please find a copy of the final audit report and related documents on Lynn Yeakel for Senate which was approved by the Commission on December 29, 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**

Lynn Yeakel for Senate

Approved 12/29/94



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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20545

FINAL AUDIT REPORT
ON
LYNN YEAKEL FOR SENATE
EXECUTIVE SUMMARY

Lynn Yeakel for Senate (the Committee) registered with the Secretary of the Senate on January 22, 1992, as the principal campaign committee for Lynn Hardy Yeakel, Democratic candidate for the U.S. Senate from the Commonwealth of Pennsylvania.

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 fieldwork (2/16/94) 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.

Misstatement of Financial Activity - 2 U.S.C. §§434(b)(1), (2) and (4). The Committee understated its receipts by \$94,881 and its disbursements by \$94,649, largely as a result of failing to disclose activity relative to a telemarketing fundraising program conducted by Gordon and Schwenkmeyer Inc.. The Committee filed amended reports which materially corrected the misstatements.

Reporting and Itemization of Receipts and Disbursements
2 U.S.C. §§434(b), 431(11) and (13); 11 CFR 104.3(b)(4)(iii). The Committee did not report and itemize telemarketing disbursements totaling \$104,325. The Committee also did not itemize the receipt of loans totaling \$355,500, loan repayments totaling \$86,800, and contributions totaling \$21,619 (\$11,619 of which also required itemization as disbursements). Additionally, the Committee did not report and itemize offsets totaling \$32,034 (of which \$20,532 also required itemization as disbursements) and did not itemize additional offsets totaling \$47,001. After fieldwork, and in response to the interim audit report, the Committee filed comprehensive amendments which disclosed the missing activity.

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Omission of Disclosure Information - Receipts and Disbursements - 2 U.S.C. §§434(b)(3)(A) and (5)(A). The Committee's reports contained incomplete or missing address information for a material number of disbursements and inadequate information on contributions from individuals with respect to earmarked contributions, contributor names and addresses, and year-to-date totals. After audit fieldwork the Committee filed a comprehensive amendment which corrected these omissions.

Undocumented Cash Receipts - 2 U.S.C. §§441g; 11 CFR §§102.9(a) and 110.4(c)(2) and (3). With respect to a \$6,878 cash deposit, the Committee did not take recommended action by either producing evidence to document the source of the funds or disposing of them.

Checks Made Payable to Cash - 2 U.S.C. §434(b); 11 C.F.R. §§102.9(b), 102.10, and 102.11. The Committee did not provide disbursement documentation for two checks totaling \$7,000 payable to cash. The Committee's response to the interim audit report did not provide sufficient evidence documenting how the funds were spent.

Apparent Excessive Contributions - 2 U.S.C. §§441a, 431(11); 11 CFR §§110.1, 100.5, and 103.3. The Committee received contributions which exceeded the donors' limitations by \$59,276. The Committee had taken steps to resolve \$20,699 of the excessive amounts (through redesignations, reattributions or refunds) but not within the required time limits. As for the remaining excessive amounts, the Committee complied with an interim audit report recommendation by reporting the excessive portions as debts owed to the contributors.

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REPORT OF THE AUDIT DIVISION
ON
LYNN YEAKEL FOR SENATE

I. Background

A. Overview

This report is based on an audit of Lynn Yeakel for Senate (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 January 15, 1992, the inception of bank activity, through December 31, 1992. The Committee reported beginning cash on hand of -0-; total receipts for the period of \$5,200,870; total disbursements for the period of \$5,198,331; and ending cash on hand of \$1,497.1/

1/ These totals are the amounts accumulated by report period. The Committee reported \$5,199,374 for the calendar year-to-date total for disbursements and \$5,200,870 for the calendar year-to-date total for receipts.

Totals do not foot because of an arithmetic discrepancy within disbursements.

All figures within this report have been rounded to the nearest dollar.

