




FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

October 21, 1997

**MEMORANDUM**

**TO:** RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

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

**SUBJECT:** PUBLIC ISSUANCE OF THE AUDIT REPORT ON MAPP FOR  
CONGRESS COMMITTEE

Attached please find a copy of the audit report and related documents on Mapp for Congress Committee, which was approved by the Commission on October 5, 1998.

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  
**MAPP FOR CONGRESS COMMITTEE**

Approved October 5, 1998



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

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20469

**FINAL AUDIT REPORT  
ON  
MAPP FOR CONGRESS COMMITTEE**

**EXECUTIVE SUMMARY**

The Mapp for Congress Committee (the Committee) registered with the United States House of Representatives on May 21, 1996 as the principal campaign committee for Kenneth Mapp (the Candidate), Republican candidate for the Delegate of the House of Representatives from the territory of the U.S. Virgin Islands.

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 held subsequent to the completion of fieldwork on December 11, 1997 and later in an interim audit report. The Committee's response to those findings is included in this final audit report.

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

**APPARENT PROHIBITED CONTRIBUTIONS**—2 U.S.C. §441b. The audit identified four contributions, totaling \$2,200, that were drawn on accounts maintained by incorporated entities.

In response to the interim audit report, the Committee agreed to refund \$2,200 to the corporate entities. However, the Committee is currently insolvent. Therefore, a Schedule D was filed, as part of a comprehensive amended report, disclosing the refunds as debts.

**RECEIPT OF CONTRIBUTIONS CASH**—2 U.S.C. § 441g and 11 CFR § 110.4(c)(3) & 102.9(a). A review of the Committee's bank records revealed deposits containing \$47,390 in cash.

1. **Individual Cash Contributions in Excess of Limitation**

A review of the cash deposits disclosed that \$8,150 of the total was received from 10 individuals.

In response to the interim audit report, the Committee agreed to refund \$7,150 in contributions to the ten individuals. However, since the Committee is currently insolvent, the refunds will be disclosed as debts and obligations on Schedule D.

## 2. Undocumented Cash Contributions

The Audit staff identified \$39,240 in cash that was acquired from fundraising activities. It was initially determined that the cash was obtained from anonymous sources. In its response the Committee states that it is attempting to reconstruct a participant list for the events. The response contained a Schedule D disclosing the \$37,980 in cash as a debt. However, in the final analysis, the Audit staff accepted, as adequately documented, all cash contributions which met the minimum standards as set forth in the *Campaign Guide for Congressional Candidates and Committees*; ie, keeping a record of the name of the event and the date and total amount received at the event. Using this standard, the amount of undocumented cash contributions was reduced to \$21,606.

**DISBURSEMENT DOCUMENTATION**—11 CFR §102.9(b). The audit revealed that documentation was not available for 23 disbursements totaling \$23,026.

In response to the interim audit report, the Committee stated that a copious search is being conducted to locate the missing invoices however to date, the documents have not been located.

**IN-KIND CONTRIBUTIONS**—11 CFR §§104.13(a)(1) & (2) and 100.7(a)(1)(iii). During a review of the Committee's disbursements, the Audit staff identified five paid invoices and or copies of canceled checks which had notations which indicated that either a discount had been provided to the Committee or that someone other than the Committee had paid for the services or goods.

In response to the interim audit report, an amended Schedule A was filed disclosing the in-kind contributions. An amended Schedule B was also filed amending line 17, showing the in-kinds as operating expenses.

**DEBTS AND OBLIGATIONS**—2 U. S. C. §434(b)(8). A review of the Committee's disbursements revealed 26 invoices, totaling \$12,216, for which no evidence of payment was found.

The Committee filed amended reports disclosing the outstanding invoices as debts and obligations on Schedule D.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION  
ON  
MAPP FOR CONGRESS COMMITTEE**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

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

**B. AUDIT COVERAGE**

The audit covered the period from the Committee's initial deposit on May 29, 1996, through December 31, 1996. The Committee reported a beginning cash balance of \$0; total receipts for the audit period of \$157,751; total disbursements for the audit period of \$153,621; and an ending cash balance of \$4,130 on December 31, 1996.<sup>1</sup>

**C. CAMPAIGN ORGANIZATION**

The Committee registered with the Clerk of the U.S. House of Representatives on May 21, 1996 as the principal campaign committee for Kenneth Mapp (the candidate), Republican candidate for Delegate to the U.S. House of Representatives from the territory of the U.S. Virgin Islands.

