



# Interim Audit Report of the Audit Division on the National Council of Farmer Cooperatives Co-op/PAC

(January 1, 2009 - December 31, 2010)

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## 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.<sup>1</sup> 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 Committee (p. 2)

The National Council of Farmer Cooperatives Co-op/PAC (NCFC) is a non-connected, qualified, multi-candidate Political Action Committee and is headquartered in Washington, D.C.. For more information, see chart on Committee Organization, p 2.

## Financial Activity (p. 2)

• Receipts		
○ Contributions from Individuals		\$ 64,195
○ Contributions from other Political Committees		46,000
○ Other Receipts		6,352
<b>Total Receipts</b>		<b>\$ 116,547</b>
• Disbursements		
○ Contributions to Political Committees		\$ 128,500
○ Other Disbursements		421
<b>Total Disbursements</b>		<b>\$ 128,921</b>

## Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Occupation/Name of Employer (Finding 2)
- Disclosure of Contributions to Candidate Committees (Finding 3)

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<sup>1</sup> 2 U.S.C. §438(b).

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the National Council of Farmer Cooperatives Co-op/PAC, 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 risk factors and as a result, this audit examined:

1. the disclosure of individual contributors' occupation and name of employer;
2. the disclosure of disbursements;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other committee operations necessary to the review.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	
• Date of Registration	September 24, 1976
• Audit Coverage	January 1, 2009 - December 31, 2010
<b>Headquarters</b>	
Washington, DC	
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	One Checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Kelsey Swango
• Treasurer During Period Covered by Audit	Randall Jones 9/20/06-3/25/09 Jill Thomson 3/26/09-8/23/11
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash-on-hand @ January 1, 2009</b>	<b>\$ 44,630</b>
<b>Receipts</b>	
o Contributions from Individuals	64,195
o Contributions from Other Political Committees	46,000
o Other Receipts	6,352
<b>Total Receipts</b>	<b>\$ 116,547</b>
<b>Disbursements</b>	
o Contributions to Political Committees	128,500
o Other Disbursements	421
<b>Total Disbursements</b>	<b>\$ 128,921</b>
<b>Cash-on-hand @ December 31, 2010</b>	<b>\$ 32,256</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Misstatement of Financial Activity**

During audit fieldwork, a comparison of NCFC's reported figures with its bank records indicated that in 2009 receipts and disbursements were understated by \$10,770 and \$805, respectively, and ending cash was overstated by \$5,133. In 2010, beginning cash was overstated by \$13,000 and disbursements by \$6,500. The Audit staff recommends that NCFC file amended disclosure reports to correct the misstatements.

(For more detail, see p. 4.)

##### **Finding 2. Disclosure of Occupation/Name of Employer**

During audit fieldwork, a review of itemized contributions from individuals indicated that 57 percent of the contributions failed to include adequate disclosure for occupation and name of employer. The Audit staff found that the required information was available for 89 percent of the itemized contributions in NCFC's records. The Audit staff recommends that the NCFC file amended reports to include the missing information.

(For more detail, see p. 6.)

##### **Finding 3. Disclosure of Contributions to Candidate Committees**

During audit fieldwork, a review of disbursements identified 80 percent of contributions to federal candidates that failed to include required disclosure information such as office sought, state and district, or disclosed incorrect candidate information. The Audit staff recommends that NCFC file amended reports to include the missing or corrected information.

(For more detail, see p. 7.)

## Part IV

# Findings and Recommendations

### Finding 1. Misstatement of Financial Activity

#### Summary

During audit fieldwork, a comparison of NCFC's reported figures with its bank records indicated that in 2009 receipts and disbursements were understated by \$10,770 and \$805, respectively, and ending cash was overstated by \$5,133. In 2010, beginning cash was overstated by \$13,000 and disbursements by \$6,500. The Audit staff recommends that NCFC file amended disclosure reports to correct the misstatements.

#### Legal Standard

**Contents of Reports.** Each report must disclose:

- the amount of cash-on-hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the calendar year;
- the total amount of disbursements for the reporting period and for the calendar year; and
- certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

#### Facts and Analysis

##### A. Facts

During audit fieldwork, the Audit staff reconciled NCFC's reported financial activity with its bank records for calendar years 2009 and 2010. The following charts outline the discrepancies for the receipts, disbursements and ending cash balances for 2009 and 2010. Succeeding paragraphs address the reasons for the misstatements, if known.

2009 Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2009	\$44,630	\$44,630	\$0
Receipts	\$43,485	\$54,255	\$10,770 Understated
Disbursements	\$60,887	\$61,692	\$805 Understated
Ending Cash Balance @ December 31, 2009	\$42,326 <sup>2</sup>	37,193	\$5,133 Overstated

<sup>2</sup> This column does not total due to numerous discrepancies throughout 2009 between amounts reported for ending cash and the beginning cash in the subsequent period.

In 2009, NCFC understated receipts by \$10,770 as a result of failing to report any of its July receipts.

