



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

A83-27

REPORT OF THE AUDIT DIVISION
ON THE
WEBB FRANKLIN FOR CONGRESS COMMITTEE

I. Background

A. Overview

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This report is based on an audit of the Webb Franklin For Congress Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance 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 section, 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.

The Committee registered with the Clerk of the House of Representatives on May 17, 1982* as the principal campaign committee designated by the Honorable William Webster Franklin. The Committee maintains its headquarters in Greenwood, Mississippi.

The audit covered the period September 1, 1981, through December 31, 1982. The Committee reported a cash on hand balance September 1, 1981 of -0-; total receipts for the period of \$329,823.24; total disbursements for the period of \$322,837.80; and a cash on hand balance December 31, 1982 of \$6,985.44.

This report is based on documents and working papers supporting each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

* The Committee began reporting receipts and disbursements on September 1, 1981.

B. Key Personnel

The Treasurer of the Committee during the period of audit was Mr. Bob Knight.

C. Scope

The audit included such tests as verification of total reported receipts and disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstance.

II. Audit Findings and Recommendations

A. Disclosure of Debts and Obligations

Section 434(b)(8), Title 2, United States Code states, in part, that each report under this section shall disclose the amount and nature of outstanding debts and obligations owed by or to a political committee.

During the audit period, the Committee did not report any debts or obligations owed by the Committee. A review of expenditure documentation revealed that the Committee apparently owed \$15,403.66 in undeposited federal income and FICA taxes on December 31, 1982 but this debt was not reported.

In addition, during the fourth quarter of 1982, according to the IRS Form 941 - Employer's Quarterly Federal Tax Return prepared by the Committee's treasurer, the Committee did not make deposits for federal income and F.I.C.A. taxes which totaled \$15,403.66. In the previous quarter, all but \$2.71 of a total liability of \$2,686.47 had been deposited. At the end of the fourth quarter, the Committee's reported cash on hand balance was \$6,985.44 ^{1/} making full payment of the tax liability impossible without the receipt of additional funds.

In the interim audit report the audit staff recommended that, the Committee within 30 days of receipt of the report, amend its 1982 year end report to disclose the debt.

^{1/} The Audit staff determined the correct balance to be \$7,906.66.

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On October 17, 1983, the Committee filed an amended report disclosing the debt.

Recommendation

The Audit staff recommends no further action in this matter.

B. Misstatement of Financial Activity

Sections 434(b)(2) and (4), Title 2, United States Code, state, in part, that each report shall disclose the total of all receipts and disbursements during the reporting period and the calendar year.

The Audit staff's reconciliation of the activity in the Committee's two bank accounts to the disclosure reports filed revealed net variances for September 1, 1981 through December 31, 1982 as follows:

-Receipts were understated by	\$11,459.11
-Disbursements were understated by	10,537.89
-Ending cash was understated by	921.22

These variances resulted from the following misstatements of financial activity:

1. The Committee did not report receipts and disbursements from a fundraising event in the amount of \$10,352.51.

2. The Committee did not report 21 in-kind contributions totaling \$5,433.50 thereby understating receipts and disbursements by \$5,433.50 (see discussion at Finding C.).

3. The Committee reported overdrafts in a checking account as a loan received and repaid thereby overstating receipts and disbursements by \$4,246.76.

4. In addition, the Committee further misstated receipts and disbursements due to the following reasons:

a) Reporting contribution checks returned by the bank due to insufficient funds as receipts and disbursements (\$600.00) and failing to report a contribution received (\$500.00).

b) Reporting disbursements not made (\$977.41) and failing to report disbursements totaling (\$495.23).

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In the interim audit report the Audit staff recommended that the Committee, within 30 days of receipt of this report, file a comprehensive amendment for September 1, 1981 through December 31, 1982 correcting the misstatements noted above.

On November 15, 1983, the Committee filed an amended report which materially corrected the misstatements.

Recommendation

The Audit staff recommends no further action in this matter.

C. Itemization of Contributions From Political Committees

Section 434(b)(3)(B), Title 2, United States Code, requires disclosure of 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.

The Audit staff's review of the Reports of Receipts and Disbursements filed by political committees making contributions to the Committee, and the Committee's contribution records, revealed that the Committee had failed to itemize 45 contributions totaling \$23,252.45 (in-kind \$5,433.50 as noted in Finding B. part 2. and monetary contributions of \$17,818.95) received from political committees. The Committee filed amendments to its reports on June 2, 1983 (during the course of the audit fieldwork) itemizing 8 of the contributions totaling \$9,708.95. The treasurer expressed willingness to itemize the remaining 37 contributions totaling \$13,543.50.

In the interim audit report the Audit staff recommended that the Committee, within 30 days of receipt of the report, file a comprehensive amendment itemizing the contributions.

On October 17, 1983, the Committee filed an amended report itemizing the remaining contributions.

Recommendation

The Audit staff recommends no further action in this matter.

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D. Itemization of Contributions From Individuals

Section 434(b)(3)(A), Title 2, United States Code, requires disclosure of the identification of each person (other than a political committee) who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such contribution.

The Audit staff reviewed contributions from individuals on a sample basis to determine whether the recordkeeping and disclosure provisions for contributions had been met.

This review revealed that the Committee had failed to itemize 43.59% (sample error rate) of the contributions required to be itemized, and 46.15% (sample error rate) of the aggregate year-to-date totals for other contributions requiring such itemization.

On June 2, 1983, the Committee filed an amendment to its reports which materially corrected its prior filings with respect to the itemization of individual contributions.

Recommendation

Since the Committee has materially corrected these discrepancies, the Audit staff recommends no further action on this matter.

E. Missing or Incomplete Vendor Addresses

Section 434(b)(5)(A), Title 2, United States Code, states, in part, that each report 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, together with the date, amount, and purpose of such operating expenditure.

The Audit staff's review of the vendor addresses disclosed on the reports revealed that 217 expenditures of the 721 items disclosed (an error rate of 30.09%) had missing or incomplete vendor addresses.

On June 2, 1983, the Committee filed amendments to its reports materially correcting all of the missing or incomplete address items noted above.

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Recommendation

Since the Committee filed an amendment to its disclosure reports on June 2, 1983 materially correcting the discrepancies noted above, the Audit staff recommends no further action on this matter.

F. Matters Referred to the Office of General Counsel

Other matters noted during the audit have been referred to the Office of General Counsel.

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