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B. Campaign Organization

The Committee registered with the Secretary of the Senate on January 22, 1992, as the principal campaign committee for Lynn Hardy Yeakel, Democratic candidate for the U.S. Senate from the Commonwealth of Pennsylvania. In addition, the Candidate designated two authorized committees: Faces of Change/U.S. Senate (FOCUS), and Women ... for a Change. These committees acted as fundraising representatives for the Committee and other participating committees. The Committee maintained its headquarters in Philadelphia, Pennsylvania.

The audit indicated that 80% (\$4,140,000) of the Committee's receipts were contributions from individuals, 8% (\$416,000) from political committees and other organizations, 9% (\$485,500) were loans and a contribution from the Candidate, and the balance were offsets to expenditures, interest and receipts from joint fundraising activity conducted by the authorized committees.

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 Commissioners and appropriate staff for review.

C. Key Personnel

The current Treasurer of the Committee and the Treasurer during the period covered by the audit is Mr. Sidney D. Rosenblatt.

D. Scope

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (Finding II.B.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of receipts from individuals, political committees and other entities, to include the itemization of contributions or other receipts when required, as well as, the completeness and accuracy of the information disclosed (Findings II.F., G., H.);

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4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (Findings II.A.2., D., G., I.);
5. proper disclosure of campaign debts and obligations (Finding II.E.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records (Finding II.A.1.);
7. adequate recordkeeping for campaign transactions (Finding II.C.); and
8. other audit procedures that were deemed necessary in the situation.

The Audit staff was unable to determine the source of certain cash receipts and the use of cash disbursements (see Findings II.C. and D.).

Although the Committee complied with the minimum recordkeeping requirements pursuant to 2 U.S.C. §432(c), the Audit staff was unable to review the source documents for receipts totaling \$130,054 which were raised by a telemarketing firm on behalf of the Committee. The firm provided receipts information on magnetic media, but did not provide copies of contributor checks, response devices or other conveyance documentation from the contributors.

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. Findings and Recommendations

A. Misstatement of Financial Activity

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

Sections 434(b)(4)(A) and (5)(A) of Title 2 of the United States Code state that each report shall disclose 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

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meet a candidate or committee operating expense, together with the date, amount, and purpose of such operating expenditure.

The Audit staff reconciled total bank activity, as determined at the close of fieldwork, to the reported activity and determined that total receipts were overstated by \$4,873; disbursements were overstated by \$4,839; and ending cash on hand was overstated by \$34. This reporting difference for receipts was the result of a failure to report contributions from political committees totaling \$21,619, failure to report offsets to expenditures totaling \$32,034 and net reconciling items totaling \$58,526. The difference in disbursements was the result of a failure to disclose offset activity totaling \$20,532, failure to disclose contribution in-kinds totaling \$11,619 and net reconciling items totaling \$36,990.

The Committee filed amended reports on March 3, 1994 which corrected the reporting discrepancies noted above.

1. Disclosure of Activity from a Telemarketing Program

During fieldwork the Audit staff identified \$25,300 in credits to a Committee account which were apparent wire transfers. The credits were not supported by receipts documentation. During fieldwork and at the exit conference the Audit staff requested documentation to support the credits. In response to the exit conference the Committee provided documentation and information which identified the source of these funds as net proceeds from a telemarketing program which was conducted by Gordon and Schwenkmeyer, Inc. (GSI), of El Segundo, California, on behalf of the Committee.

The telemarketing firm opened two accounts "ACF [As Custodians For] Yeakel for U.S. Senate" to manage the telemarketing activity.^{2/} The Audit staff analyzed the activity of these accounts and determined that the telemarketing program generated gross receipts^{3/} totaling \$130,054, made disbursements totaling \$104,488, and transferred net proceeds totaling \$25,300 to the Committee through December 31, 1992. Only the net proceeds transferred to the Committee were reported either in

^{2/} The depository for telemarketing receipts was not disclosed on the Committee's Statement of Organization. In response to a request from the Audit staff the Committee filed an amended Statement of Organization on May 9, 1994 disclosing this depository.

