



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 14, 2008

Mr. Ronald Gravino, Treasurer
Tom Kean for U.S. Senate, Inc.
P.O. Box 225
Colonia, NJ 07067

Dear Mr. Gravino:

Attached, please find the Report of the Audit Division on Tom Kean for U.S. Senate, Inc. The Commission approved this report on November 6, 2008.

The Commission approved Final Audit Report will be placed on the public record on November 21, 2008. Should you have any questions regarding the public release of this 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 Scott Dotzler or Marty Favin of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in cursive script that reads "Wanda J. Thomas".

Wanda J. Thomas
Acting Assistant Staff Director
Audit Division

Attachment as stated



Report of the Audit Division on Tom Kean for U.S. Senate, Inc.

April 1, 2005 – December 31, 2006

Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.¹ The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Campaign (p. 2)

Tom Kean for U.S. Senate, Inc. (TKFS) is the principal campaign committee for Tom Kean, Republican candidate for the United States Senate from the state of New Jersey. TKFS maintains its headquarters in Colonia, New Jersey. For more information, see chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - From Individuals \$ 5,599,272
 - From Political Committees 1,270,892
 - Loans from the Candidate 400,000
 - Transfers from Affiliates 532,690
 - Offsets to Operating Expenditures 45,743
 - Other Receipts 12,910
 - **Total Receipts** **\$7,861,507**
- **Disbursements**
 - Operating Expenditures \$ 7,437,300
 - Loan Repayments 200,000
 - Transfers to Affiliates 43,928
 - Contribution Refunds 61,665
 - **Total Disbursements** **\$7,742,893**

Finding and Recommendation (p. 3)

- Disclosure of Memo Entries from Joint Fundraising Activity

¹ 2 U.S.C. §438(b).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	2
Part III. Summary	
Finding and Recommendation	3
Part IV. Finding and Recommendation	
Disclosure of Memo Entries from Joint Fundraising Activity	4

Part I

Background

Authority for Audit

This report is based on an audit of Tom Kean for U.S. Senate, Inc. (TKFS), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must 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. 2 U.S.C. §438(b).

Scope of Audit

Following Commission approved procedures, the Audit staff evaluated various factors and as a result, this audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The consistency between reported figures and bank records.
5. The completeness of receipts records.
6. Other committee operations necessary to the review.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Tom Kean for U.S. Senate, Inc.
• Date of Registration	March 23, 2005
• Audit Coverage	April 1, 2005 – December 31, 2006
Headquarters	Colonia, NJ
Bank Information	
• Bank Depositories	1
• Bank Accounts	2 Checking, 2 Investment Accounts
Treasurer	
• Treasurer When Audit Was Conducted	Ron Gravino
• Treasurer During Period Covered by Audit	Ron Gravino
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Ron Gravino and Jennifer D'Autrechy

Overview of Financial Activity (Audited Amounts)

Cash on hand @ April 1, 2005	\$ 0
○ Receipts From Individuals	5,599,272
○ Receipts From Political Committees	1,270,892
○ Loans from the Candidate	400,000
○ Transfers from Affiliates	532,690
○ Offsets to Operating Expenditures	45,743
○ Other Receipts	12,910
Total Receipts	\$ 7,861,507
○ Operating Expenditures	7,437,300
○ Loan Repayments	200,000
○ Transfers to Affiliates	43,928
○ Contribution Refunds	61,665
Total Disbursements	\$ 7,742,893
Cash on hand @ December 31, 2006	\$ 118,614

Part III Summary

Finding and Recommendation

Disclosure of Memo Entries from Joint Fundraising Activity

TKFS reported \$442,981 as its share of net proceeds from three joint fundraisers but did not file memo Schedules A (Itemized Receipts) itemizing 217 contributions totaling \$187,050. The Audit staff recommended that TKFS file amended reports to correctly disclose these receipts as memo entries. In response to the interim audit report, TKFS filed the missing memo Schedules A. (For more detail, see page 4)

Part IV

Finding and Recommendation

Disclosure of Memo Entries from Joint Fundraising Activity

Summary

TKFS reported \$442,981 as its share of net proceeds from three joint fundraisers but did not file memo Schedules A (Itemized Receipts) itemizing 217 contributions totaling \$187,050. The Audit staff recommended that TKFS file amended reports to correctly disclose these receipts as memo entries. In response to the interim audit report, TKFS filed the missing memo Schedules A.

Legal Standard

Itemization of Contributions from Joint Fundraising Efforts. Participating political committees must report joint fundraising proceeds in accordance with 11 CFR 102.17(c)(8) when such funds are received from the fundraising representative. 11 CFR §102.17(c)(3)(iii).

Each participating political committee reports its share of the net proceeds as a transfer-in from the fundraising representative and must also file a memo Schedule A (Itemized Receipts) itemizing its share of gross receipts as contributions from the original contributors to the extent required under 11 CFR 104.3(a). 11 CFR §102.17(c)(8)(i)(B).

Facts and Analysis

TKFS participated in six joint fundraisers. It received and reported net proceeds of \$532,690 from these joint fundraising efforts. However, for three of these fundraisers from which TKFS received \$442,981,² it failed to disclose as memo entries on Schedules A the identity of 217 contributors who gave \$187,050. The required information was contained in the TKFS contributions database. Most of the missing memo entries occurred in the 2006 Pre-General and Post-General reporting periods.

At the exit conference, the Audit staff discussed this matter with TKFS representatives, who offered no explanation.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that, TKFS file amended reports to correctly disclose these receipts as memo entries. In response to the interim audit report, TKFS filed the missing memo Schedules A.

² The shares of proceeds were as follows: \$306,628 from the 2006 Kean Majority Committee; \$103,903 from the 2006 Open Seat and Challenger Fund; and, \$32,450 from the 2006 Finish Line.