




FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 29, 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 RONNIE SHOWS

Attached please find a copy of the final audit report and related documents on Friends of Ronnie Shows which was approved by the Commission on November 18, 1999.

Informational copies of the report have been received by all parties involved and the report may be released to the public on November 29, 1999.

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

FRIENDS OF RONNIE SHOWS

EXECUTIVE SUMMARY

The Friends of Ronnie Shows (the Committee) registered with the Federal Election Commission on March 23, 1999 as the principal campaign committee of Ronnie Shows, Democratic candidate for the U.S. House of Representatives from the state of Mississippi, 4th District. The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission. The findings of the audit were presented to the Committee at the completion of fieldwork on July 1, 1999 and later in the interim audit report. The Committee's response to those findings is contained in the audit report. The following is an overview of the findings contained in the audit report.

APPARENT PROHIBITED CONTRIBUTIONS — 2 U.S.C. §441b(a). The audit revealed that the Committee received 23 contributions totaling \$8,600 from incorporated entities. Of this amount, \$2,400 was refunded, albeit not timely. In response to the interim audit report, the Committee provided evidence of additional refunds totaling \$4,550. It was also determined that 5 contributions totaling \$1,650 were not from corporations.

RECEIPT OF CONTRIBUTIONS IN EXCESS OF THE LIMITATION — 2 U.S.C. §441a(a)(1)(A) and (2)(A). Contributions from 23 individuals and three political committees were identified as exceeding the contribution limitation by \$53,750 and \$5,500, respectively. The Committee issued refunds to individuals totaling \$37,250 and to political committees totaling \$2,500, albeit untimely. In response to the interim audit report, the Committee provided evidence of additional refunds totaling \$7,000 and evidence to demonstrate that one contribution in the amount \$750 was not in excessive. The Committee also presented signed redesignations and/or reattributions in an effort to demonstrate that \$3,500 in contributions were not excessive. The remaining \$5,250 in excessive contributions from individuals were not addressed. Regarding the remaining \$3,000 in excessive contributions from political committees, a \$1,000 refund was reportedly made in September, 1999; however, no documentation was provided.

RECEIPT OF CURRENCY IN EXCESS OF LIMITATION — 2 U.S.C. §441g. The Audit staff's review of receipts identified 21 deposits involving \$23,881 in currency. There were no records to document the source of the funds deposited. In response to the interim audit report, the Committee provided documentation to demonstrate that \$14,091

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in deposits involving currency were generated from fundraising activities involving contributions of \$50 or less. The Committee identified the contributor of a \$500 contribution and refunded the entire amount. For the balance of the undocumented currency, the Committee provided copies of official bank checks as evidence of donations to charities.

ITEMIZATION OF CONTRIBUTIONS — 2 U.S.C. §§434(b)(3)(A) and 431(13)(A). Our review of contributions from individuals revealed that a material number of contributions were not itemized as required. The Audit staff also reviewed contributions from political committees and determined that the Committee failed to itemize 45 contributions totaling \$62,850. In response to the interim report, the Committee filed amended reports which disclosed the aforementioned contributions.

RECORDKEEPING FOR AND ITEMIZATION OF DISBURSEMENTS — 2 U.S.C. §432(c)(5) and (d). The audit revealed that the Committee did not maintain adequate documentation for disbursements totaling \$211,990. In addition, the Committee did not itemize 59 disbursements totaling \$164,655. In response to the interim audit report, the Committee provided copies of canceled checks and other bank documentation for the \$211,990 in disbursements. The Committee also filed amended reports to itemize those disbursements that were not previously disclosed.

MISSTATEMENT OF FINANCIAL ACTIVITY — 2 U.S.C. §434(b)(1), (2) and (4). The Committee's reported receipts were understated by a net amount of \$20,076 and disbursements understated by a net amount of \$30,555. As a result, cash on hand at the end of the audit period was overstated by \$10,479. The misstatement was due primarily to the Committee's failure to report receipts and disbursements between October 15th and 18th, 1998. In response to the interim audit report, the Committee filed amended reports which corrected the public record.