^{3/} Although the Committee did not aggregate these contributions with its other contributions for the purpose of monitoring contribution limitations or itemizations, the Audit staff did not identify any material failure in these areas with respect to the telemarketing receipts.

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the original or in the amended disclosure reports. The reported amount was included in unitemized contributions.

The Audit staff determined that for the reports amended on March 3, 1994, the Committee's receipts were understated in the amount of \$99,754; disbursements were understated by \$99,488; and ending cash on hand was understated by \$266. This misstatement resulted from the inclusion of a voided check (\$5,000) within total receipts and disbursements and failure to include the \$104,754 in telemarketing receipts (\$130,054 gross proceeds less \$25,300 net proceeds) and \$104,488 in telemarketing expenses for the activity as amended March 3, 1994. The understatement of the ending cash on hand (\$266) was the balance in the telemarketing accounts on December 31, 1992.

2. Itemization of Disbursements - Telemarketing Activity

The Audit staff reviewed the telemarketing activity discussed above and verified that unreported disbursements totaling \$104,325 required itemization on Schedules B. The disbursements included payments to GSI and PDR Associates for fundraising expenses.

In the interim audit report the Audit staff recommended that the Committee take the following action:

- ° File amended Summary and Detailed Summary pages to correct the understatements in receipts, expenditures, and ending cash on hand noted above; and
- ° file amended pages for Schedule B (Itemized Disbursements) to disclose the telemarketing expenditures noted above.

In response to the interim audit report, the Committee filed a comprehensive amendment which materially corrected the understatement of receipts, expenditures and ending cash. Also included in the comprehensive amendment were Schedules B which materially corrected the disbursement itemization errors.

B. Apparent Excessive Contributions

Section 441a(a)(1)(A) 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 110.1(b)(2) of Title 11 of the Code of Federal Regulations states that with respect to any election means: (1) in the case of a contribution designated in writing by the

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contributor, the election so designated; and (2) in the case of a contribution not designated in writing by the contributor for a particular election, the next election for that Federal office after the contribution is made. Subsection (4) of this Title states that a contribution shall be considered designated in writing for a particular election if the contribution is made by a negotiable instrument which clearly indicates the particular election for which the contribution is made; is accompanied by a writing, signed by the contributor, which clearly indicates the election; or is redesignated within sixty days from the date of the treasurer's receipt of the contribution pursuant to subsection (b)(5) of this Title.

Section 431(11) of Title 2 of the United States Code defines the term person to include, among others, an individual, any organization or group of persons, or committee.

Section 100.5(e)(3) of Title 11 of the Code of Federal Regulations defines a multi-candidate committee as a political committee which (i) has been registered with the Commission, Clerk of the House or Secretary of the Senate for at least 6 months; (ii) has received contributions for Federal elections from more than 50 persons; and (iii) (except for any State political party organization) has made contributions to 5 or more Federal candidates.

Section 110.1(k) of Title 11 of the Code of Federal Regulations states, in part, that any contribution made by more than one person, except for a contribution made by a partnership, shall include the signature of each contributor on the check, money order, or other negotiable instrument or in a separate writing. A contribution made by more than one person that does not indicate the amount to be attributed to each contributor shall be attributed equally to each contributor. Furthermore, a contribution shall be considered to be reattributed to another contributor if the treasurer of the recipient political committee asks the contributor whether the contribution is intended to be a joint contribution by more than one person, and informs the contributor that he or she may request the return of the excessive portion of the contribution if it is not intended to be a joint contribution and within sixty days from the date of the treasurer's receipt of the contribution, the contributors provide the treasurer with a written reattribution of the contribution, which is signed by each contributor, and which indicates the amount to be attributed to each contributor if equal attribution is not intended.

