




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

February 6, 2002

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

THROUGH: ROBERT J. COSTA  
DEPUTY STAFF DIRECTOR

FROM: JOSEPH F. STOLTZ   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON  
MEEKS FOR CONGRESS 2000

Attached please find a copy of the audit report and related documents on Meeks for Congress 2000, which was approved by the Commission on January 30, 2002.

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 THE  
**Meeks for Congress 2000**

Approved January 30, 2002



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

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION  
ON  
MEEKS FOR CONGRESS 2000**

**EXECUTIVE SUMMARY**

Meeks for Congress 2000 (MFC) registered with the Federal Election Commission on August 20, 1997, as the principal campaign committee for the Honorable Gregory W. Meeks, Democratic candidate for the U.S. House of Representatives from the State of New York, 6<sup>th</sup> 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 MFC at the completion of fieldwork on August 31, 2001 and later in the interim audit report. MFC's response to those findings is contained in the audit report.

In maintaining its disbursement records, MFC satisfied the minimum recordkeeping requirements of 11 CFR §102.9; however, the Audit staff's testing of disbursements was limited by the lack of external documentation for about 31% of the disbursements selected for review. This lack of third party records limited the testing for the proper reporting of debts and obligations; as well as the adequacy of disclosure of information, such as payee, address and purpose for disbursements.

**DISCLOSURE OF RECEIPTS** — 2 U.S.C. §§434(b)(3) and 431(13); 11 CFR §§104.3(a)(4) and 104.7(a) & (b). MFC failed to disclose 53 contributions from individuals totaling \$21,995. In addition, MFC did not disclose the contributor's occupation and/or name of employer for 132 contributions totaling \$72,624. Finally, a review of contributions from political committees revealed 20 disclosure errors associated with contributions totaling \$25,000.

In response to the interim audit report, MFC did not demonstrate that it had made best efforts to obtain and disclose contributor occupation and name of employer, but did file amended Schedules A to correct the other disclosure errors.

**DISCLOSURE OF DISBURSEMENTS** — 2 U.S.C. §434 (b)(5)(A). A review of all MFC disbursements indicated 50 disbursements, totaling \$61,570, were not disclosed. In addition, a review of all disbursements required to be disclosed on Schedule B for 1999 revealed that for

59 disbursements, totaling \$18,943, MFC failed to disclose the payee's address or inadequately disclosed the address.

In response to the interim audit report, MFC filed the requested amended schedules.

**MISSTATEMENT OF FINANCIAL ACTIVITY** — 2 U.S.C. §434(b)(1) and (2). A reconciliation of MFC's reported financial activity to its bank records for the period January 1, 1999 through December 31, 2000, revealed misstatements of its reported beginning cash, receipts, disbursements and ending cash.

In response to the interim audit report, MFC amended its reports.



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***REPORT OF THE AUDIT DIVISION  
ON  
MEEKS FOR CONGRESS 2000***

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of Meeks For Congress 2000 (MFC), 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 January 1, 1999 through December 31, 2000. MFC reported a beginning cash balance of \$33,094; total receipts for the audit period of \$358,131; total disbursements for the audit period of \$312,475; and an ending cash balance of \$78,920 on December 31, 2000.<sup>1</sup>

**C. COMMITTEE ORGANIZATION**

MFC registered with the Federal Election Commission on August 20, 1997, as the principal campaign committee for the Honorable Gregory W. Meeks, Democratic candidate for the U.S. House of Representatives from the State of New York, 6<sup>th</sup> District. The Treasurer for MFC from inception through February 11, 1999 was Howard G. Lane. On February 12, 1999, Charles H. Reeves III became Treasurer and served through the remainder of the audit period. Mr. Reeves attended a FEC reporting seminar during calendar year 2000; but has not worked with other congressional campaigns. Joan E. Flowers became Treasurer

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<sup>1</sup> These figures do not foot as the result of a \$170 error in carrying forward the ending cash on hand balance from the 1999 Year End report to the beginning cash on hand balance of the next report. Further, total receipts and disbursements were calculated by summing the current period totals for each reporting period. The amount for disbursements differs from the figure for total disbursements (\$319,799) calculated by summing the calendar year-to-date amounts reported for 1999 and 2000.

on April 10, 2001 and continues to serve in the capacity. MFC maintains its headquarters in Springfield Gardens, New York.

To manage its financial activity, MFC used one bank account. From this account, MFC made approximately 530 disbursements, totaling \$361,079. Into this account MFC deposited contributions from individuals totaling \$222,582. In addition, MFC received contributions from political action committees and other political committees, such as party committees and candidate committees, totaling \$178,645 and offsets of \$6,130.<sup>2</sup> Initially, MFC's Treasurer, a volunteer, employed a manual system to account for financial activity and to prepare disclosure reports. During August 2000, MFC acquired commonly available campaign management software to perform these functions.

