



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

*Amir*  
MJ001850

January 11, 1991

MEMORANDUM

TO: FRED EILAND  
CHIEF, PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
DURENBERGER FOR U.S. SENATE VOLUNTEER COMMITTEE

Attached please find a copy of the Final Audit Report on the Durenberger for U.S. Senate Volunteer Committee which was approved by the Commission on January 8, 1991.

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

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## FEDERAL ELECTION COMMISSION

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REPORT OF THE AUDIT DIVISION  
ON  
DURENBERGER FOR U.S. SENATE VOLUNTEER COMMITTEE

I. BackgroundA. Overview

This report is based on an audit of the Durenberger for U.S. Senate Volunteer Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance 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 Secretary of the Senate on May 2, 1979 for the 1982 election and amended its registration on April 18, 1983 for the 1988 election. The Committee maintains its headquarters in Bloomington, Minnesota.

The audit covered the period from January 1, 1987 through December 31, 1988, the closing date for the latest report filed at the time of the audit.\*/ The Committee reported a cash balance on January 1, 1987 of \$468,812.27; total receipts for the period of \$4,969,453.69; total disbursements for the period of \$5,410,787.49; and a closing cash balance on December 31, 1988 of \$27,478.47.

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

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\*/ It should be noted that contribution records prior to 1/1/87 were reviewed in order to test the 2 U.S.C. §441a(a) limitations for pre-1987 contributions includable in the 1988 election cycle.

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B. Key Personnel

The Treasurers of the Committee during the audit period were Sue Dean (12/18/86 to 4/10/87), Luci Fenner (4/11/87-1/31/88) and Leon Oistad (2/1/88 - 10/24/89). The current Treasurer is Delwyn Olson.

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. Disclosure of Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person 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.

Section 431(13) of Title 2 of the United States Code defines identification to include, in the case of any individual, the occupation of such individual, as well as the name of his or her employer.

Section 104.8(d)(3) of Title 11 of the Code of Federal Regulations states, in part, that if an itemized contribution is reattributed by the contributor(s) in accordance with 11 C.F.R. §110.1(k), the treasurer shall report the reattribution in a memo entry on Schedule A of the report covering the reporting period in which the reattribution is received.

Section 104.3(a)(4) of Title 11 of the Code of Federal Regulations requires the disclosure of the aggregate year-to-date totals for each person who makes a contribution in an amount or aggregate in excess of \$200 and for all committees which make contributions to the reporting committee.

The Audit staff's review of contributions received from individuals revealed material disclosure errors. With respect to itemization, the Committee's computerized contribution processing

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system produced Schedules A itemizing contributions from individuals based on contributions aggregated year-to-date by election designation for the 1988 October Quarterly and subsequent disclosure reports. Thus, an individual who had contributed in excess of \$200 during the year designated for the primary, would not have a subsequent, general-designated contribution itemized unless that contribution was in an amount (or when aggregated with other general designated contributions from the contributor) in excess of \$200.

Further, the Audit staff's review indicated this (system) problem also caused substantial errors with respect to the disclosure of correct aggregate year-to-date totals not only for contributions from individuals itemized on Schedules A, but also for contributions from other political committees.

Finally, the Audit staff noted that throughout the audit period occupation/name of employer ("OCC/NOE") for individual contributors which had been made available, were not originally disclosed on Committee reports nor amended later. As related to the auditors, Committee procedures consisted of a review of disclosure reports, subsequent to filing, to identify entries lacking OCC/NOE for follow-up by letter. Information received in response to these letters was entered into the computerized contribution system and manual amendments to disclosure reports filed. The Audit staff's review considered all amendments filed by the Committee.

At the exit conference, Committee representatives were receptive to filing amendments to correct these disclosure problems.

The Audit staff recommended in the Interim Audit Report that the Committee file amended Schedules A.

The Committee filed amended Schedules A on April 5, 1990, substantially correcting the reporting problems noted above. The Committee's response further explains that the problems resulted from the vendor who maintained the computer hardware for the Committee arbitrarily changing the reporting criteria for the program from year to date aggregation to election aggregation. In addition, the vendor had difficulty with retaining occupation and employer information. In some instances the Committee re-entered 400 occupations four times. The Committee discussed this often with the vendor and believes the problem is finally resolved.

#### Recommendation #1

The Audit staff recommends no further action on this matter.

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### B. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code, in part, requires each report filed by the treasurer of a political committee to 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 states, in part, that debts and obligations shall be continuously reported until extinguished. In addition, 11 C.F.R. §104.11(b) states, in part, that debts of \$500 or less shall be reported as of the time payment is made or no later than 60 days after the obligation is incurred and that debts in excess of \$500 shall be reported at the time of the transaction.

The Audit staff performed a review of all disbursements associated with each vendor identified on Schedule D of disclosure reports filed by the Committee during the audit period. The auditor's review indicated that \$150,953.02, or 17.32%, of reportable debts were not disclosed as required.

At the exit conference, Committee representatives were provided copies of the auditor's workpapers detailing these discrepancies. Committee representatives were receptive to filing necessary amendments.

The Audit staff recommended in the Interim Audit Report that the Committee file amendments to correct the disclosure of debts on Scheduled and Line 10 of the Summary Page.

The Committee did not file amended Summary Pages but did file amended Schedules D on April 5, 1990, substantially correcting the previously mentioned reporting problems. As part of its response, the Committee believes it complied with the reporting requirements of the Act concerning the reporting of debts and obligations. The Committee's response states that when

"filing its disclosure reports, the Committee would review all invoices on hand on the closing day of the reporting period and include them in the debts and obligations owed by the Committee. In their review of the paid invoices, the auditors determined anything with a date during a particular reporting period should be included in the debts and obligations of that particular report. With the benefit of hindsight, that is an easy assumption to make. However, during the course of a campaign, specific amounts are unknown and the obligation is often dependant upon performance of a specific task. To use estimates would require committees to continuously amend their reports as would the auditors policy of applying invoice dates to reporting periods. Carried to the extreme, accrued but unpaid salaries would fall into their reporting requirement."

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Recommendation #2

The Audit staff recommends no further action on this matter.

C. Matters Referred to the Office of General Counsel

Certain matters noted during the audit were referred to the Office of General Counsel.

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