




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 30, 1999

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
FRIENDS OF MAJOR OWENS

Attached please find a copy of the final audit report and related documents on Friends of Major Owens which was approved by the Commission on December 16, 1999.

Informational copies of the report have been received by all parties involved and the report may be released to the public on December 30, 1999.

Attachment as stated

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

02-07-025-3126

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**REPORT OF THE AUDIT DIVISION**  
**ON**  
**FRIENDS OF MAJOR OWENS**  
**Approved December 16, 1999**



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

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22.07.025.3128

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22.07.025.4129



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A99-08

## FRIENDS OF MAJOR OWENS

### EXECUTIVE SUMMARY

Friends of Major Owens (the Committee) registered with the Federal Election Commission on July 22, 1991, as the principal campaign committee of Major R. Owens, Democratic candidate for the U.S. House of Representatives from the state of New York, 12th District.

The audit was conducted pursuant to 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 arising from the audit were presented to the Committee at an exit conference held at the completion of fieldwork on August 12, 1999 and later, in an interim 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 Audit staff's reconciliation of the Committee's reported activity to its bank activity revealed material misstatements

In response to the interim audit report, the Committee filed amended reports which materially corrected these misstatements.

**Itemization of Contributions from Individuals** — 2 U.S.C. §434(b)(3)(A). Contributions from individuals were not itemized on Schedules A as required.

In response to the interim audit report, the Committee filed amended Schedules A disclosing the contributions.

**Disclosure of Contributions from Political Committees** — 2 U.S.C. §§434(b)(3)(B) and 431(13)(B). Contributions from political committees were not properly disclosed. The disclosure errors consisted of omitted aggregate year-to-date amounts, incorrect contribution amounts, and inaccurate dates.

In response to the interim audit report, the Committee filed amended Schedules A correcting the above irregularities.

Itemization and Disclosure of Disbursements — 2 U.S.C. §434(b)(5)(A).

Disbursements totaling \$27,583 were not itemized on the Committee's disclosure reports as required. Further, with respect to those itemized on Schedules B, ten disbursements totaling \$15,867 were not disclosed properly. Disclosure errors consisted of inaccurate amounts, incorrect payee names, and inaccurate purposes.

In response to the interim audit report, the Committee filed amended Schedules B correcting those disbursements requiring itemization and the disclosure irregularities noted above.

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**REPORT OF THE AUDIT DIVISION  
ON  
FRIENDS OF MAJOR OWENS**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of Friends of Major Owens (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 January 1, 1997 through December 31, 1998. The Committee reported a beginning cash balance of \$15,056 total receipts for the period of \$151,065; total disbursements for the period of \$120,201; and, an ending cash balance of \$45,920.<sup>1</sup>

**C. COMMITTEE ORGANIZATION**

The Committee registered with the Federal Election Commission on July 22, 1991, as the principal campaign committee for Major R. Owens, Democratic candidate for the U.S. House of Representatives from the State of New York, 12th District. The Treasurer of the Committee during the audit period was Asquith D. Reid, who continues to serve in that capacity. The Committee maintains its headquarters in Brooklyn, New York.

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<sup>1</sup> Reported figures are materially misstated. See Finding II. A. Misstatement Of Financial Activity.

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To manage its financial activity, the Committee used one bank account. From this account, the Committee made approximately 400 disbursements. The Committee received contributions from individuals totaling \$52,256. In addition, the Committee received 82 contributions from political committees totaling \$116,873.

#### **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;
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. B. & C.);
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. D.);
5. Proper disclosure of Committee debts and obligations;
6. The accuracy of total reported receipts, disbursements and cash balances as compared to Committee bank records (see Finding II. A.);
7. Adequate recordkeeping of committee transactions; and,
8. Other audit procedures that were deemed necessary in the situation.

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

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. MISSTATEMENT OF FINANCIAL ACTIVITY**

Sections 434(b)(1), (2), and (4) of Title 2 of the United States Code state, in part, that a political committee shall disclose the amount of cash on hand at the

beginning of the reporting period and the total amount of all receipts and the total amount of all disbursements for the reporting period and calendar year.

The Audit staff's reconciliation of the Committee's reported financial activity to its bank activity revealed material misstatements with respect to beginning cash-on-hand, receipts, disbursements, and ending cash-on-hand for calendar years 1997 and 1998. The Committee did not maintain records to show the derivation of its reported amounts.

Reported cash-on-hand at January 1, 1997 was \$15,056, the correct amount is \$1,515. Apparently reporting errors which occurred prior to the audit period caused this misstatement. Reported receipts for calendar years 1997 and 1998 were understated by a net amount of \$18,064. The net understatement was due to the Committee not reporting contributions from individuals (\$16,064) and PACs (\$2,000). Reported disbursements for calendar years 1997 and 1998 were understated by a net amount of \$26,316. The net understatement was primarily due the Committee not reporting certain disbursements totaling \$27,591. Finally, reported ending cash-on-hand at December 31, 1998 was misstated by \$21,793 due to the irregularities noted above.