Sections 110.1(l)(3) and (5) of Title 11 of the Code of Federal Regulations state, in part, that if a political committee receives a written reattribution of a contribution to a different contributor, the treasurer shall retain the written reattribution signed by each contributor. If a political committee does not retain the written records concerning

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retribution as required, the retribution shall not be effective, and the original attribution shall control.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that contributions which exceed the contribution limitations may be deposited into a campaign depository or returned to the contributor. If any such contributions are deposited, the treasurer may request redesignation or retribution of the contribution by the contributor in accordance with 11 CFR 110.1(k). If a redesignation or retribution is not obtained, the treasurer shall, within 60 days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Finally, Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that 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 such refunds.

1. Contributions Received from Individuals

The Audit staff's review of contributions received from individuals indicated that 107 individuals exceeded their limitation by \$53,276. Of this amount, 55 excessive portions totaling \$20,669 were resolved untimely pursuant to 11 CFR §110.1(k), either by untimely redesignations, reattributions, or refunds; and 60 excessive portions totaling \$32,607 remain unresolved. The Committee did not establish a separate account and did not maintain sufficient funds for refunds pursuant to 11 CFR §103.3(b)(4).

The Audit staff provided the Committee representatives a schedule of the excessive contributions - both resolved and unresolved - at the exit conference. The Committee representatives stated that documentation to support redesignations and reattributions of some of these contributions may be held by former Committee personnel in charge of fundraising. The Audit staff recommended that if the Committee is unable to provide refunds to the contributors, the Committee should disclose debts owed to the contributors for the unresolved amounts on Schedule D - Debts and Obligations.

On March 3, 1994 the Committee filed, as part of a comprehensive amendment, Schedules D which disclosed most of the refunds due for the unresolved excessive contributions as debts owed to the contributors. However, the Committee also included as debts the excessive contributions which had been refunded, reattributed or redesignated.

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In the interim audit report the Audit staff recommended that the Committee take the following action:

- ° Provide evidence that the contributions from individuals noted above are not excessive. Amounts characterized as excessive contributions from individuals in this report may be resolved if the Committee submits evidence indicating that the excessive portion of a contribution was timely reattributed to another contributor, timely redesignated to another election, or timely refunded;
- ° absent such demonstrations, refund the unresolved excessive contributions to the contributors, as funds become available, and provide evidence of such refunds in the form of copies of the negotiated refund checks, both front and back; and
- ° with regard to the disclosure of the unresolved excessive amounts, file an amended Schedule D which includes as debts only the unresolved refunds payable to the individuals.

In response to the interim audit report, the Committee did not provide any evidence that the contributions were not excessive. The response did contain amended Schedules D which disclosed all of the unresolved excessive contributions as debts owed to the contributors.

2. Contribution Received from a Registered Political Committee

The Committee received a \$5,000 contribution from a political committee, the excessive portion of which totaled \$4,000. Although the committee is registered, it did not qualify as a multi-candidate committee at the time the contribution was made. The legal contribution limit for a non-qualified political committee (a political committee which is not a multi-candidate committee) is \$1,000 per election.

At the exit conference the Audit staff advised Committee representatives that the excessive nature of the contribution could be resolved if the contributing committee could demonstrate to the Commission that it satisfied the multi-candidate requirements under 11 CFR §100.5(e)(3) at the time it made the contribution to the Committee.

On March 3, 1994 the Committee filed, as part of a comprehensive amendment, a Schedule D disclosing a \$4,000 refund payable to the political committee.

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3. Contribution Received from an Unregistered Organization

The Committee received a \$3,000 contribution from an unregistered organization, the excessive portion of which totaled \$2,000. The contributor, IAPAC, is a Pennsylvania Chapter of the Indian American Political Action Committee.

A review of the index of registered political committees identified the Indian American Political Action Committee - New Jersey Chapter (IAPAC-NJ) as a registered (non-qualified) political committee. However, the Statement of Organization for IAPAC-NJ does not include the Pennsylvania Chapter as an affiliated or connected organization.

At the exit conference the Treasurer was notified of the excessive contribution. He expressed concern about the Committee's inability to recognize either the unregistered nature of political organizations or whether or not multi-candidate status has been achieved by political committees.

