



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 12, 2009

MEMORANDUM

To: Judith Ingram
Press Officer

From: Joseph F. Stoltz
Assistant Staff Director
Audit Division

A handwritten signature in black ink, appearing to read "J. Stoltz", written over the printed name and title of the sender.

Subject: Public Issuance of the Audit Report on Hunter for President, Inc.

Attached please find a copy of the audit report on Hunter for President, Inc., which was approved by the Commission on April 30, 2009.

All parties involved have received informational copies of the report and the report may be released to the public May 12, 2009.

Attachment as stated

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



Report of the Audit Division on Hunter for President, Inc.

January 1, 2007 – March 31, 2008

Why the Audit Was Done

Federal law requires the Commission to audit every political committee established by a candidate who receives public funds for the primary campaign.¹ The audit determines whether the candidate was entitled to all of the matching funds received, whether the campaign used the matching funds in accordance with the law, whether the candidate is entitled to additional matching funds, and whether the campaign otherwise complied with the limitations, prohibitions, and disclosure requirements of the election law.

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)

Hunter for President, Inc. is the principal campaign committee for Congressman Duncan Hunter, candidate for the Republican Party's nomination for the office of President of the United States. HFP is headquartered in La Mesa, California. For more information, see chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Matching Funds Received	\$ 83,885
○ Contributions from Individuals	2,369,888
○ Contributions from Political Committees	77,273
○ Loans Received	130,000
○ Offsets to Operating Expenditures	12,936
○ Total Receipts	\$ 2,673,982
• Disbursements	
○ Operating Expenditures	\$ 2,529,502
○ Loan Repayments	79,915
○ Contribution Refunds	26,825
○ Other Disbursements	2,000
○ Total Disbursements	\$ 2,638,242

Finding and Recommendation (p. 5)

- Net Outstanding Campaign Obligations

¹ 26 U.S.C. §9038(a).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Inventory of Campaign Records	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	3
Part III. Summaries	
Finding and Recommendation	4
Amounts Owed to the U.S. Treasury	4
Part IV. Finding and Recommendation	
Net Outstanding Campaign Obligations	5

Part I

Background

Authority for Audit

This report is based on an audit of Hunter for President, Inc. (HFP), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9038(a) of Title 26 of the United States Code. That section states “After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received [matching] payments under section 9037.” Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission’s Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

Scope of Audit

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The receipt of transfers from other authorized committees.
4. The disclosure of contributions and transfers received.
5. The disclosure of disbursements, debts and obligations.
6. The recordkeeping process and completeness of records.
7. The consistency between reported figures and bank records.
8. The accuracy of the Statement of Net Outstanding Campaign Obligations.
9. The campaign’s compliance with spending limitations.
10. Other campaign operations necessary to the review.

Inventory of Campaign Records

The Audit staff routinely conducts an inventory of campaign records before it begins the audit fieldwork. HFP records were materially complete and the fieldwork began immediately.

Part II

Overview of Campaign

Campaign Organization

Important Dates	Hunter for President, Inc.
• Date of Registration	January 23, 2007 ²
• Eligibility Period ³	December 19, 2007 – January 19, 2008
• Audit Coverage	January 1, 2007 – March 31, 2008 ⁴
Headquarters	La Mesa, CA
Bank Information	
• Bank Depositories	Three
• Bank Accounts	Six Checking Accounts
Treasurer	
• Treasurer When Audit Was Conducted	Bruce Young
• Treasurer During Period Covered by Audit	Bruce Young
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations	Paid Staff and Volunteers

² A Hunter exploratory committee registered with the Commission on January 12, 2007. HFP registered on January 23, 2007.

³ The period during which the candidate was eligible for matching funds, began on the date of certification of his matching fund eligibility and ended on the date the candidate announced his withdrawal from the campaign. See 11 CFR §9033.

⁴ Limited reviews of receipts and expenditures were performed after March 31, 2008, to determine whether the candidate was eligible to receive additional matching funds.

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2007	\$ 0
o Matching Funds Received	83,885 ⁵
o Contributions from Individuals	2,369,888 ⁶
o Contributions from Political Committees	77,273
o Loans Received	130,000
o Offsets to Operating Expenditures	12,936
Total Receipts	\$ 2,673,982
o Operating Expenditures	2,529,502
o Loan Repayments	79,915
o Contribution Refunds	26,825
o Other Disbursements	2,000
Total Disbursements	\$ 2,638,242
Cash on hand @ March 31, 2008	\$ 35,740

⁵ As of January 31, 2009, HFP received total matching funds of \$453,527; representing 2% of the maximum entitlement (\$21,025,000).

⁶ Approximately 34,000 contributions from more than 22,000 individuals.

