



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A87-4  
December 15, 1987

MEMORANDUM

TO: FRED EILAND  
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJC*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT-  
COMMITTEE TO ELECT ROBERT B. (ROB) SCRIBNER

Attached please find a copy of the final audit report on the Committee to Elect Robert B. (Rob) Scribner which was approved by the Commission on December 7, 1987.

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: FEC Library  
RAD  
✓ Public Disclosure  
Office of General Counsel

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REPORT OF THE AUDIT DIVISION  
ON THE  
COMMITTEE TO ELECT ROBERT B. (ROB) SCRIBNER

I. Background

A. Overview

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This report is based on an audit of the Committee to Elect Robert B. (Rob) Scribner ("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 April 5, 1984 and maintains its headquarters in Santa Monica, California.

The audit covered the period January 1, 1985, through December 31, 1986. The Committee reported a cash balance on January 1, 1985 of \$660.60; total receipts for the period of \$390,979.70; total disbursements for the period of \$390,911.70; and a closing cash balance on December 31, 1986 of \$788.31.<sup>1/</sup>

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.

<sup>1/</sup> Reported totals do not calculate correctly due to the reporting discrepancies noted in Finding II.A.

**B. Key Personnel**

The Treasurer of the Committee during the period covered by the audit was Mr. Harrison W. Sommer ("the Treasurer").

**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 circumstances.

**II. Audit Findings and Recommendations**

**A. Misstatement of Financial Activity**

Sections 434(b) (1), (2) and (4) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash-on-hand at the beginning of each reporting period, the total amount of all receipts, and the total amount of all disbursements for the period and calendar year.

**1. 1985 Bank Reconciliation**

The Audit staff performed a reconciliation of Committee bank accounts to reports filed and noted the following discrepancies. For the period January 1, 1985 through December 31, 1985, the reported disbursements were overstated by \$2,796.55 and ending cash-on-hand was understated by \$3,171.17.

The misstatements relative to reported activity for calendar year 1985 resulted from: (a) \$9,069.27 in disbursements reported twice, (b) \$6,272.72 in disbursements (NET) not reported, and (c) 374.62 in receipts (NET) not reported.

**2. 1986 Bank Reconciliation**

The Audit staff performed a reconciliation of Committee bank accounts to reports filed and noted the following discrepancies for the period January 1, 1986 through December 31, 1986. Beginning cash-on-hand was understated by a net amount of \$3,171.17 (See Finding II.A.1.). Additionally, total receipts were overstated by a net amount of \$3,654.87; total disbursements were overstated by a net amount of \$175.68; and ending cash-on-hand was overstated by a net amount of \$307.72.

These misstatements were the result of numerous errors on several reports. In the case of receipts and

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disbursements, reported totals were found to be inaccurate on several reports. Although the net differences are relatively small, the Audit staff identified reporting errors (both overstatements and understatements) of approximately \$18,000.00 with respect to disbursements and approximately \$19,000 and \$16,000, for receipts.

The Treasurer was provided with schedules detailing all of the above misstatements and agreed to file the necessary amendments.

In the Interim Audit Report, the Audit staff recommended that the Committee submit comprehensive amendments for 1985 and 1986 correcting these misstatements. On November 3, 1987, the Committee filed the requisite amendments for 1985 and 1986 correcting the misstatements.

#### Recommendation #1

The Audit staff recommends no further action on this matter.

#### B. Disclosure of Contributions Received from Individuals

Section 434(b)(3) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person who makes a contribution to the reporting committee whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, or in any lesser amount if the reporting committee should so elect, together with the date and amount of any such contribution. Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to mean, 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.

In addition, 11 C.F.R. § 104.3(a)(4) provides, in relevant part, that the itemization of receipts for authorized committees shall include the aggregate year-to-date total for each person, other than a committee, whose contribution or contributions aggregate in excess of \$200 per calendar year.

The Committee maintained copies of contributor checks ordered by deposit. A review of these records revealed material problems with respect to the adequacy of disclosure and the itemization of contributions received from individuals. Additionally, these records were not maintained in a manner which allowed for testing the Committee's aggregation system. The Audit staff requested contributor histories for the audit period in order to complete our review. This information was provided for 1986, and, separately, at a later date, for 1985.

The Audit staff identified the following problems related to itemization and disclosure after a review of the contributor histories provided by the Committee.

The Committee did not itemize 47 contributions from individuals, totaling \$14,670, as required. Additionally, the Audit staff determined that for those contributions which the Committee did itemize, the disclosure information was inadequate or missing for 68 contributions totaling \$28,355. For the majority of these disclosure errors, the Committee had incorrectly disclosed the aggregate year-to-date information.

The Audit staff believes that the noted errors resulted primarily from the Committee's lack of a reliable consolidated recordkeeping system for contributions from individuals.

The Committee was provided with copies of workpapers detailing the errors noted above.