In the interim audit report the Audit staff recommended that the Committee take the following actions:

- ° Demonstrate that the contributions received from the non-qualified political committee and the unregistered organization are not excessive; or
- ° absent such demonstrations, refund the unresolved excessive contributions to the contributors, as funds become available, and provide evidence of such refunds in the form of copies of the negotiated refund checks, both front and back; and
- ° file an amended Schedule D which includes as debts the unresolved refunds payable to the political organizations.

In its response to the interim audit report, the Committee did not provide any evidence that the contributions were not excessive. The response did contain amended Schedules D which disclosed all of the unresolved excessive contributions as debts owed to the contributors.

C. Undocumented Cash Receipts

Section 441g of Title 2 of the United States Code states, in relevant part, that no person shall make contributions of currency of the United States 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. Sections 110.4(c)(2) and (3) of Title 11 of the

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Code of Federal Regulations state that a committee receiving a cash contribution in excess of \$100 shall promptly return the amount over \$100 to the contributor; a committee receiving an anonymous cash contribution in excess of \$50 shall promptly dispose of the amount over \$50. The amount over \$50 may be used for any lawful purpose unrelated to any Federal election, campaign, or candidate.

Section 102.9(a) of Title 11 of the Code of Federal Regulations requires that an account be kept of all contributions received by a political committee. For contributions in excess of \$50, such account shall include the name and address of the contributor and the date of receipt and amount of such contribution. For contributions from a political committee such account shall include the identification of the political committee and the date of receipt and amount of such contribution.

The Audit staff identified a deposit of currency in the amount of \$6,878 deposited on November 9, 1992. No contributor list or other receipts documentation relevant to this deposit was available for review. Subsequent to the exit conference a Committee representative explained that the deposit consisted of a \$5,000 contribution from the Pennsylvania Democratic State Committee (PDSC), and \$1,878 in receipts from the sale of T-shirts.

According to the Committee representative, the \$5,000 check from the PDSC was cashed; the cash was intended to be used for election day expenses. The Committee representative further stated that the cash was not used and was redeposited after the election into a Committee account. The Audit staff notes that the PDSC did not report a contribution to the Committee^{4/}; nor did the Committee report, in its initial filings, the receipt of any contribution from the PDSC. On March 3, 1994, the Committee filed amended reports in which it reported the receipt of these funds from the PDSC.

With respect to the \$1,878 in sales, the Committee provided an invoice dated July 14, 1992 for imprinting 1,000 items. The Committee disclosed payment of this invoice on July 28, 1992. No documentation was provided to support the T-shirt sales. On March 3, 1994 the Committee filed amended reports on which it itemized the \$1,878 total as receipts from sale of T-shirts.

In the interim audit report the Audit staff expressed the opinion that the information provided by the Committee was

^{4/} The Audit staff also examined the reports of two non-federal committees of the Pennsylvania Democratic Party. The contribution was not reported by these entities either.

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insufficient to demonstrate the permissible nature of the cash deposit.

The Audit staff recommended in the interim audit report that the Committee provide the following documentation:

- ° A copy of the check (front and back) from the PDSC or bank for the \$5,000 contribution;
- ° documentation to support the sale of the T-shirts, including, but not limited to, price lists, sales promotional materials, sales journals, and a list of the events which featured the sales; and
- ° any other information or explanations which the Committee feels is relevant to the issue.

Lacking supporting documentation, the Audit staff recommended that the Committee dispose of \$6,828 (\$6,878 - \$50) pursuant to 11 CFR §110.4(c)(3) and provide copies of the negotiated check(s) (front and back) to the Audit staff for review.

