



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 17, 1999

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA *RJC By NHJ, 12-17-99*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
FRIENDS OF CORRINE BROWN

Attached please find a copy of the final audit report and related documents on Friends of Corrine Brown which was approved by the Commission on December 1, 1999.

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

22.07.025.3169

REPORT OF THE AUDIT DIVISION  
ON  
**FRIENDS OF CORRINE BROWN**

Approved December 1, 1999



**FEDERAL ELECTION COMMISSION**  
999 E STREET, N.W.  
WASHINGTON, D.C.

EE-07-025-3171

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FEDERAL ELECTION COMMISSION  
Washington, DC 20463

## FRIENDS OF CORRINE BROWN

### EXECUTIVE SUMMARY

Friends of Corrine Brown (the Committee) registered with the Commission on July 23, 1992, and on September 29, 1997, the Candidate filed a Statement of Candidacy designating the Committee as the principal campaign committee of Corrine Brown, Democratic candidate for the U.S. House of Representatives from the state of Florida, 3<sup>rd</sup> District, for the 1998 election. The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The findings of the audit were presented to the Committee at an exit conference held at the completion of fieldwork on July 28, 1999, and later in the interim audit report. The relevant parts of the Committee's response to those findings are included in this audit report.

The following is an overview of the findings contained in the audit report.

Misstatement of Financial Activity — 2 U.S.C. §434(b)(1),(2) and (4). Disclosure reports filed for the period January 1, 1997 through December 31, 1998 contained material misstatements. For 1997, reported receipts were understated by \$8,710 while disbursements were understated by about \$13,421; cash at December 31, 1997 was overstated by some \$6,023. As to calendar 1998, reported receipts were understated by about \$10,347 and disbursements were overstated by \$25,556. As a result of errors identified relative to reports filed for calendar years 1997 and 1998, the cash figure at December 31, 1998 was understated by approximately \$29,880. The Committee filed amended reports which materially corrected these misstatements.

Contributions Subject to 48 Hour Disclosure Notices — 2 U.S.C. §434(a)(6). The Audit staff determined that the Committee did not file the required 48 hour notices relative to 27 contributions, totaling \$41,000. In response to the interim audit report, the Committee stated that they were unable to document that these notices were filed. The Committee explained that the campaign relied mostly on volunteers as opposed to paid professionals and that they have recently taken steps to address its internal compliance procedures.

Disclosure of Occupation/Name of Employer — 2 U.S.C. §§434(b)(3)(A), 431(13)(A), 432(i) and 11 CFR §104.7(b). The audit identified a material number of errors regarding the Committee's disclosure of contributors' occupation/name of employer; the Committee was unable to demonstrate that it had exercised best efforts to obtain this information. The Committee was unable to document that best efforts to obtain the missing information had been made but stated that it was the Committee's practice to make such efforts. Copies of letters, dated October 1, 1999, which requested the missing information for a material number of the reported entries were provided in response to the interim audit report. On October 21, 1999 the Committee filed amended Schedules A (Itemized Receipts) which included some of the missing information. These amendments did not materially correct the disclosure omissions nor were they filed timely pursuant to 11 CFR §104.7.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A99-02

**REPORT OF THE AUDIT DIVISION  
ON  
FRIENDS OF CORRINE BROWN**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of Friends of Corrine Brown (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 subsection, 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.

**B. AUDIT COVERAGE**

The audit covered the period January 1, 1997 through December 31, 1998. The Committee reported a beginning cash balance of \$14,765; total receipts for the period of \$509,216; total disbursements for the period of \$488,695; and an ending cash balance of \$35,286.<sup>1</sup>

**C. COMMITTEE ORGANIZATION**

The Committee registered with the Federal Election Commission on July 23, 1992, as the principal campaign committee for Corrine Brown, Democratic candidate for the U.S. House of Representatives from the State of Florida, 3<sup>rd</sup> District, for the 1998 election. The Treasurer of the Committee during the period covered by the audit was Gloria Simmons, who continues to serve in that capacity. The Committee maintains its headquarters in Laurel, Maryland.

<sup>1</sup> All figures in this report have been rounded to the nearest dollar.

2025 RELEASE UNDER E.O. 14176

To manage its financial activity, the Committee used one bank account. In addition, the Committee purchased one certificate of deposit (see Finding II.A.). From the account, the Committee made approximately 680 disbursements. The Committee received about 750 contributions from individuals totaling approximately \$168,162, which represented about 32% of total receipts. In addition, the Committee received 317 contributions from political action committees (PACs) and other political committees, such as party committees and candidate committees, totaling about \$355,049.

#### **D. AUDIT SCOPE AND PROCEDURES**

The audit included such tests as verification of total reported receipts and disbursements; the review of the required supporting documentation; and such other audit procedures as deemed necessary under the circumstances.

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as the completeness and accuracy of the information disclosed (see Findings II. B. and C.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as the completeness and accuracy of the information disclosed;
5. proper disclosure of debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to the bank records (see Finding II. A.);
7. adequate recordkeeping for transactions;
8. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue any of the matters discussed in this report in an enforcement action.

