




FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 8, 1999

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
DRAKE FOR CONGRESS

Attached please find a copy of the final audit report on Drake for Congress which was approved by the Commission on October 26, 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

22.07.025.3325

TABLE OF CONTENTS

DRAKE FOR CONGRESS

	Page
Executive Summary	1
Final Audit Report	3
Background	3
Findings	5
Transmittal to Committee	10
Chronology	11

02-07-025-332



FEDERAL ELECTION COMMISSION
Washington, DC 20463

REPORT OF THE AUDIT DIVISION
ON
DRAKE FOR CONGRESS
EXECUTIVE SUMMARY

Drake for Congress (the DFCC) registered with the Commission on March 4, 1998, as the principal campaign committee of Grace L. Drake, Republican candidate for the U.S. House of Representatives from the state of Ohio, 13th District. Ms. Drake filed a Statement of Candidacy for the 1998 election on March 5, 1998.

The audit was conducted pursuant to Section 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 DFCC at an exit conference held at the completion of fieldwork on June 18, 1999 and later, in an interim audit report. The DFCC's responses to those findings are included in this final audit report.

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

Misstatement of Financial Activity and Failure to Itemize Disbursements — 2 U.S.C. §434(b)(1),(2) and (4) and 435(b)(5)(A). The DFCC overstated its 1998 receipts by a total of \$40,266. The majority of the problem stemmed from an overstatement of unitemized receipts in the October quarterly report. Disbursements were understated by a net amount of \$24,602. This resulted from the DFCC reporting \$12,440 in disbursements *never made, over-reporting certain disbursements by \$304 and not reporting \$37,346 in other disbursements*. In addition, the DFCC failed to itemize a total of \$32,408 disbursements which were over, or aggregated over \$200.

The misstatements noted above and a math error of \$1,141 caused ending cash on hand for 1998 to be overstated by \$63,726. The correct cash balance was \$6,018.

The DFCC filed amended reports which materially corrected the misstatements and itemized the required disbursements.

Disclosure of Contributions from Individuals — 2 U.S.C. §434(b)(3)(A). Contributions lacked or incorrectly reported aggregate year to date amounts, identified

2025-07-02 10:50:33

the wrong account holder on checks drawn on joint accounts, and failed to itemize contributor addresses. In addition, records for occupation and name of employer were not maintained nor was this information disclosed for a material number of contributors.

The DFCC filed amended reports and other information materially correcting the misstatements.

Debts and Obligations — 2 U.S.C. § 434(b)(8); 11CFR §104.11(a) and (b). The DFCC failed to itemize obligations totaling \$35,346. The problem appeared to be related to a general lack of experience in filing reports. Amended reports were filed which itemized all required obligations.

02.07.025.3329



**REPORT OF THE AUDIT DIVISION
ON
DRAKE FOR CONGRESS**

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Drake for Congress Committee (DFCC), undertaken by the Audit Division of the Federal Election Commission (the 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 from March 16, 1998, the date of the first deposit into the DFCC's account, through December 31, 1998. The DFCC reported a beginning cash balance of \$0; total receipts for the period of \$233,230¹; total disbursements for the period of \$162,344; and an ending cash balance of \$69,745.²

C. CAMPAIGN ORGANIZATION

The DFCC registered with the Commission on March 4, 1998, as the principal campaign committee of Grace L. Drake, Republican candidate for the U.S. House of Representatives from the state of Ohio, 13th District. Ms. Drake filed a Statement of Candidacy for the 1998 election on March 5, 1998.

¹ The figures cited in this report are rounded to the nearest dollar.

² The totals do not foot due to a reporting discrepancy.

2025.07.02 15:33:30

The Treasurer of the DFCC during the audit period and currently is Susan J. Kyte. The DFCC maintained its headquarters in Aurora, Ohio from March 4, 1998 until September 16, 1998 at which time an amended Statement of Organization was filed changing the address to Bainbridge, Ohio.

The DFCC used one checking account to manage its financial activity. Approximately 250 disbursements were made from this account. The DFCC received about 510 contributions from individuals, totaling approximately \$116,000, which represented about 60% of the its total receipts. In addition, the DFCC received 58 contributions from political action committees and other committees, such as party committees and candidate committees, totaling approximately \$74,000 or 38% of total receipts and \$2,431 in refunds (1.3%).