DISCLOSURE OF LOAN INFORMATION — 11 C.F.R. §104.3(d)(1). The Committee received 4 loans totaling \$32,562, but did not disclose the loans on Schedules A and C-1. In response to the interim audit report, the Committee amended its reports to disclose Schedules A and C-1 as recommended.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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REPORT OF THE AUDIT DIVISION
ON
FRIENDS OF RONNIE SHOWS

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Friends of Ronnie Shows Committee (the Committee), undertaken by the Audit Division of the Federal Election Commission (the 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 February 18, 1998, through December 31, 1998. The Committee reported a beginning cash balance of \$0; total receipts for the period of \$701,928; total disbursements for the period of \$681,309; and an ending cash balance of \$20,618 on December 31, 1998.³

³ The figures cited in this report are rounded to the nearest dollar. The amounts reported do not foot (see Finding H.F., Misstatement of Financial Activity).

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C. CAMPAIGN ORGANIZATION

The Committee registered with the Commission on March 23, 1999⁴ as the principal campaign committee for Ronnie Shows, Democratic candidate for the U.S. House of Representatives from the state of Mississippi for the Fourth District.

The treasurer of the Committee during the audit period and currently, is Thomas G. Bass. The Committee maintains its headquarters in Bassfield, Mississippi.

To manage its financial activity, the Committee maintained one bank account. From this account, the Committee made approximately 247 disbursements. Into this account the Committee deposited approximately 1,200 contributions totaling \$722,004.

D. AUDIT SCOPE AND PROCEDURES

The audit covered the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations [see Findings II.B. and II.C.];
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations [see Finding II.A.];
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 [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 [see Finding II.E.];
5. proper disclosure of campaign debts and obligations [see Finding II.G.];

⁴ Neither the *Statement of Organization* nor a *Statement of Candidacy* were timely filed.

6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records [see Finding II.F.];
7. adequate recordkeeping for campaign transactions [see Finding II.E.]; and
8. other audit procedures that were deemed necessary in the situation.

Although the Committee's contribution records meet the minimum recordkeeping requirements of the Act, the scope of our testing of contributions received from individuals was limited because the Committee's contribution records did not include response devices or other documentation generated by the contributor which contained the contributor's occupation and name of employer. Therefore, no verification of the reported information was possible.

Our testing of disbursements was also limited because the Committee did not maintain adequate documentation for disbursements. Further, since invoices or other documentation generated by the payee was not available for a material number of disbursements, we were not able to verify the purpose or determine the date of incurrence for expenses, and in turn were not able to identify debts or obligations required to be disclosed.

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

II. AUDIT FINDINGS AND RECOMMENDATIONS

A. APPARENT PROHIBITED CONTRIBUTIONS

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any election at which a Representative in Congress is to be voted for, or in connection with any primary election or political convention or caucus held to select candidates for such office, 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)(1) of Title 11 of the Code of Federal Regulations states, in part, that contributions that present genuine questions as to whether they were made by corporations, labor organizations, foreign nationals, or Federal contractors may be, within ten days of the treasurer's receipt, either deposited into a campaign depository under 11 CFR 103.3(a) or returned to the contributor. The treasurer shall make at least one written

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or oral request for evidence of the legality of the contribution. If the contribution cannot be determined to be legal, the treasurer shall, within thirty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Sections 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 legality of the contribution is in question shall be included in the report noting the receipt of the contribution. If a 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.

Our review of contributor records revealed that the Committee received 23 contributions totaling \$8,600 from incorporated entities. The corporate status of the entities was verified with the Mississippi Secretary of State. Of this amount, \$2,400 was refunded, albeit not timely. These refunds were made on June 18, 1999, after the date on which the Committee was notified of the audit. Based on a review of the Committee's bank balances at the end of each statement period, the Committee did not, in each period, maintain sufficient funds to refund the \$8,600 in prohibited contributions.⁵

This issue was discussed with Committee representatives at the exit conference. Committee representatives stated that they were in the process of identifying and resolving questionable contributions.

The interim audit report recommended that the Committee provide evidence demonstrating that the contributions in question were not from corporations, absent such evidence, refund \$6,200. The report also recommended that the Committee provide evidence for such refunds, including refunds made on June 18, 1999. If funds were not available to make refunds, disclosure of the prohibited contributions as refunds owed to the contributors until such time that funds become available was also recommended.

In response to the interim audit report, the Committee provided evidence of additional refunds totaling \$4,550. It was determined that 5 contributions totaling

⁵ When reviewing the bank balances to determine if sufficient funds were available, the amounts identified as impermissible contributions discussed in Findings II.B and II.C. were taken into consideration.