## 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 a political committee shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and the total amount of all disbursements for each reporting period and calendar year.

The Audit reconciled the Committee's reported financial activity to its bank activity for the period January 1, 1997 through December 31, 1998 and determined that material misstatements occurred relative to both 1997 and 1998.

The Committee understated its 1997 reported receipts by \$8,710 primarily due to the Committee not reporting several contributions from individuals and PACs, totaling \$8,649. The Committee understated its 1997 reported disbursements by \$13,421, primarily due to not reporting several disbursements, totaling \$13,758, and reporting six disbursements, totaling \$450, twice. The reported beginning cash on hand balance at January 1, 1997 was overstated by \$1,313 due to transactions occurring prior to the period covered by the audit and the reported ending cash on hand balance at December 31, 1997 was overstated by \$6,023 due to the misstatements discussed above.

The Committee understated its 1998 reported receipts by \$10,347 primarily due to not reporting eight in-kind contributions, totaling \$8,425; not reporting three contributions from PACs, totaling \$2,000; and, not reporting interest, totaling \$687, relative to a certificate of deposit. The Committee overstated its 1998 reported disbursements by \$25,556, primarily due to reporting twenty disbursements totaling \$22,706, twice; reporting two disbursements, totaling \$9,250, which were later voided without any adjustments being disclosed; not reporting six in-kind contributions totaling \$1,293 (included in the eight in-kind contributions not reported as receipts noted above); and, over reporting unitemized disbursements by a total amount of \$381. The reported beginning cash on hand balance at January 1, 1998 was overstated by \$6,023 and the reported ending cash on hand balance at December 31, 1998 was understated by \$29,880 due to these misstatements and because the Committee did not include in its reported ending cash on hand figure a \$50,000 certificate of deposit (CD) purchased<sup>2</sup> in May of 1998.

At the exit conference, the Audit staff provided the Committee representatives with schedules of the misstatements discussed above. Committee representatives did not provide any relevant information on this matter at that time.

<sup>2</sup> The purchase of the CD is not a reportable transaction, rather it is an inter-account transfer of funds.



In the interim audit report, the Audit staff recommended that the Committee file comprehensive amendments, one each covering 1997 and 1998 activity, to correct the misstatements noted above. It was further recommended that these amendments include revised Summary and Detailed Summary Pages covering activity from January 1, 1997 through December 31, 1997 and activity from January 1, 1998 through December 31, 1998, as well as the necessary revised Schedules A (Itemized Receipts) and B (Itemized Disbursements).

In its response to the interim audit report, the Committee filed amended reports which materially corrected these misstatements.

#### **B. CONTRIBUTIONS SUBJECT TO 48 HOUR DISCLOSURE NOTICES**

Section 434(a)(6) of Title 2 of the United States Codes requires that each treasurer of the principal campaign committee of a candidate shall notify the Clerk, the Secretary, or the Commission, and the Secretary of State, as appropriate, in writing of any contribution of \$1,000 or more received by any authorized committee of such candidate after the 20<sup>th</sup> day, but more than 48 hours before, any election. This notification shall be made within 48 hours after the receipt of such contribution and shall include the name of the candidate and the office sought by the candidate, the identification of the contributor, and the date of receipt and the amount of the contribution. The notification required under this paragraph shall be in addition to all other reporting requirements under this Act.

A review of contributions by the Audit staff identified four contributions of \$1,000 or more totaling, \$7,500, deposited between August 13, 1998 and August 29, 1998, for which the required 48 hour notices relative to the primary election held on September 1, 1998 were not filed. In addition, the Committee did not file the required 48 hour notices for twenty-three contributions, totaling \$33,500, relative to the general election held on November 3, 1998.

At the exit conference, the Committee representatives were provided with a schedule of the identified items. Committee representatives did not provide any relevant information on this matter at that time.

In the interim audit report, the Audit staff recommended that the Committee submit evidence that all required 48 hour notices had been filed or submit any written comments it believed was relevant to this issue.

In its written response to the interim audit report, Counsel to the Committee stated that the Candidate's "...campaigns have always emphasized volunteer and grassroots-based efforts, and her 1998 campaign was no exception. The political culture of the district requires less emphasis on paid professional staff, and more on help from volunteers. The Committee's recordkeeping and reporting functions have suffered somewhat as a result. The Committee has taken significant steps during recent election

cycles to address its internal compliance procedures. Nonetheless, some problems have persisted, and the Committee has moved to correct them.” Counsel further stated that “[t]he Committee is unable to document that it filed all required 48-hour notices...”

### C. DISCLOSURE OF OCCUPATION/NAME OF EMPLOYER

Section 434(b)(3)(A) of Title 2 of the United States Code requires, in part, a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year 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 be, 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.

Section 432(i) of Title 2 of the United States Code states, in part, that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain, and submit the information required by this Act for the political committee, any report or any records of such committee shall be considered in compliance with this Act.