Part III

Summaries

Finding and Recommendation

Net Outstanding Campaign Obligations

The Audit staff's review of HFP's financial activity through January 31, 2009, and estimated winding down costs indicates that the candidate did not receive matching fund payments in excess of his entitlement. (For more detail, see p. 5)

Amounts Owed to the U.S. Treasury

At this time, there are no amounts owed to the U.S. Treasury.

Part IV

Finding and Recommendation

Net Outstanding Campaign Obligations

Summary

The Audit staff's review of HFP's financial activity through January 31, 2009, and estimated winding down costs indicates that the candidate did not receive matching fund payments in excess of his entitlement.

Legal Standard

A. Net Outstanding Campaign Obligations (NOCO). Within 15 days after the candidate's date of ineligibility (see definition below), the candidate must submit a statement of "net outstanding campaign obligations." This statement must contain, among other things:

- The total of all committee assets including cash on hand, amounts owed to the committee and capital assets listed at their fair market value;
- The total of all outstanding obligations for qualified campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9034.5(a).

B. Date of Ineligibility. The date of ineligibility is whichever of the following dates occur first:

- The day on which the candidate ceases to be active in more than one state;
- The 30th day following the second consecutive primary in which the candidate receives less than 10 percent of the popular vote;
- The end of the matching payment period, which is generally the day when the party nominates its candidate for the general election; or
- In the case of a candidate whose party does not make its selection at a national convention, the last day of the last national convention held by a major party in the calendar year. 11 CFR §§9032.6 and 9033.5.

C. Qualified Campaign Expense. Each of the following expenses is a qualified campaign expense.

- An expense that is:
 - Incurred by or on behalf of the candidate (or his or her campaign) during the period beginning on the day the individual becomes a candidate and continuing through the last day of the candidate's eligibility under 11 CFR §9033.5;
 - Made in connection with the candidate's campaign for nomination; and
 - Not incurred or paid in violation of any federal law or the law of the state where the expense was incurred or paid. 11 CFR §9032.9.
- An expense incurred for the purpose of determining whether an individual should become a candidate, if that individual subsequently becomes a candidate, regardless of when that expense is paid. 11 CFR §9034.4.

- An expense associated with winding down the campaign and terminating political activity. 11 CFR §9034.4(a)(3).

D. Value of Capital Assets. The fair market value of capital assets is 60% of the total original cost of the assets when acquired, except that assets that are received after the date of ineligibility must be valued at their fair market value on the date received. A candidate may claim a lower fair market value for a capital asset by listing the asset on the NOCO statement separately and demonstrating, through documentation, the lower fair market value. 11 CFR §9034.5(c)(1).

E. Entitlement to Matching Payments after Date of Ineligibility. If, on the date of ineligibility (see above), a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that he or she still has net outstanding campaign debts on the day when the matching payments are made. 11 CFR §9034.1(b).

Facts and Analysis

The Candidate's date of ineligibility (DOI) was January 19, 2008. The Audit staff reviewed HFP's financial activity through January 31, 2009, analyzed estimated winding down costs and prepared the Statement of Net Outstanding Campaign Obligations that appears on the next page:

Hunter for President, Inc.
Statement of Net Outstanding Campaign Obligations
As of January 19, 2008
Prepared Through January 31, 2009

Assets

Cash in Bank	\$152,497
Accounts Receivable	38
Capital Asset	<u>1,235</u>

Total Assets \$153,770

Liabilities

Accounts Payable for Qualified Campaign Expenses at January 19, 2008		\$262,258	
Winding Down Costs:			
Actual (1/20/08 – 1/31/09)	\$219,780		
Estimated (2/1/09 - 4/30/09)	<u>29,291</u>	249,071	[a]
Loans Payable		<u>130,000</u>	

Total Liabilities 641,329

Net Outstanding Campaign Obligations (Deficit) as of January 19, 2008 (\$487,559)

[a] Includes storage cost for a three year period.

Shown below are adjustments for funds received after January 19, 2008, through January 31, 2009.

Net Outstanding Campaign Obligations (Deficit) as of 1/19/08	(\$487,559)
Private Contributions and Other Receipts Received 1/20/08 through 7/25/08	21,764
Matching Funds Received 1/20/08 through 7/25/08 ⁷	453,527
Remaining Net Outstanding Campaign Obligations (Deficit) as of 1/31/09	(\$12,268)

As presented above, HFP has not received matching fund payments in excess of its entitlement.

Preliminary Audit Report Recommendation and Committee Response

The Audit staff recommended that HFP demonstrate an adjustment(s) is required to any component of the NOCO statement or provide any other comments it so desires. In response, the Treasurer stated that HFP accepts the finding and recommendation in the preliminary audit report.

⁷ HFP has not received any matching fund payments subsequent to July 25, 2008.