In response to the interim audit report, the Committee Treasurer states that on numerous occasions the Committee has requested a copy of the [\$5,000] check from the Pennsylvania Democratic Party but have not received it. He further states that PDSC said that its computer records do not go back to 1992 and that they are unable to help. Included with the Committee's response were affidavits from the Committee's assistant treasurer and campaign manager which state that the campaign manager instructed the assistant treasurer to go to the Pennsylvania Democratic Party in Harrisburg where he received a \$5,000 check which was to be used for election day expenses. The assistant treasurer states that he was told to cash the check in Harrisburg and that he brought the cash back to the campaign office whereupon it was deposited along with the petty cash funds from the sale of T-shirts.

Regarding the sale of T-shirts the treasurer and campaign manager state that petty cash records were kept detailing receipts and disbursements and that all receipts were from the sale of campaign paraphernalia. They state that these records must have been misplaced or may have been inadvertently disposed of during the winding down of the campaign.

The Committee's response to the interim audit report does not provide any additional evidence documenting the source of the cash deposit. Further the Committee has not disposed of the funds as recommended in the interim audit report.

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D. Checks 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 102.9(b) of Title 11 of the Code of Federal Regulations specifies that an account shall be kept of all disbursements made by or on behalf of the political committee, consisting of a record of the name and address of every person to whom any disbursement is made, and the date, amount, and purpose of the disbursement. Section 103.3(a) of this Title requires that all disbursements be made by check or similar drafts drawn on an account except for expenditures of \$100 or less made from a petty cash fund maintained pursuant to 11 CFR 102.11.

Section 102.10 of Title 11 of the Code of Federal Regulations requires that all disbursements by a political committee, except for disbursements from the petty cash fund under 11 CFR 102.11, shall be made by check or similar draft drawn on account(s) established at the committee's depository.

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 bank records the Audit staff identified two checks totaling \$7,000 (\$5,000 and \$2,000) made payable to cash. No petty cash journal or other disbursement documentation was provided relative to these disbursements. Both checks were negotiated on April 27, 1992, the day before the Primary election. The purposes of both disbursements were disclosed on the reports as "Election Day Expenses." The payees were disclosed as "Cash."

Subsequent to the exit conference a Committee representative stated that the funds were used for election day expenses, including lunches and payments to poll watchers. The

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Committee provided no documentation or detail beyond this information.

In the interim audit report the Audit staff recommended that the Committee take the following actions:

- ° Provide documentation, including the identification of the persons who ultimately received the proceeds of the checks payable to cash, along with the dates, amounts, and purposes for each cash disbursement, pursuant to the recordkeeping requirements of 11 CFR §102.9(b); and
- ° amend Schedules B (Itemized Disbursements) to disclose those payees receiving cash disbursements which require itemization.

In response to the interim audit report, the Committee treasurer states that the cash payments were for election day expenses and receipts were maintained. He further states that to the best of his knowledge the payments were for poll watchers and meals and that none of the payments exceeded \$100 per person. The Committee also provided an affidavit from the campaign manager in which she states that to the best of her knowledge none of the payments exceeded \$100 to any one person and that the payments were for lunches, poll watchers, and other election day expenses. She further states that "These records were kept with the petty cash and may have been inadvertently disposed of during the winding down of the campaign."

The Committee's response does not provide evidence that the Committee maintained adequate records regarding the cash disbursements pursuant to 11 CFR §102.9(b). Further, the Committee did not provide evidence to demonstrate that these disbursements were in compliance with the itemization requirements pursuant to 2 U.S.C. 434(b)(5)(A).

E. Itemization of Loans and Loan Repayments

Sections 434(b)(2)(G) and 434(b)(3)(E) of Title 2 of the United States Code require the disclosure of all loans made by or guaranteed by the candidate and the identification of each person who makes a loan to the reporting committee during the reporting period, together with the date and amount or value of such loan.

Section 434(b)(4)(D) of Title 2 of the United States Code requires for the reporting period and the calendar year, disclosure of the total amount of all disbursements and the repayment of all loans made by or guaranteed by the candidate.