\$1,650 were not from corporations. Official bank checks were used to effect refunds; copies of the checks were included in the response.⁶

B. RECEIPT OF CONTRIBUTIONS IN EXCESS OF THE LIMITATION

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 441a(a)(2)(A) of Title 2 of the United States Code states that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

Section 102.9(f) of Title 11 of the Code of Federal Regulations states that the treasurer shall maintain the documentation required by 11 CFR 110.1(l) concerning designations, redesignations, reattributions and the dates of contributions. If the treasurer does not maintain this documentation, 11 CFR 110.1(l)(5) shall apply.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer shall be responsible for examining all contributions received for ascertaining whether contributions received, when aggregated with other contributions from the same contributor, exceed the contribution limitation set forth in 11 CFR 110.1. Contributions which on their face exceed the contribution limitations set forth in 11 CFR 110.1 and contributions which do not appear to be excessive on their face, but which exceed the contribution limits set forth in 11 CFR 110.1 when aggregated, may be either deposited into a campaign depository under 11 CFR 103.3(a) or returned to the contributor. If any such contribution is deposited, the treasurer may request redesignation or reattribution of the contribution by the contributor in accordance with 11 CFR 110.1(b) or 110.1(k). If a redesignation or reattribution is not obtained, the treasurer shall, within sixty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that a contribution which appears to be illegal under 11 CFR 103.3(b)(3) and 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 or maintain sufficient funds to make all such refunds.

Section 110.1(b)(2)(ii) of Title 11 of the Code of Federal Regulations states, in part, that "with respect to any election" means in the case of a contribution

⁶ Also included in its response were copies of the refund checks, dated June 18, 1999.

designated in writing by the contributor for a particular election, the election so designated, and 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.

Section 110.1(b)(5)(i)(C) of Title 11 of the Code of Federal Regulations states, in part, that the treasurer of an authorized political committee may request a written redesignation of a contribution by the contributor for a different election if the contribution was not designated in writing for a particular election, and the contribution exceeds the limitation on contributions.

Section 110.1(b)(5)(ii) of Title 11 of the Code of Federal Regulations states, in part, that a contribution shall be considered to be redesignated for another election if the treasurer of the recipient authorized political committee requests that the contributor provide a written redesignation of the contribution and informs the contributor that the contributor may request the refund of the contribution as an alternative to providing a written redesignation, and that within sixty days from the date of the treasurer's receipt of the contribution, the contributor provides the treasurer with a written redesignation of the contribution for another election, which is signed by the contributor.

Section 110.1(k)(3)(i) of Title 11 of the Code of Federal Regulations states, in part, that if a contribution to a candidate, either on its face or when aggregated with other contributions from the same contributor, exceeds the limitations on contributions, the treasurer of the recipient committee may ask the contributor whether the contribution was intended to be a joint contribution by more than one person.

Sections 110.1(k)(3)(ii)(A) and (B) of Title 11 of the Code of Federal Regulations state, in part, that a contribution shall be considered to be reattributed to another contributor if the treasurer of the recipient 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 if 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.

Section 110.1(l)(1) of Title 11 of the Code of Federal Regulations states, in part, that if a political committee receives a contribution designated in writing for a particular election, the treasurer shall retain a copy of the written designation.

Section 110.1(l)(3) of Title 11 of the Code of Federal Regulations states, 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.

Section 110.1(l)(5) of Title 11 of the Code of Federal Regulations states, in part, that if a political committee does not retain the written records concerning designation, the contribution shall not be considered to be designated in writing for a particular election, and the provisions of 11 CFR 110.1(b)(2)(ii) shall apply.

During the review of contributions from individuals, the Audit staff identified \$53,750 in contributions from 23 individuals that were in excess of those individuals' \$1,000 per election contribution limitation. Documentation to support that the contributions were timely designated to more than one election or attributed to more than one individual was not presented for Audit staff review.⁷ To identify the apparent excessive contributions, the Audit staff considered the signatory on the check as the contributor and the election to which the contribution was applied was based on the date of the contribution check. Excessive contributions identified related to both the primary and general elections. The primary election was held on June 2, 1998.

Likewise, the review of contributions from political committees identified \$5,500 in contributions in excess of the limitation.

Based on a review of the Committee's bank balances at the end of each statement period, the Committee did not, in each period, maintain sufficient funds to refund the excessive contributions.⁸

Subsequent to being notified of the audit, Committee representatives began the process of identifying and resolving questionable contributions. On June 18, 1999, the Committee issued refunds for excessive contributions to individuals totaling \$37,250 and to political committees totaling \$2,500.