Section 104.7(b)(2) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer will only be deemed to have exercised best efforts to obtain, maintain and report the required information if for each contribution received aggregating in excess of \$200 per calendar year which lacks required contributor information, the treasurer makes at least one effort after the receipt of the contribution to obtain the missing information. Such effort shall consist of either a written request sent to the contributor or an oral request to the contributor documented in writing. The written or oral request must be made no later than thirty days after receipt of the contribution. The written or oral request shall not include material on any other subject or any additional solicitation, except that it may include language solely thanking the contributor for the contribution.

In addition, Section 104.7(b)(4)(i) of the Code of Federal Regulations states that if any of the contributor information is received after the contribution has been disclosed on a regularly scheduled report, the political committee shall either: (A) file with its next regularly scheduled report, an amended memo Schedule A listing all contributions for which contributor identifications have been received during the reporting period covered by the next regularly scheduled report together with the dates and amounts of the contribution(s) and an indication of the previous report(s) to which the memo Schedule A relates; or (B) file on or before its next regularly scheduled reporting date, amendments to the reports(s) originally disclosing the contribution(s), which include the contributor identifications together with the dates and amounts of the contribution(s).

The Audit staff reviewed contributions from individuals on a sample basis and determined that the minimum requirements for reporting occupation and/or name of employer were not met for a material number of reported entries. The Audit staff noted that the Committee sent out written requests for the missing information relative to contributions disclosed on the 1997 Year End report, covering the second half of 1997, and that two 1998 solicitation devices also requested the required information. However, no information was provided which demonstrated that any other requests were made relative to 1998 contributions.

At the exit conference, the Audit staff presented this matter to the Committee. Committee representatives did not provide any relevant information on this matter at that time.

In the interim audit report, the Audit staff recommended that the Committee take the following action:

- Provide solicitation materials and “one effort after receipt” materials which demonstrated that best efforts have been used to obtain, maintain, and submit the required disclosure information; or
- Absent such a demonstration, make an effort to contact those individuals whose contributions aggregate in excess of \$200 in a calendar year for which required information is missing or incomplete, in accordance with 11 CFR 104.7; and
- Provide documentation of such contacts, such as copies of letters to the contributors and/or phone logs of oral requests; and
- File amended Schedules A (Itemized Receipts) to disclose any information obtained from those contacts. Any new information included on these Schedules A was to be clearly identified as such.

In its response to the interim audit report, Counsel to the Committee stated that “[t]he Committee is unable to document that it ... made ‘best efforts’ for all covered contributions received during the election cycle. However, it was the Committee’s practice to make such efforts during the cycle.” The Committee attached samples of solicitation materials which they stated “...demonstrate the Committee’s practice during the 1998 cycle of making ‘best efforts.’” Counsel further states that “...the Committee has taken steps to improve internal procedures for meeting these requirements” and that “they have retained a consulting firm with significant experience in federal election law compliance who will prepare its reports and oversee its compliance efforts.”

Counsel to the Committee also stated that “[f]or contributions continuing to lack employer and occupation data, the Committee recently sent letters requesting the necessary information” and that “[a]lthough the Committee in some instances was unable

to produce an actual copy of their letters requesting occupation and employer information, it has always been its contention that these letters were sent out.” Counsel further stated that “...the Committee found that in numerous instances occupation and employer information that was absent from the original filings is and has been in its database for some time.”

The Audit staff notes that the samples of solicitation devices provided in the Committee’s response request the required information but we were unable to verify when these devices were used by the Committee. The Committee provided copies of letters addressed to contributors, dated October 1, 1999, which requested the missing information pursuant to 11 CFR §104.7. The Audit staff determined that these letters represented a material number of the reported entries which, based upon our review of contributions from individuals, lacked the required occupation and/or name of employer information. Further, on October 21, 1999, the Committee filed amended Schedules A, which included occupation and/or name of employer information relative to some contributions but most of the reported entries still contained “Information Requested.” These amended Schedules A were not filed timely pursuant to 11 CFR §104.7.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 10, 1999

Ms. Gloria Simmons, Treasurer  
Friends of Corrine Brown  
3109 River Bend Court, #D-102  
Laurel, MD 20724

Dear Ms. Simmons:

Attached please find the Report of the Audit Division on Friends of Corrine Brown. The Commission approved the report on December 1, 1999.

The Commission approved Final Audit Report will be placed on the public record on December 17, 1999. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220. Any questions you have related to matters covered during the audit or in the report should be directed to Robert Morcomb or Marty Favin of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "R. J. Costa".

*For* Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

cc: Brian G. Svoboda, Counsel, Perkins Coie LLP  
Diane Evans, Consultant, Evans & Katz LLC

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CHRONOLOGY

FRIENDS OF CORRINE BROWN

Audit Fieldwork	6/14/99-7/28/99
Interim Audit Report to the Committee	9/01/99
Response Received to the Interim Audit Report	10/19/99
Final Audit Report Approved	12/01/99

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