D. AUDIT SCOPE AND PROCEDURES

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 Finding II.B.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.A.);
5. proper disclosure of campaign debts and obligations (see Finding II.C.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records (see Finding II.A.);
7. adequate recordkeeping for campaign transactions; and
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. 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 all disbursements for the reporting period and the calendar year.

Section 434(b)(5)(A) of Title 2 of the United States Codes states, in 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 operating expense, together with the date, amount, and purpose of such operating expenditure.

The Audit staff's reconciliation of DFCC's reported financial activity to its bank activity, from the date of the first bank transaction, March 16, 1998, through December 31, 1998 revealed that DFCC had misstated its receipts, disbursements and cash on hand balances.

1. Receipts

The DFCC reported total receipts of \$233,230. Utilizing the DFCC's financial records, it was determined that the DFCC should have reported receipts of \$192,964. Therefore receipts were overstated by \$40,266. The net over-statement of receipts resulted primarily from a net over-reporting of unitemized receipts in the amount of \$40,531, with a small unexplained difference of \$265 remaining. The majority of the over-reporting occurred during the October Quarterly report period (7/1/98 - 9/30/98).

2. Disbursements

Total reported disbursements were \$162,344. The Audit staff determined that the DFCC should have reported total disbursements of \$186,946. Therefore disbursements were understated by \$24,602. The understatement resulted from a net under-reporting of disbursements totaling \$37,346, the majority of which came from the October Quarterly report period, (\$34,869), the net over-reporting of disbursements in the amount of \$304, and the reporting of disbursements that were never made totaling \$12,440. In addition, \$32,408 of the unreported disbursements were over, or aggregated over, \$200 and were not itemized, thus creating a significant failure to itemize.

3. Ending Cash On Hand

The reported ending cash on hand at December 31, 1998 was overstated by \$63,726, resulting from misstatements detailed above and a math error of \$1,141. The correct ending cash on hand was \$6,018.

Prior to the exit conference, the Audit staff provided the DFCC with schedules detailing both the bank activity and the noted adjustments. The Treasurer stated that the problems stemmed from a lack of experience on the part of the persons filing the reports and that they were unintentional mistakes. She commented that it seemed that most of the mistakes for both receipts and disbursements occurred in the October Quarterly report period and that perhaps some confusion had resulted as to the proper amounts for receipts and disbursements. As to the itemization problem, the Treasurer could not explain why so many of these disbursements were not itemized.

The Treasurer did assure the Audit staff of her willingness to file amended Summary, Detailed Summary pages and Schedules B to correct the problems noted above.

Shortly after the end of fieldwork the DFCC filed amended schedules B that materially corrected the itemization problem noted above. In addition, amended Summary and Detail Summary pages were filed individually for the July and October Quarterly reports covering the periods 4/16 - 9/30/98, and for the Pre-General and Post-General reports covering the periods 10/1 - 11/23/98 which corrected the misstatements mentioned above. The DFCC did not file an amended Year End report to show corrected cash on hand amounts.

In the Interim Audit Report, it was recommended that DFCC file an amended Summary and Detailed Summary page for the Year End report to correct the ending cash on hand amount. The DFCC did not file the requested report. However, the latest report filed, the 1999 Mid-Year-Report (1/1/99 - 6/30/99) discloses as its beginning cash on hand balance the correct amount as determined by the Audit staff.

B. DISCLOSURE OF CONTRIBUTIONS FROM INDIVIDUALS

Section 434(b)(3)(A) 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 during the reporting period, 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 states that the term "identification" means 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.

Sections 104.7(a) and (b) of Title 11 of the Code of Federal Regulations state, 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 the Act for the political committee, any report of such committee shall be considered to be in compliance with the Act. With regard to reporting the identification of each person whose contribution(s) to the political committee and its affiliated committees aggregate in excess of \$200 in a calendar year, the treasurer will only be deemed to have exercised best efforts to obtain, maintain and report the required information if: (1) All written solicitations for contributions include a clear request for the contributor's full name, mailing address, occupation and name of employer, and (2) 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 (30) 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.

The review of contributions from individuals identified 59 disclosure errors related to contributions totaling \$30,900. These discrepancies represent a 46% error rate. The contributions lacked or incorrectly reported the aggregate year to date amounts, identified the wrong account holder on checks drawn on joint accounts, and failed to itemize contributor addresses. Further, the DFCC failed to maintain a record of the occupation and name of employer information for 66 contributions and to disclose this information for 45 contributions. A review of available response devices revealed that some solicitations requested the information as required and some only requested the employer.