The interim audit report recommended that the Committee provide evidence demonstrating that the contributions in question were either not excessive, or were reattributed, redesignated or refunded in a timely manner; absent such evidence, refund \$19,500. The report also recommended that the Committee provide evidence for such refunds, including those refunds made on June 18, 1999. If funds were not available to make refunds, disclosure of the excessive contributions as refunds owed to the contributors until such time that funds become available was also recommended.

⁷ Undated documents obtained for one reattribution and two redesignations were not considered acceptable.

⁸ When reviewing the bank balances to determine if sufficient funds were available, the amounts identified as impermissible contributions, discussed in Findings II.A. and II.C., were taken into consideration.

In response to the interim audit report, the Committee provided evidence of refunds totaling \$7,000 and evidence to demonstrate that \$750 was not in excess of the 2 U.S.C. §441a(a) limit. Official bank checks and negotiated Committee checks were used to effect the refunds; copies of the checks were included in the response.⁹ The Committee also presented signed redesignations and/or reattributions in an effort to demonstrate that \$3,500 in contributions were not excessive. The regulations stipulate that redesignations and/or reattributions must be made within sixty days of receipt of a contribution. Moreover, the redesignations and reattributions must be dated by the contributor. These devices were not dated. Accordingly, the related contributions are still viewed as excessive. The remaining \$5,250 in excessive contributions from individuals were not addressed.

The Committee took no action on the remaining \$3,000 in excessive contributions from political committees. However, on its amended reports for 1998, a refund of \$1,000 was reportedly made on September 23, 1999 to one of the political committees identified as having made an excessive contribution. Evidence of the refund was not included in the response.

The chart below depicts the actions taken relative to the excessive contributions.

	INDIVIDUALS	POLITICAL COMMITTEES
Excessive Contributions	\$53,750	\$5,500
LESS:		
Untimely Refunds dated 6/18/99	37,250	2,500
Untimely Refunds in Response to Interim Audit Report	7,000	
Contribution not Excessive	750	
Apparent Untimely Redesignations and Reattributions	3,500	
Reported Refund not Verified		1,000
Excessive Contributions Not Addressed	\$ 5,250	\$ 2,000

C. RECEIPT OF CURRENCY IN EXCESS OF LIMITATION

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

⁹ Also included in its response were copies of the refund checks, dated June 18, 1999.

respect to any campaign of such candidate for nomination for election, or for election, to Federal office.

Sections 110.4(c)(2) and (3) of the Code of Federal Regulations state 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.

The Audit staff's review of receipts identified 21 deposits involving \$23,881 in currency. There were no records to document the source of the funds deposited. Consequently, the amount of currency included in each of the 21 deposits was viewed as an anonymous contribution and the amount in excess of \$50 was viewed as an excessive contribution. Accordingly, the Committee received excessive currency totaling \$22,831 [$\$23,881 - \$1,050 (21 \times \$50)$]. Based on a review of the Committee's bank balances at the end of each statement period, the Committee did not, in each period, maintain sufficient funds to dispose of the excessive currency.

A schedule of the deposits and the excessive amounts was provided to Committee representatives at the exit conference.

According to Committee representatives, the currency was the result of fundraising activities at which currency was accepted as gate receipts. The Audit staff informed the Committee representatives that in cases where contributions are collected at events, records should be kept documenting the name of the event, the date, and the total amount of contributions received on each day of the event¹⁰. However, individual contributions exceeding \$50 must be recorded as prescribed at 11 C.F.R. §§102.9(a)(1) and (2).

The Committee representatives stated that they would attempt to provide information relating to the fundraising events to account for the currency.

The interim audit report recommended that the Committee either provide records for fundraising events to include records of the name and address of individuals who contributed over \$50 or provide the identities of the contributors of the currency and refund any amounts received in excess of \$100 per individual. If the Committee was unable to identify the source of the funds, the report recommended that these funds be disposed of for any lawful purpose not related to any Federal election, campaign, or candidate. Finally, if funds were not available to dispose of or refund the excessive currency, the report recommended that the Committee disclose the excessive amount as a debt, until such time that funds become available.

¹⁰ Campaign Guide for Congressional Candidates and Committees, p. 24.