The understatement of disbursements was due to the following:

• Disbursements supported by check/debit, not reported	\$ 5,601
• December 2009 disbursement, reported June 2010	1,500
• Disbursements reported, not supported by check/debit	(3,500)
• Disbursement incorrectly reported	<u>(2,796)</u>
<b>Net Understatement of Disbursements</b>	<b><u>\$ 805</u></b>

The beginning cash balance for 2010 was overstated by \$13,000 for the same reasons and because NCFC reported an increase in the beginning cash balance of \$7,877 (\$50,193 - \$42,326) at January 1, 2010. The difference in the 2009 ending cash and the 2010 beginning cash illustrates NCFC's failure to consistently report beginning cash balances that agreed with ending cash balances from the previous period.<sup>3</sup>

<b>2010 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash Balance @ January 1, 2010	\$50,193	\$37,193	\$13,000 Overstated
Receipts	\$61,292	\$62,292	\$1,000 Understated
Disbursements	\$73,728	\$67,228	\$6,500 Overstated
Ending Cash Balance @ December 31, 2010	\$32,257 <sup>4</sup>	32,257	\$0

The overstatement of disbursements was due to the following:

• Disbursements supported by check/debit, not reported	\$ 3,000
• December 2009 disbursement, reported June 2010	(1,500)
• Disbursements reported not supported by check/debit	<u>(8,000)</u>
<b>Net Overstatement of Disbursements</b>	<b><u>\$ (6,500)</u></b>

#### **B. Interim Audit Report & Audit Division Recommendation**

At the end of audit fieldwork, the Audit staff discussed this matter with the NCFC representatives at the exit conference. The NCFC representatives acknowledged the discrepancies in the reports and indicated that corrective amendments would be filed.

<sup>3</sup> NCFC failed to carry over the correct ending cash balance to the subsequent report for all but one of its reports filed between May 2009 and Year End 2010. This problem was questioned by the Reports Analysis Division in 19 Requests for Additional Information sent to NCFC covering the audit period.

<sup>4</sup> This column does not total due to numerous discrepancies throughout 2010 between amounts reported for ending cash and the subsequent period's beginning cash, these numbers do not foot.



The Audit staff recommends that, within 30 calendar days of receipt of this report, NCFC amend its reports to correct the misstatements noted above.

## **Finding 2. Disclosure of Occupation/Name of Employer**

### **Summary**

During audit fieldwork, a review of itemized contributions from individuals indicated that 57 percent of contributions failed to include adequate disclosure for occupation and name of employer. The Audit staff found that the required information was available for 89 percent of the itemized contributions in NCFC's records. The Audit staff recommends that the NCFC file amended reports to include the missing information.

### **Legal Standard**

**A. Required Information for Contributions from Individuals.** For each itemized contribution from an individual, the committee must provide the following information:

- the contributor's full name and address (including zip code);
  - the contributor's occupation and the name of his or her employer;
  - the date of receipt (the date the committee received the contribution);
  - the amount of the contribution; and
  - the calendar year-to-date total of all contributions from the same individual.
- 2 U.S.C. § 434(b)(3)(A) and 11 CFR §§ 100.12 and 104.3(a)(4)(i).

**B. Best Efforts Ensure Compliance.** When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. § 432(i) and 11 CFR §104.7(a).

**C. Definition of Best Efforts.** The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria.

- All written solicitations for contributions included:
  - a clear request for the contributor's full name, mailing address, occupation, and name of employer; and
  - the statement that such reporting is required by Federal law.
  - Note: The request and statement must appear in a clear and conspicuous manner on any response material included in a solicitation.
- Within 30 days of receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR § 104.7(b).

## **Facts and Analysis**

### **A. Facts**

During audit fieldwork, a review of NCFC's itemized contributions from individuals for disclosure of occupation and name of employer indicated that the committee failed to disclose the required information for 57 percent of contributions itemized. In a review of NCFC's records, the Audit staff noted that NCFC had the required information for 89 percent of the itemized contributions reviewed. NCFC simply failed to include in its reports the information it had in its possession.

### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff presented this matter to NCFC representatives at the exit conference. The treasurer stated that NCFC would, using the contributor information already obtained, amend the reports to disclose occupation and name of employer.

The Audit staff recommends that, within 30 calendar days of receipt of this report, NCFC file amended reports to disclose the occupation and name of employer for contributions from individuals.

## **Finding 3. Disclosure of Contributions to Candidate Committees**

### **Summary**

During audit fieldwork, a review of disbursements identified 80 percent of contributions to federal candidates that failed to include required disclosure information such as office sought, state and district or disclosed incorrect candidate information. The Audit staff recommends that NCFC file amended reports to include the missing or correct information.

### **Legal Standard**

**Reporting Contributions to Candidate Committees.** When operating expenditures to the same person exceed \$200 in a calendar year, the committee must report the:

- amount of the expenditures;
- date when the expenditures were made;
- name and address of the payee;
- purpose (see below) of the expenditures (2 U.S.C. § 434(b)(5)(A) and 11 CFR §§ 104.3(b)(3)(i)); and
- candidate's name and office sought (including the state and, if applicable, Congressional district) (11 CFR §§ 104.3(b)(3)(v)).

## **Facts and Analysis**

### **A. Facts**

During audit fieldwork, the Audit staff reviewed the committee's contributions to candidate committees. The review indicated that NCFC failed to correctly disclose candidate information such as state, office sought and, if applicable, congressional district for 80 percent of the contributions.

### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff presented this matter to NCFC representatives at the exit conference. The treasurer stated that NCFC would amend its reports to properly disclose candidate information for each contribution.

The Audit staff recommends that, within 30 calendar days of receipt of this report, NCFC file amended reports to properly disclose the candidate information, such as office sought, candidate state, and, if applicable, congressional district for its contributions to candidate committees.