<sup>1</sup> The figures cited in this report are rounded to the nearest dollar.

The treasurer of the Committee during the period covered by the audit was Adriane Dudley. The Committee maintains its headquarters in St. Croix, U.S. Virgin Islands.

To manage its financial activity, the Committee maintained one bank account. From this account, the Committee made approximately 145 disbursements. The Committee reported receiving approximately 160<sup>2</sup> contributions totaling \$137,752 (87% of total receipts) from individuals and two contributions totaling \$2,500 (1.6% of total receipts) from political committees. The Committee also reported five loans from the Candidate totaling \$17,500.

#### D. AUDIT SCOPE AND PROCEDURES

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 (see Finding II.A.);
3. proper disclosure of contributions 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 (see Finding 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;
5. proper disclosure of Committee debts and obligations, to include loans (see Finding II.E.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. adequate recordkeeping for campaign transactions (see Finding II.C.); and
8. other audit procedures that were deemed necessary in the situation.

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<sup>2</sup> The exact number of contributions received is unknown due to the receipt of anonymous cash contributions as discussed in Finding II B.2.

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Unless specifically discussed below, no material non-compliance was detected. The Committee received approximately \$39,240 in anonymous cash contributions for which inadequate records were kept; therefore, the Audit staff was unable to test these contributions for itemization, disclosure, and contribution limitations (see Finding II.B.2.). 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. APPARENT PROHIBITED CONTRIBUTIONS**

Section 441b of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election at which a Delegate to Congress is to be voted for, or in connection with any primary election or political convention or caucus held to select candidates, or for any candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section, or any officer or any director of any corporation to consent to any contribution or expenditure by the corporation prohibited by this section.

Section 103.3(b)(4) and (5) of Title 11 of the Code of Federal Regulations state that any contribution which appears to be illegal under 11 CFR 103.3(b)(1) or (3), 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.

If a contribution which appears to be illegal under 11 CFR 103.3(b)(1) or (3) is deposited in a campaign depository, the treasurer shall make and retain a written record noting the basis for the appearance of illegality. A statement noting that the illegality of the contribution is in question shall be included in the report noting the receipt of the contribution. If the contribution is refunded to the contributor because it cannot be determined to be legal, the treasurer shall note the refund on the report covering the reporting period in which the refund is made.

The Committee maintained copies of the majority of contributor checks deposited. A review of these checks revealed that four contributions, totaling \$2,200, were drawn on accounts which appeared to be maintained by incorporated entities. The Corporate Registration Division in the Virgin Islands verified that the entities making the contributions were registered corporations at the time the contributions were made. A listing of the apparent corporate contributions was provided to the Committee's accountant prior to the exit conference.



In the interim audit report, the Audit staff recommended that the Committee provide evidence demonstrating that the contributions in question were not from corporations. It was further recommended that, absent such evidence, the Committee refund these contributions to the corporations and provide evidence of such (to include the front and back of negotiated refund checks). If funds were not currently available to make the necessary refunds, the Audit staff recommended that those contributions requiring refunds be disclosed as debts on Schedule D (Debts and Obligations) until such time that funds become available to make the refunds.

In response to the interim audit report, the Committee conceded that it inadvertently accepted prohibited contributions and realizes that it needs to refund those contributions. However, according to the Committee, "the Campaign Committee is currently insolvent and has no financial capacity to refund these funds...." As a result, the Committee filed an amended Schedule D disclosing the refunds as debts and obligations.

In addition to the contributions noted above, the review of in-kind contributions (Finding II D) revealed that the Committee also received an in-kind contribution from a corporation. The Committee has not been able to place a value on the contribution which was in the form of beverages apparently provided for a fundraiser. They state that it is their belief that the corporation customarily provides beverages to various political campaigns on the island, however no evidence was provided to support this contention.