In response to the interim audit report, the Committee provided documentation to demonstrate that \$14,091 in deposits involving currency were generated from fundraising activities involving contributions of \$50 or less. One individual was identified as contributing \$500 in currency; the entire amount was refunded. Finally, the Committee wrote in the response, "[e]vents which we were unable to provide documentation for have been forwarded to various charities." Copies of the official bank checks, which covered the remaining balance, were provided as evidence of the donations.

D. ITEMIZATION OF CONTRIBUTIONS

Section 434(b)(3)(A) of Title 2 of the United States Code requires a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year, together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be, in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 104.3(a)(4)(ii) of Title 11 of the Code of Federal Regulations requires that each report shall include the identification and the aggregate year-to-date total for all committees (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period, together with the date of receipt and amount of any such contribution.

Contributions from individuals were examined on a sample basis. Our review revealed that a material number of contributions were not itemized as required. For example, between October 15, 1998 and October 19, 1998 contributions in an aggregate amount or value in excess of \$200 were received, however none during that period were itemized on the report filed for the Post-General period.

In addition, the Audit staff reviewed 160 contributions totaling \$250,100 from political committees and determined that the Committee did not itemize 45 contributions totaling \$62,850, approximately 25% of the amount of contributions received from political committees.

At the exit conference the Audit staff provided the Committee with a schedule of the contributions from political committees that were not itemized as required. Committee representatives acknowledged the reporting problems and stated their intention to amend the reports.

The interim audit report recommended that the Committee file amended

Schedules A (Itemized Receipts) to itemize contributions from individuals and political committees.

In response, the Committee filed amended reports which disclosed the aforementioned contributions to complete the public record.

E. RECORDKEEPING FOR AND ITEMIZATION OF DISBURSEMENTS

Sections 432(c)(5) and (d) of Title 2 of the United States Code state that the treasurer of a political committee shall keep an account of the name and address of every person to whom any disbursement is made, the date, amount, and purpose of the disbursement, and the name of the candidate and the office sought by the candidate, if any, for whom the disbursement was made, including a receipt, invoice, or canceled check for each disbursement in excess of \$200. The treasurer shall preserve all records required to be kept by this section and copies of all reports required to be filed by this subchapter for 3 years after the report is filed.

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 aggregate amount of 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.

Sections 104.3(b)(4)(i)(A) and (B) of Title 11 of the Code of Federal Regulations define "purpose" as a brief statement or description of why the disbursement was made, and gives examples of acceptable descriptions.

The Audit staff reviewed all of the Committee's disbursements to determine if records were maintained as required and if the disbursements were adequately disclosed. The review revealed that the Committee did not maintain adequate documentation for disbursements totaling \$211,990 (30% of the total dollar value of disbursements). For seven disbursements made by wire transfer totaling \$147,593, no debit memos or other record of the disbursements (other than the wire transfer debit on the bank statement) were maintained. In addition, no canceled checks were maintained for 14 disbursements totaling \$39,815. And, for 12 other disbursements totaling \$24,582, the documentation either lacked a purpose, contained an inadequate purpose, or lacked an address.

The review also revealed that the Committee did not itemize 59 disbursements totaling \$164,655 or 23% of the total amount required to be itemized.

At the exit conference, Committee representatives were provided with schedules detailing these irregularities.

Again, Committee representatives acknowledged the reporting problems and stated their intention to amend the reports and provide the missing canceled checks and debit memos to document the wire transfers.

The interim audit report recommended that the Committee obtain and submit the missing disbursement documentation noted above to include originals or copies of the debit memos for the wire transfers, related invoices, and the canceled checks. It further recommended that the Committee file amended Schedules B to disclose the disbursements that were not itemized.

In response to the interim audit report, the Committee provided copies of the canceled checks, amended its reports to disclose an acceptable purpose for the disbursements in question and itemized on Schedule B those disbursements that previously were not disclosed. The Committee also provided bank documentation in the form of wire transmittals and a debit memo to document the \$147,593 in wire transfers.

F. 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 disbursements for the reporting period and calendar year.

The Audit staff reconciled the Committee's reported financial activity to its bank activity for the period February 18, 1998 through December 31, 1998 and determined that both receipts and disbursements were understated. Receipts were understated by a net amount of \$20,076 and disbursements by a net amount of \$30,555. These understatements were primarily due to the Committee's failure to report receipts and disbursements between October 15, 1998 and October 19, 1998. Between these dates, the Committee deposited \$36,265 in contributions and expended \$36,741 in disbursements. Miscellaneous reporting errors accounted for the remainder of the misstatement.