#### **D. AUDIT SCOPE AND PROCEDURES**

In maintaining its disbursement records, MFC satisfied the minimum recordkeeping requirements of 11 CFR §102.9; however, the Audit staff's testing of disbursements was limited by the lack of external documentation for about 31% of the disbursements selected for review. This lack of third party records limited the testing for the proper reporting of debts and obligations; as well as the adequacy of disclosure of information, such as payee, address and purpose for disbursements. Following Commission approved procedures, the Audit staff evaluated various risk factors and as a result the scope of the audit included 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 Finding II.A.);
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.B.);
5. proper disclosure of MFC's debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to MFC's bank records (see Finding II.C.);

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<sup>2</sup> These categories of receipts total \$407,357 or \$48,576 more than reported receipts of \$358,781. See Finding II.C.

7. adequate recordkeeping for MFC's 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. DISCLOSURE OF RECEIPTS**

Section 434(b)(3)(A) of Title 2 of the United States Code requires, in part, a political committee to report the identification of each person (other than a political committee) 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 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) 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; and, in the case of any other person, the full name and address of such person.

Section 104.3(a)(4) of Title 11 of the Code of Federal Regulations states, in part, that the identification of each contributor and the aggregate year-to-date total for such contributor shall be reported for each person, other than any political committee, whose contribution or contributions aggregate in excess of \$200 per calendar year and for all committees which make contributions to the reporting committee during the reporting period.

Sections 104.7(a) and (b) of Title 11 of the Code of Federal Regulations state, in part, that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain, and submit the information required by the Act, any report of such committee shall be considered in compliance with the Act. The treasurer and the committee will only be deemed to have exercised best efforts if all written solicitations for contributions include a clear request for the contributor's full name, mailing address, occupation and name of employer, and include an accurate statement of Federal law regarding the collection and reporting of individual contributor identifications; the treasurer makes at least one effort after the receipt of each contribution aggregating in excess of \$200 per calendar year, in either a written request or documented oral request, within 30 days of receipt of the contribution, to obtain the information; and, the treasurer reports all contributor information not provided by



the contributor, but in the committee's possession, including information in contributor records, fundraising records and previously filed reports, in the same two year election cycle.

#### 1. Failure to Disclose Receipts

The Audit staff's review of receipts indicated that MFC failed to disclose 53 contributions from individuals, totaling \$21,955, on Schedule A (Itemized Receipts), as required. Of these, 35 totaling \$14,750 should have been disclosed on the 2000 April 15 Quarterly report period. In addition, there were 22 contributions from political action committees, totaling \$25,900, that were not itemized on Schedule A, and of these, 18, totaling \$22,900, were received during 1999. When questioned by the Audit staff, the current Treasurer could not explain why these receipts were not disclosed on Schedules A.

#### 2. Adequacy of Disclosure for Receipts

A review of all contributions from individuals itemized on Schedules A determined that MFC did not disclose the contributor's occupation and/or name of employer for 132 contributions totaling \$72,624. MFC provided copies of follow-up letters sent to 56 (42%) of the contributors. The letters requested that contributors provide their occupation and name of employer. The letters were dated November 5, 15, 24, December 26, 2000, and February 2 & 3, 2001; outside of the thirty-day period provided by 11 CFR §104.7 to comply with "best efforts".

The Audit staff's review of all contributions from political committees itemized on Schedules A revealed 20 disclosure errors associated with contributions, totaling \$25,000. MFC incorrectly disclosed aggregate year-to-date totals for eight contributions (\$8,500); failed to disclose the date for eleven contributions (\$14,500); and incorrectly disclosed the amount for one contribution (\$2,000). Eighteen of the 20 errors occurred during 1999.

At the exit conference, these matters were discussed with MFC's Treasurer, who stated that she would file amended reports to properly disclose these contributions.

The interim audit report recommended that MFC provide documentation demonstrating it complied with the provisions of 11 CFR §104.7(a) and (b) with respect to obtaining contributor occupation and name of employer and amend its reports by filing Schedules A disclosing the contributions noted above.

In its response to the interim audit report, MFC filed amended Schedules A to correctly itemize those contributions not previously disclosed, but did not provide documentation demonstrating it complied with the provisions of 11 CFR §104.7(a) and (b) with respect to obtaining contributor occupation and name of employer.

## **B. DISCLOSURE OF DISBURSEMENTS**

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.

### **1. Failure To Disclose Disbursements**

A review of all MFC disbursements indicated 50 disbursements, totaling \$61,570, were not disclosed on Schedule B (Itemized Disbursements) as required. Although these disclosure errors occurred throughout the audit period, two checks issued during the 2000 Post General reporting period, totaling \$35,098, or 57% of the dollar amount of disbursements not disclosed, contributed significantly to this problem. When questioned, the Treasurer could not explain why these disbursements were not disclosed on Schedules B.