#### **B. RECEIPT OF CASH CONTRIBUTIONS**

Section 441g of Title 2 of the United States Code states that no person shall make contributions of currency of the United States or currency of any foreign country to or for the benefit of any candidate which, in the aggregate, exceed \$100, with respect to any campaign of such candidate for nomination for election, or for election, to Federal office.

Section 110.4(c)(2) and (3) of the Code of Federal Regulations states that a candidate or committee receiving a cash contribution in excess of \$100 shall promptly return the amount over \$100 to the contributor. A candidate or 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 the Code of Federal Regulations states that an account shall be kept by any reasonable accounting procedure of all contributions received by or on behalf of the political committee. The Campaign Guide for Congressional Candidates and Committees published by the Commission lists two possible accounting methods for contributions of \$50 or less. The methods provide for keeping the same information required for identifying contributions that exceed \$50 (amount, date of receipt, and donor's name and address); or in the case of small contributions collected at a fundraiser

(such as gate receipts, cash contributions) keep records of the name of the event, the date and total amount of contributions received on each day of the event. See AOs 1980-99 and 1981-48.

1. Individual Cash Contributions

A review of the Committee's bank records revealed deposits containing \$47,390 in cash. Of this amount, \$8,150 was received from 10 individuals. As a result, the Committee received \$7,150 in cash which exceeded the individual cash contribution limitation. A listing of the contributions was provided to the Committee's accountant prior to the exit conference.

2. Undocumented Cash Contributions

Documentation maintained on the remaining \$39,240 indicated that the cash was received from the sale of food and drinks at campaign events, raffle tickets, and the sale of polo shirts. Based on the available documentation, the Audit staff was unable to determine the individual amounts received from contributors. The Audit staff accepted the first \$50 of each cash deposit as an acceptable anonymous cash contribution, which resulted in the remaining \$37,890 being considered undocumented cash contributions. The Committee's accountant stated that it is common practice in the Virgin Islands to conduct business with cash and that many residents do not have checking accounts.

The Committee's accountant was provided with a schedule of the cash contributions prior to the exit conference.

In the interim audit report, the Audit staff recommended that the Committee provide evidence that the individual cash contributions noted above were not excessive cash contributions. It was further recommended that, absent such evidence, the Committee refund the excessive portion to the contributors. If sufficient funds were not currently available to make the necessary refunds, the Audit staff recommended that those contributions requiring refunds be disclosed as debts on Schedule D until such time that funds become available.

In response to the interim audit report finding regarding excessive cash contributions from individuals, the Committee filed a Schedule D disclosing the amounts as debts until such time that funds become available to make refunds.

Regarding the remaining cash contributions, the Committee noted that, "these funds were obtained through various fundraising events." According to the Committee, "these fundraising events...involved certain types of events such as raffles, T-shirt sales and quadrille dances." The Committee concedes that proper documentation

was not maintained to identify the individuals who purchased T-shirts or tickets for the raffles and dances and acknowledged that it was unable to determine all who participated in these fundraising events. In its response the Committee states that it is attempting to reconstruct a participant list for the events. The response contained a Schedule D disclosing the \$37,980 in cash as a debt which will be disposed of for any lawful purpose not related to any Federal election campaign or candidate when funds become available.

The Audit staff has accepted, as adequately documented, all cash contributions which meet the minimum standards as set forth in the Campaign Guide for Congressional Candidates and Committees; i.e., keeping a record of the name of the event and the date and total amount received at the event. Using this standard, the amount of undocumented cash contributions is reduced to \$21,606.

### **C. DISBURSEMENT DOCUMENTATION**

Section 102.9(b) of Title 11 of the Code of Federal Regulations states, in part, that an account shall be kept of all disbursements made by or on behalf of the political committee. Such account shall consist of the name and address of every person to whom any disbursement is made and the date, amount, and purpose of the disbursement. In addition, a receipt or invoice from the payee or a canceled check to the payee shall be obtained and kept for each disbursement in excess of \$200 by or on behalf of the committee.

A review of the Committee's disbursements revealed that receipts or invoices were not available for 23 disbursements totaling \$23,026. Eight of the disbursements appear to be reimbursements to individuals or the candidate. The schedule of undocumented disbursements was provided to the Committee's accountant prior to the exit conference and he indicated that an attempt would be made to obtain the invoices and/or receipts.