Sections 104.3(b)(4)(iii) and (d) of Title 11 of the Code of Federal Regulations specify that each authorized committee shall report the full name and address of each person

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who receives a loan repayment from the reporting committee during the reporting period together with the date and amount of such loan repayment; and each report shall disclose on Schedule C the amount and nature of outstanding debts and obligations owed by the reporting committee.

During the audit period the Candidate made four loans (\$148,000, \$75,000, \$200,000 and \$7,500) totaling \$430,500 to the Committee. Although the amount of each loan was correctly categorized and accurately reported on the Detailed Summary Page of the disclosure reports, three of the loans totaling \$355,500 were not itemized on Schedule A. Similarly, nine repayments totaling \$179,800 were accurately categorized and the total amounts reported, but six of the repayments totaling \$86,800 were not itemized on Schedule B for the appropriate line number. The loans, loan repayments, and the loan balances outstanding were summarized incorrectly on Schedule C, and the balance of loans outstanding at December 31, 1992 was understated by \$500.

At the exit conference the Committee was provided with a schedule listing all loans and repayments. The Audit staff explained that each loan from the Candidate should be individually disclosed on Schedule C. The Committee concurred with the Audit staff recommendation that the Committee file amended Schedules A, B and C to complete and correct the public record.

In the interim audit report the Audit staff recommended that the Committee file amended Schedules A, B, and C to correct the public record.

In response to the interim audit report, the Committee filed amended Schedules A, B, and C which correctly disclosed the loan activity.

F. Reporting of Receipts from Political Committees

Sections 434(b)(2)(C) and (D) of Title 2 of the United States Code states, in relevant part, each report under this section shall disclose for the reporting period and calendar year, the total amount of contributions from political party committees and other political committees.

Section 434(b)(3)(B) of Title 2 of the United States Code states that each report 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.

Sections 431(11) and (13)(B) of Title 2 of the United States Code state that the term person includes a committee and defines the term "identification" to mean, in the case of a person, the full name and address of such person.

The Audit staff reviewed receipts totaling \$413,558 from political committees and unregistered organizations and determined that the Committee failed to itemize 33 contributions totaling \$30,619; within these omissions, contributions totaling \$21,619 were not included in the correct line total on the detailed summary page of receipts and disbursements. Also within this total, \$11,619 represents in-kind contributions which require itemization both as receipts and expenditures.

Of the contributions that the Committee did itemize, the Audit staff noted that 53 contributions totaling \$92,290 were disclosed inadequately with respect to missing dates, missing addresses, missing aggregate year-to-date totals, and/or incorrect election designation. Most of the disclosure errors (including all the date errors) occurred within the reporting period covering April 9, 1992 through June 30, 1992. Committee representatives explained that this period represented a major influx of contributions from political committees and that they lacked processing experience in this area.

At the exit conference the Audit staff provided the Committee with a schedule of the contributions not itemized and not reported, and advised the Committee of the types of disclosure errors noted above. The Audit staff also recommended that the Committee file amended reports to correct the matters described above to include full disclosure of receipts from political committees and other organizations.

On March 3, 1994 the Committee filed amended reports, including Schedules A and B, which materially corrected the public record.

G. Reporting and Itemization of Offsets to Operating Expenditures

Sections 434(b)(2)(I) and (3)(F) of Title 2 of the United States Code require that each report shall disclose for the reporting period and calendar year the total amount of all rebates, refunds, and other offsets to operating expenditures. In addition, this Section requires that the report shall disclose the identification, including the date and amount of such receipt, of each person who provides an offset to operating expenditures in an aggregate amount or value in excess of \$200 within the calendar year. 2 U.S.C. §431(13) defines "identification" to mean the full name and address of such person.

Section 431(11) of Title 2 of the United States Code states, in relevant part, the term "Person" includes an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons, but such term does not include the Federal Government or any authority of the Federal Government.