The DFCC was provided a schedule of the discrepancies at the exit conference. At the Entrance Conference, the Treasurer stated that although letters were sent to request the information when it was missing, DFCC representatives could not locate copies. Thus, although the DFCC believed that it had satisfied the requirements of §104.7, it was not able to provide the necessary documentation to substantiate this claim.

Shortly after the Exit Conference, the DFCC filed amended Schedules A which materially corrected the disclosure and occupation, name of employer deficiencies noted above. The DFCC's response also included a copy of a letter which it states was sent to request the missing documentation. In a second response letter, the Treasurer stated :

I have still not completed all of the letters requesting name of employer and occupation for all "best efforts" entries. I will forward copies of these letters to you once I have completed the task. Additionally, I will further amend my reports to include this new information once I receive responses to the letters.

The Audit staff's recommendation in the Interim Audit Report was for the DFCC to file Schedules A to correct the remaining errors and omissions described above as well as provide copies of "best efforts" letters sent to contributors. No additional information was provided in response to the Interim Audit Report. However, as noted, the DFCC's earlier response materially, if not completely, corrected its disclosure reports.

C. DEBTS AND OBLIGATIONS

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

Sections 104.11(a) and (b) of Title 11 of the Code of Federal Regulations state, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. These debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. A debt or obligation, the amount of which is \$500 or less, shall be reported as of the time payment is made or not later than 60 days after such obligation is incurred, whichever comes first. A debt or obligation which is over \$500 shall be reported as of the date on which the debt or obligation is incurred, except that any obligation incurred for rent, salary or other regularly reoccurring administrative expense shall not be reported as a debt before the payment due date.

The DFCC's disbursements were reviewed to determine if it had correctly reported debts and obligations owed to vendors. In order to derive the total obligations, each outstanding obligation was counted only once, even if it was outstanding for several periods and therefore should have appeared on more than one disclosure report. The review identified reportable obligations totaling \$42,714. Of this amount, \$35,346 was not reported.

Prior to the Exit conference, the Audit staff provided the DFCC with a schedule of the obligations that were not reported or incorrectly reported. The Treasurer stated that the persons who had created and filed the reports lacked experience and probably had been unaware of the debt reporting requirements. The Treasurer indicated a willingness to file amended schedules D to correct this problem.

Shortly after the Exit Conference the DFCC filed amended Summary and Detailed Summary pages and Schedules D for the July Quarterly through the 30 day Post-General Election (Post General) reporting periods (4/16/98 - 11/23/98) which accurately reported the debts and obligations for those periods. On the Post General report, \$7,368 owed to one vendor was disclosed as having been paid, but was not paid until February 3, 1999, resulting in the Post General reported ending balance for Debts and Obligations

being understated by this same amount. In addition, the DFCC did not file amended Summary and Detailed Summary pages for the 1998 Year End report, nor Schedules D to disclose additional payments of debt and the correct ending balance for Debts and Obligations.

In the Interim Audit Report it was recommended that the DFCC file amended Summary and Detailed Summary pages, as well as Schedules D for the Post General through Year End 1998 report to correctly disclose the remaining outstanding obligations. Although the DFCC did not file the additional amended reports requested, the Audit staff notes that the original Year End report lists an ending debt amount that, although not entirely correct, was materially accurate. In addition, the actual payment for the debt was correctly listed on Schedules B and D in the 1999 Mid-Year report.

07 09 20 09



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 5, 1999

Susan J. Kyte, Esq., Treasurer
Drake For Congress
57 E. Gay Street
Columbus, OH 43215

Dear Ms. Kyte:

Attached please find the Report of the Audit Division on Drake For Congress. The Commission approved the report on October 26, 1999.

The Commission approved Final Audit Report will be placed on the public record on November 8, 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 Rhonda Simmons or Russ Bruner 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 "Robert J. Costa", with a long horizontal flourish extending to the right.

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

EE.07.025.3337

CHRONOLOGY
DRAKE FOR CONGRESS

Audit Fieldwork	June 7 - June 18, 1999
Interim Audit Report to the Committee	August 27, 1999
Response to the Interim Audit Report Due	September 30, 1999
Final Audit Report Approved	October 26, 1999

23.07.025.333

22.07.025.3336

22.07.025.3341