In the interim audit report, the Audit staff recommended that the Committee provide copies of the invoices and/or receipted bills for the undocumented disbursements.

In response to the interim audit report, the Committee states that a copious search is being conducted to locate the missing invoices. However, to date the documents have not been located.

### **D. IN-KIND CONTRIBUTIONS**

Section 104.13(a)(1) of Title 11 of the Code of Regulations states, in part, each in-kind contribution shall be reported as a contribution in accordance with 11 CFR 104.3(a). In addition, Section 104.13(a)(2) states, in part, each in-kind contribution shall also be reported as an expenditure at the same usual and normal value and reported on the appropriate expenditure schedule.

Section 100.7(a)(1)(iii) of Title 11 of the Code of Federal Regulations states, in part, the term anything of value includes all in kind contributions. Unless specifically exempted under 11 CFR 100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. If goods or services are provided at less than the usual and normal charge, the amount of the in kind contribution is the difference between the usual and normal charge for the goods and services at the time of the contribution and the amount charged the political committee.

During a review of the Committee's disbursements, the Audit staff identified five paid invoices and or canceled checks with notations that indicated either a discount had been provided to the Committee or that someone other than the Committee had paid for the services or goods. Four of these items totaled \$1,269, while the fifth indicated goods provided at no charge; however, the documentation did not include the costs of the goods provided. The Committee did not report the receipt of any in-kind contributions.

A schedule of the items was presented to the Committee's accountant prior to the exit conference. The accountant stated that he would research the items.

In the interim audit report, the Audit staff recommended that the Committee provide evidence that the items noted above were not in-kind contributions. It was further recommended that, absent such evidence, the Committee file an amended report disclosing the items as in-kind contributions. Should it be determined that any of the contributions noted above are prohibited, i.e., from corporations or excessive, the Audit staff recommended that the amounts of the contributions be refunded to the contributors.

In response to the interim audit report, the Committee amended its reports to disclose four of the in-kind contributions on Schedules A & B as required. Regarding the fifth contribution, the Committee states that it represented beverages provided by a corporation. However, the value is unknown. This contribution has been incorporated into Finding II A - Apparent Prohibited Contributions.

#### **E. DEBTS AND OBLIGATIONS**

Section 434(b)(8) of Title 2 of the United States Code states that each report filed under this section shall disclose the nature and amount of outstanding debts and obligations owed by or to such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances and conditions under which such debts or obligations were extinguished and the consideration thereof.

A review of the Committee's disbursements revealed 26 invoices, totaling \$12,216, for which no evidence of payment was found. In some cases, partial payments were noted on the invoices; however, there was no evidence of a final payment.

A schedule of the unpaid invoices was provided to the Committee's accountant prior to the exit conference. He stated that he would research the matter to determine whether the invoices had been paid.

In the interim audit report, the Audit staff recommended that the Committee provide evidence that the invoices were paid. It further recommended that absent such evidence, the Committee file an amended disclosure report listing the unpaid invoices as debts owed by the Committee.

In response to the interim audit report, the Committee filed an amended Schedule D disclosing the unpaid invoices as debts.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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October 8, 1998

Ms. Ana Davila, Treasurer  
Mapp for Congress Committee  
c/o Thaw, Gopman & Associates, Inc.  
20451 Northwest 2nd Ave.  
Miami, FL 33169

Dear Ms. Davila:

Attached please find the Final Audit Report on the Mapp for Congress Committee. The Commission approved the report on October 5, 1998.

The Commission approved Final Audit Report will be placed on the public record on October 13, 1998. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220 or toll free at (800) 424-9530. Any questions you have related to matters covered during the audit or in the report should be directed to Brenda Wheeler, or Ray Lisi of the Audit Division at (202) 694-1200 or at the above toll free number.

Sincerely,

A handwritten signature in black ink, appearing to read "R. J. Costa".

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

10/13/98 10:00 AM

# CHRONOLOGY

## MAPP FOR CONGRESS COMMITTEE

Audit Fieldwork	6/24/97 - 7/18/97
Interim Audit Report to Committee	2/11/98
Response Received to Interim Audit Report	4/30/98
Final Audit Report Approved	10/5/98

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