At the exit conference, the Committee's representative was provided copies of the Audit staff's 1997 and 1998 bank reconciliation workpapers. The misstatement for each year was discussed. The Committee representative stated that amended disclosure reports would be filed to correct the public record.

In the interim audit report, the Audit staff recommended that the Committee file amended reports for calendar years 1997 and 1998 including corrected Summary and Detailed Summary Pages, as well as, amended Schedules A and/or Schedules B, as appropriate.

In response to the interim audit report, the Committee filed amended disclosure reports for calendar years 1997 and 1998 that materially complied with the above recommendation.

## **B. ITEMIZATION OF CONTRIBUTIONS FROM INDIVIDUALS**

Section 434(b)(3)(A) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person (other than a political committee) who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such contribution.

The Audit staff reviewed contributions from individuals totaling \$42,895. It was determined that 12 of these contributions, totaling \$5,775, were not itemized on Schedules A as required. Eight of these contributions should have been itemized on the



1998 July 15 Quarterly Report, the remaining 4 should have been itemized on the 30-Day Post-Election Report following the General Election.

At the exit conference, the Committee's representative was informed of this matter and provided a copy of the workpapers detailing the irregularities noted above. The representative agreed to file amended Schedules A.

In the interim report the Audit staff recommended that the Committee file amended Schedules A to disclose properly the contributions at issue. For each reporting period for which amendments were required, corrected Summary and Detailed Summary Pages were to be included.

In response to the interim audit report, the Committee filed amended Schedules A disclosing the above contributions.

**C. DISCLOSURE OF CONTRIBUTIONS FROM POLITICAL COMMITTEES**

Section 434(b)(3)(B) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of any such contribution.

Section 431(13)(B) of Title 2 of the United States Code defines the term "identification" to be, in the case of any other person, the full name and address of such person.

The Committee did not disclose properly 23 contributions from political committees, totaling \$41,400. Disclosure errors consisted of: omitted aggregate year-to-date amounts, incorrect contribution amounts and inaccurate dates.

At the exit conference, the Committee's representative was informed of this matter and provided a copy of the workpapers detailing the irregularities noted above. The representative indicated that amended reports would be filed to correct the public record.

In the interim audit report, the Audit staff recommended that the Committee file amended Schedules A to disclose correctly the contributions at issue.

In response to the interim audit report, the Committee filed amended Schedules A correcting the irregularities noted above.

**D. ITEMIZATION AND DISCLOSURE OF DISBURSEMENTS**

Section 434(b)(5)(A) of Title 2 of the United States Code states that each report shall disclose the name and address of each person to whom an expenditure in an

CHRONOLOGY  
FRIENDS OF MAJOR OWENS

Audit Fieldwork	06/14/99 — 08/12/99
Interim Audit Report to the Committee	10/08/99
Response Received to the Interim Audit Report	11/29/99
Final Audit Report Approved	12/16/99

02.07.025.3136



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 21, 1999

Mr. Asquith D. Reid, Treasurer  
Friends of Major Owens  
P.O. Box 2265  
Brooklyn, New York 11202

Dear Mr. Reid:

Attached please find the Report of the Audit Division on Friends of Major Owens. The Commission approved the report on December 16, 1999.

The Commission approved Final Audit Report will be placed on the public record on December 30, 1999. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the report should be directed to Lorenzo David or Tom Nurthen of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

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

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

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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.

The Audit staff reviewed 236 disbursements, totaling \$129,774 which were required to be itemized. Of these, it was determined that 52, totaling \$27,583, were not itemized on Schedules B as required.

Further, with respect to those itemized on Schedule B, the Audit staff identified 10 disbursements, totaling \$15,867, that were not disclosed properly. This represents approximately 24% of the total dollar amount of disbursements itemized on the Committee's reports. Disclosure errors consisted of: inaccurate amounts, incorrect payee names, and inaccurate purposes.

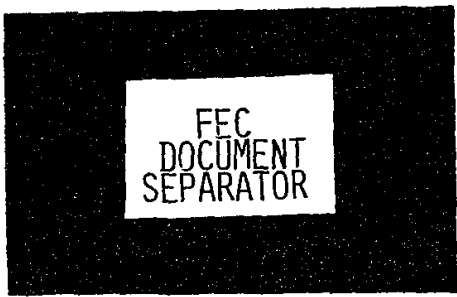
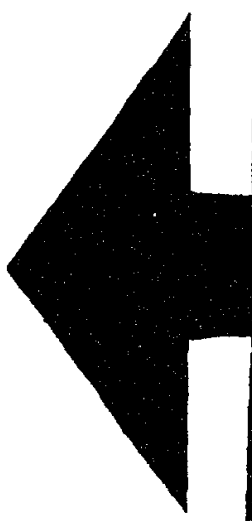
At the exit conference, the Audit staff provided the Committee's representative with workpapers detailing the above. The Committee representative indicated amended Schedules B would be filed.

In the interim audit report, the Audit staff recommended that the Committee file amended Schedules B to disclose properly the disbursements at issue.

In response to the interim audit report, the Committee filed amended Schedules B disclosing those disbursements required to be itemized and correcting the disclosure irregularities noted above.



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