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The Audit staff reviewed remittance devices from vendors, stubs from vendor refund checks, press billing memoranda and general ledger entries, and located 56 apparent offsets to expenditures totaling \$48,162.5/ Of these offsets the Committee failed to report offsets totaling \$32,034 in the reports as initially filed. Included in the total not reported were three offsets totaling \$20,532, due from The Campaign Group, Inc. Per Committee instruction, the refunds due were directly credited against amounts owed to another vendor, Hickman/Brown.

Finally, 37 offsets totaling \$47,001 were not itemized as required.

A Committee representative explained that the Committee had no procedure in place for properly recording the receipt of offsets to expenditures; refunds received were often not recorded as a separate category of activity but were included within the total activity of reported receipts.

At the exit conference the Audit staff provided Committee representatives with schedules which detailed the reporting and itemization errors noted above. With regards to those errors the Audit staff advised the Committee to: (1) file amended reports to disclose the receipt of all offsets to expenditures; (2) file amended Schedules A to itemize the offsets as required; (3) include on amended Schedules B the expenditures to Hickman/Brown as reflected by the refunds made directly to Hickman/Brown from The Campaign Group, Inc.; and (4) determine the status of 29 billings which specified amounts owed by Press organizations, and adjust the reported and itemized activity, as discussed above, accordingly.

On March 3, 1994 the Committee filed amended reports which materially corrected the public record.

H. Disclosure of Contributions from Individuals

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.

5/ The Audit staff also reviewed 29 records which identified an additional \$7,160 sought from Press organizations. The Committee's records did not reflect any receipts related to these items; nor were any amounts reported as owed to the Committee.

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Section 431(13)(A) 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. Section 104.3(a)(4) of Title 11 of the Code of Federal Regulations requires that in addition to the identification, 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 record of such efforts.

Section 104.7(a) and (b) of Title 11 of the Code of Federal Regulations states that if 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. For purposes of 11 CFR 104.7(b), such effort shall consist of a clear request for the information (i.e., name, mailing address, occupation, and name of employer) which request informs the contributor that the reporting of such information is required by law.

Section 110.6(c)(2) of Title 11 of the Code of Federal Regulations states in part that the recipient candidate or authorized committee shall report each conduit or intermediary who forwards one or more earmarked contributions which in the aggregate exceed \$200 in any calendar year. For each contribution which in the aggregate exceeds \$200 for a contributor in a calendar year, 11 CFR 104.3(a)(4) requires the identification and aggregate year-to-date total for such contributor.

The Audit staff reviewed a sample of contributions from individuals. The review identified a material error rate with respect to disclosure of earmarked contributions, names of contributors, aggregate year-to-date totals, and missing addresses.

At the exit conference the Committee was advised of the material error rate and the nature of the errors. The Committee representatives stated that they would file amended reports to disclose the required information.

On March 3, 1994 the Committee filed amended Schedules A which materially corrected the public record.

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I. Disclosure of Disbursements

Sections 434(b)(4)(A) and (5)(A) of Title 2 of the United States Code state that each report shall disclose 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.

Our review of the Committee's itemized disbursements identified 324 instances of missing or inadequate disclosure of addresses. Of the 324 errors, 294 items totaling \$292,625, were disbursements for payroll.

At the exit conference Committee representatives were notified of the problem. On March 3, 1994 the Committee filed amended reports which materially corrected the public record.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

AK005874

January 11, 1995


Mr. Sidney Rosenblatt, Treasurer
Lynn Yeakel for Senate
3120 North 17th Street
Philadelphia, PA 19132

Dear Mr. Rosenblatt:

Attached please find the Final Audit Report on Lynn Yeakel for Senate. The Commission approved the report on December 29, 1994.

The Commission approved Final Audit Report will be placed on the public record on January 17, 1995. 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 Cornelia Riley or Ray Lisi of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

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CHRONOLOGY

LYNN YEAKEL FOR SENATE

Audit Fieldwork	12/13/93-2/16/94
Interim Audit Report to the Committee	8/29/94
Response Received to the Interim Audit Report	10/3/94
Final Audit Report Approved	12/29/94

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