### **2. Omission of Disclosure Information**

A sample review of the disbursements indicated that there was a material omission of disclosure information for 1999. As a result, the Audit staff reviewed 126 disbursements required to be itemized on Schedule B for 1999. This review revealed that for 59 disbursements (48%), totaling \$18,943, MFC failed to disclose an address or inadequately disclosed the address. The Treasurer could give no reason for these omissions.

At the exit conference, these matters were discussed with the Treasurer. The Treasurer stated that she would file appropriate amended reports to correctly disclose these disbursements.

The interim audit report recommended that MFC amend its reports by filing Schedules B disclosing the disbursements noted above. In response, MFC filed the requested amended schedules.

## **C. 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 MFC's reported financial activity to its bank activity for the period of January 1, 1999 through December 31, 2000 revealed misstatements of its reported beginning cash-on-hand, receipts, disbursements and ending cash-on-hand. MFC did not maintain records to show the derivation of its reported amounts. Absent such records, the Audit staff could not identify all differences between bank activity and reported activity.

1. 1999 Misstatement.

MFC reported a beginning cash balance of \$33,094 on January 1, 1999. The correct cash balance was determined to be \$30,934. The reported amount was overstated by \$2,160, a difference that carried over from the prior period (1998) and could not be explained absent MFC workpapers showing the derivation of the reported amount.

MFC reported total receipts of \$89,763. The correct total was \$119,255, an understatement of \$29,492. The understatement resulted, primarily, from MFC's failure to report contributions from political committees (\$22,900), contributions from individuals (\$3,100) and a deposit of \$675. Absent documentation demonstrating the derivation of MFC reported amounts, there remained an unexplained difference of \$2,817.

Total reported disbursements were \$98,078. MFC should have reported total disbursements of \$103,983, an understatement of \$5,905. The understatement is the net result of: disbursements not reported (\$12,115); improperly reported credit card memo entries (\$-2,783), voided checks reported (\$-1,899); reported disbursement not supported by a check or debit (\$-873); checks reported twice, (\$-798); improperly reported bank debits, (\$48); and, an unexplained difference of \$95.

Reported ending cash-on-hand was \$24,778. The correct cash balance was determined to be \$46,206. The amount was understated by \$21,428 as a result of the discrepancies noted above. Beginning cash on hand for 2000 was similarly misstated.

2. 2000 Misstatement.

MFC reported total receipts of \$268,369. The correct total was \$288,101, a net understatement of \$19,732. The understatement is the net result of MFC's failure to report contributions totaling \$21,510 and the reporting of receipts, totaling \$1,778, which were either not supported by a deposit or were returned for insufficient funds.

Total reported disbursements were \$214,397. MFC should have reported total disbursements of \$257,096, a net understatement of \$42,699. The understatement is the net result of MFC's: disbursements not reported (\$53,353); voided checks reported (\$-2,500); reported disbursement not supported by a check or debit (\$-6,075); checks reported twice, (\$-1,000); improperly reported bank debits, (\$1,762); an over reported unitemized amount (\$-3,480); and an unexplained difference of \$639.

Reported ending cash-on-hand was \$78,920. The correct cash balance was determined to be \$77,211. The reported amount was overstated by \$1,709 as a net result of the discrepancies noted above.

These matters were discussed at the exit conference. MFC's Treasurer, who had previously been provided preliminary copies of the Audit staff's bank

reconciliations for 1999 and 2000, agreed to file amended reports. Subsequent to the exit conference, the Audit staff supplied MFC with revised copies of these bank reconciliations.

The interim audit report recommended that MFC amend its reports by filing amended Summary and Detailed Summary Pages for calendar years 1999 and 2000. In response, MFC filed the requested amended reports.





FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A01-03

January 31, 2002

Ms. Joan E. Flowers, Treasurer  
Meeks for Congress 2000  
219-10 South Conduit Avenue  
Springfield Garden, NY 11413

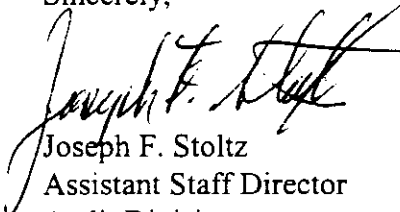
Dear Ms. Flowers:

Attached please find the Report of the Audit Division on Meeks for Congress 2000. The Commission approved the report on January 30, 2002.

The Commission approved Final Audit Report will be placed on the public record on February 6, 2002. 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 Henry Miller or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,



Joseph F. Stoltz  
Assistant Staff Director  
Audit Division

Attachment as stated



## CHRONOLOGY

### MEEKS FOR CONGRESS 2000

Audit Fieldwork	August 20 - August 31, 2001
Interim Audit Report to the Committee	November 8, 2001
Response Received to the Interim Audit Report	December 27, 2001
Final Audit Report Approved	January 30, 2002