As a result of the misstatements of receipts and disbursements noted above, the Committee's reported ending cash on hand at December 31, 1998 of \$20,618 was overstated by \$10,479.

At the exit conference, Committee representatives were provided schedules of the above reporting errors.

The interim audit report recommended that the Committee file amended reports for each reporting period from its inception through 12/31/98 to correct the misstatements noted above.

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In response to the interim audit report, the Committee filed amended reports which corrected the public record.

G. DISCLOSURE OF LOAN INFORMATION

Section 104.3(d)(1) of Title 11 of the Code of Federal Regulations states, in part, that when a candidate or political committee obtains a loan from, or establishes a line of credit at, a lending institution as described in 11 CFR 100.7(b)(11) and 100.8(b)(12), it shall disclose in the next due report the following information on schedule C-1: the date; amount of loan; interest rate and repayment schedule; types and value of collateral used to secure the loan; an explanation of basis upon which the loan was established; and a certification from the lending institution of the accuracy of the borrower's statements.

Section 104.3(a)(4)(iv) of Title 11 of the Code of Federal Regulations states, in relevant part that each report shall disclose each person who makes a loan to the reporting committee or to the candidate acting as an agent of the committee, during the reporting period, together with the identification of any endorser or guarantor of such loan, the date such loan was made and the amount or value of such loan.

The Committee obtained one loan from Waltham Citizens Bank in the amount of \$10,000. In addition, the Candidate obtained three personal loans from MDOT Federal Credit Union and, in turn, loaned the campaign \$22,562¹¹. On its disclosure reports, the Committee included the loans received in total receipts on the Detailed Summary Pages and disclosed the loans on Schedule C (Loans). However, the loans were not disclosed on Schedule A (Itemized Receipts) or Schedule C-1 (Loans and Lines of Credit from Lending Institutions) as required.

At the exit conference, Committee representatives were provided a workpaper detailing the loan activity and a recommendation that the Committee file the appropriate Schedules C-1. Committee representatives acknowledged the reporting problems and stated their intention to amend the reports.

The interim audit report recommended that the Committee amend its reports to include the required Schedules A and C-1.

In response to the interim audit report, the Committee filed amended reports which included Schedules A and C-1 as recommended.

¹¹ As of December 31, 1998, one loan in the amount of \$11,015 was outstanding.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 23, 1999

Mr. Thomas G. Bass, Treasurer
Friends of Ronnie Shows
Rt. 2, Box 228A-1
Bassfield, MS 39421

Dear Mr. Bass:

Attached please find the Report of the Audit Division on the Friends of Ronnie Shows Committee. The Commission approved the report on November 18, 1999.

The Commission approved Final Audit Report will be placed on the public record on November 29, 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 have related to matters covered during the audit or in the report should be directed to Brenda Wheeler or Wanda Thomas 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 "Robert J. Costa".

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

cc: Cindy Parrish, CPA
Craig Adams, CPA

22-07-025-3283

11/18/99 10:00 AM

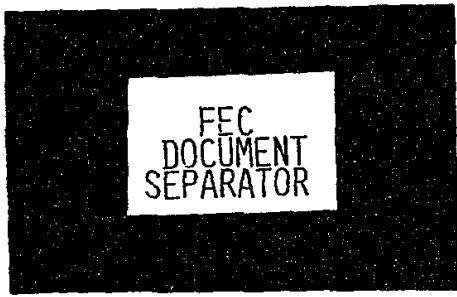
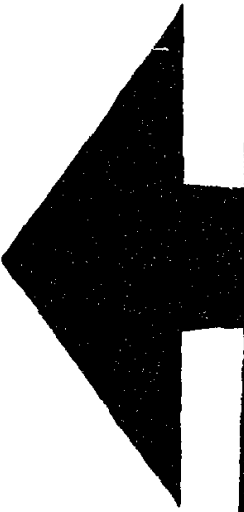
CHRONOLOGY

FRIENDS OF RONNIE SHOWS

Audit Fieldwork	06/21/99 — 07/01/99
Interim Audit Report to the Committee	09/03/99
Response Received to the Interim Audit Report	10/06/99
Final Audit Report Approved	11/18/99

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SEPARATOR