As part of the Interim Audit Report, the Audit staff recommended that the Committee submit Schedules A, as part of comprehensive amendments for 1985 and 1986, to correct the irregularities detailed above.

On November 3, 1987, the Committee submitted comprehensive amendments for 1985 and 1986 which included the requisite Schedules A correcting the irregularities noted above.

#### Recommendation #2

The Audit staff recommends no further action on this matter.

#### C. Disclosure of Expenditures

Section 434(b)(5) of Title 2 of the United States Code states, in relevant part, 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.

During the course of the audit it was noted that 143 expenditures totaling \$26,183.34 were not itemized as required. The Audit staff believes these errors resulted primarily from the Committee's lack of a reliable system for aggregating expenditures.

Additionally, the Audit staff determined that for those expenditures which the Committee did itemize, the disclosure information was inadequate or missing for 42 expenditures

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totaling \$57,152.03. For the majority of these items the Committee failed to provide a complete address; other problems included incorrect or inadequate amounts, purposes and/or payees.

The Treasurer was provided schedules detailing these errors and agreed to file amendments.

In the Interim Audit Report the Audit staff recommended that the Committee submit Schedules B, as part of comprehensive amendments for 1985 and 1986, to correct the irregularities detailed above. On November 3, 1987, the Committee filed comprehensive amendments for 1985 and 1986 correcting the irregularities.

### Recommendation #3

The Audit staff recommends no further action on this matter.

#### D. Disclosure of Contributions Received from Political Committees

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. Identification is defined at 2 U.S.C. § 431(13) (B) as meaning, in the case of any person, the full name and address of such person. Further, 2 U.S.C. § 431(11) defines person to include a committee. Section 104.3(a)(4)(ii) of Title 11 of the Code of Federal Regulation specifies the itemization of all committee (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period.

During the course of the Audit staff's review of contributions received from political committees/organizations, it was determined that the Committee failed to itemize 22 such contributions, totaling \$3,285.91.

Additionally, the Audit staff noted that for those contributions which the Committee did itemize, nine (9) items, totaling \$3,489.25, were inadequately disclosed, lacking a full address in all instances.

The Treasurer, who was provided with a schedule detailing these errors, agreed to file the necessary amendments.

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In the Interim Audit Report the Audit staff recommended that the Committee, as part of comprehensive amendments for 1985 and 1986, submit Schedules A to correct the errors detailed above. On November 3, 1987, the Committee filed the requisite amendments correcting these errors.

Recommendation #4

The Audit staff recommends no further action on this matter.

E. Disclosure of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states, in relevant part, that each report under this section shall disclose the amount and nature of outstanding debts and obligations owed by the committee. Section 104.11(a) of Title 11 of the Code of Federal Regulations provides, in relevant part, that debts and obligations owed by a political committee which remain outstanding shall be continuously reported until extinguished. Additionally, 11 C.F.R. § 104.11(b) states, in relevant part, that any loan, debt or obligation, the amount of which is over \$500.00 shall be reported as of the time of the transaction. Section 104.3(d) of Title 11 of the Code of Federal Regulations provides that outstanding debts and obligations be disclosed on Schedule C or D as appropriate.

During the course of the audit it was determined that the Committee failed to report the receipt of a \$7,000.00 loan,<sup>2/</sup> received from the candidate on June 11, 1986, on either Schedule C or Schedule A. Further, it appears that in an attempt to rectify this, the Committee overstated the amount of loans received on a later report.

Additionally, the Audit staff noted 4 debts to vendors, totaling \$5,799.10, which were not disclosed as outstanding at December 31, 1986. The Treasurer was provided with workpapers detailing these items and agreed to file amendments as needed.

In the Interim Audit Report the Audit staff recommended that the Committee submit appropriate schedules disclosing the items noted above. On November 3, 1987, the Committee submitted amendments adequately disclosing these items.

Recommendation #5

The Audit staff recommends no further action on this matter.

<sup>2/</sup> See Finding II.A.2. The amount of this loan is included in the understatement of receipts.

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**F. Itemization of Refunds/Rebates**

Section 104.3(a) (4) (V) of Title 11 Code of Federal Regulations states that each report shall disclose the identification of each person who provides a rebate, refund or other offset to operating expenditure to the reporting committee in an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such receipt.

The Audit staff's review of refunds and rebates received by the Committee revealed that refunds/rebates totaling \$2,246.43 were not itemized as required. These items accounted for 100% of the dollar amount and number of refunds/rebates requiring itemization.

In the Interim Audit Report the Audit staff recommended that the Committee itemize the refunds/rebates noted above on Schedules A, as part of the comprehensive amendments for 1985 and 1986. The Committee's response, received November 3, 1987, substantially complied with this request.

**Recommendation #6**

The Audit staff recommends no further action on this matter.

**G. Matters Referred to the Office of General Counsel**

Certain matters were referred to the Commission's Office of General Counsel.

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