




FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 6, 2002

MEMORANDUM

TO: Ron M. Harris
Press Officer
Press Office

FROM: Joseph F. Stoltz 
Assistant Staff Director
Audit Division

SUBJECT: Public Issuance of the Final Audit Report on Jennifer Carroll for Congress

Attached please find a copy of the final audit report and related documents on Jennifer Carroll for Congress that was approved by the Commission on October 2, 2002.

All parties involved have received informational copies of the report 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

REPORT OF THE AUDIT DIVISION
ON
JENNIFER CARROLL FOR
CONGRESS

Approved on October 2, 2002



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

JENNIFER CARROLL FOR CONGRESS

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION ON
JENNIFER CARROLL FOR CONGRESS
EXECUTIVE SUMMARY**

Jennifer Carroll for Congress (JCFC) registered with the Federal Election Commission on June 17, 1999, as the principal campaign committee for Jennifer Carroll, Republican candidate for the U.S. House of Representatives from the State of Florida, 3rd District.

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 audit findings summarized below were presented to JCFC at the completion of fieldwork on July 21, 2001 and later in the interim audit report. JCFC's responses to the findings are contained in the audit report.

APPARENT EXCESSIVE CONTRIBUTIONS - 2 U.S.C. §§441a(a)(1)(A) and (2)(A); 11 CFR §§110.1(b), 103.3(b)(3) and (4), 110.1(b)(5) and 110.1(k). The Audit staff identified excessive contributions from 14 individuals and one political action committee totaling \$16,900. In response, JCFC representatives provided copies of negotiated refund checks totaling \$9,000. In addition, JCFC provided non-negotiated copies of refund checks totaling \$6,900. With respect to the remaining \$1,000 excessive contribution, JCFC neither provided evidence that the contribution was not excessive nor evidence that a refund had been made.

MISSTATEMENT OF FINANCIAL ACTIVITY - 2 U.S.C. §§434(b)(1), (2) and (4). The Audit staff's reconciliation of JCFC's reported financial activity to its bank records for calendar year 2000 revealed material misstatements with respect to reported disbursements and ending cash.

The Audit staff recommended that JCFC file amended reports for calendar year 2000 correcting the misstatements. As of the date the Commission approved the final audit report (10-2-02), no amended reports had been received.¹

¹ Subsequently, the Audit staff received paper copies of amended reports. However, they did not materially correct the misstatements. Further, they were required to be filed electronically.



***REPORT OF THE AUDIT DIVISION
ON
JENNIFER CARROLL FOR CONGRESS***

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of Jennifer Carroll for Congress (JCFC), 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 April 27, 1999 (the date of the first financial transaction) through December 31, 2000. JCFC reported a beginning cash balance of \$0; total receipts for the period of \$1,145,306; total disbursements for the period of \$1,049,198; and an ending cash balance of \$95,779.¹

C. CAMPAIGN ORGANIZATION

JCFC registered with the Commission on June 17, 1999 as the principal campaign committee of Jennifer Carroll, Republican candidate for the U.S. House of Representatives from the State of Florida, 3rd District.

The treasurer of JCFC for the audit period was Charles Curry.² JCFC maintains its headquarters in Jacksonville, Florida.

¹ Totals do not foot. JCFC erroneously reduced cash-on-hand by \$329 on its Year-End 1999 disclosure report.

² On August 7, 2001, JCFC amended its Statement of Organization, naming Nolan A. Carroll as treasurer.

To manage its financial activities, JCFC maintained one bank account, and two investment accounts. Approximately 500 disbursements were made from the bank account. JCFC received approximately 6,900 contributions from individuals, totaling approximately \$644,700, which represents about 56% of total receipts. In addition, JCFC received 214 contributions from political action committees and other committees, such as party committees and candidate committees, totaling approximately \$333,800; loans received from the candidate totaling approximately \$14,100; and, offsets to operating expenditures and other receipts totaling approximately \$148,600. JCFC filed its reports electronically. Accounting, recordkeeping and reporting functions were performed by volunteer campaign staff. No one associated with the campaign had prior campaign finance experience or attended a Commission seminar or conference.

D. AUDIT SCOPE AND PROCEDURES

Following Commission-approved procedures, the Audit staff evaluated various risk factors to determine the scope of this audit. The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (see Finding II.A.);
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;
4. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records (see Finding II.B.);
5. adequate recordkeeping for transactions, and;
6. 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. APPARENT EXCESSIVE CONTRIBUTIONS

Sections 441(a)(1)(A) and (2)(A) of Title 2 of the United States Code state, that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed

\$1,000 and that no multi-candidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

Section 110.1(b) of Title 11 of the Code of Federal Regulations explains that *with respect to any election* means that if the contribution is not designated in writing by the contributor for a particular election then the contribution applies to the next election for that Federal office after the contribution is made. A contribution is considered made when the contributor relinquishes control over the contribution by delivering the contribution to the Candidate, the political committee, or an agent of the committee. A contribution mailed is considered made on the date of the postmark.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that contributions which exceed the contribution limitations may be either deposited into a campaign depository or returned to the contributor. If any such contribution is deposited, the treasurer may request redesignation or reattribution of the contribution by the contributor in accordance with 11 CFR 110.1(b), 110.1(k) or 110.2(b), as appropriate. If a redesignation or reattribution is not obtained, the treasurer shall, within sixty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations states that any contribution which appears to be illegal under 11 CFR 103.3(b)(1) or (3), and which is deposited into a campaign depository shall not be used for any disbursements by the political committee until the contribution has been determined to be legal. The political committee must either establish a separate account in a campaign depository for such contributions or maintain sufficient funds to make all such refunds.

Section 110.1(b)(5) of Title 11 of the Code of Federal Regulations states, in part, that the treasurer of an authorized political committee may request a written redesignation of a contribution by the contributor for a different election if the contribution exceeds the limitation on contributions set forth in 11 CFR 110.1(b)(1). A contribution shall be considered to be redesignated for another election if the treasurer of the recipient authorized political committee requests that the contributor provide a written redesignation of the contribution and informs the contributor that the contributor may request the refund of the contribution as an alternative to providing a written redesignation; and within sixty days from the date of the treasurer's receipt of the contribution, the contributor provides the treasurer with a written redesignation of the contribution for another election, which is signed by the contributor.

Section 110.1(k) of Title 11 of the Code of Federal Regulations states, in part, any contribution made by more than one person shall include the signature of each contributor on the check, money order, or other negotiable instrument or in a separate writing. Furthermore, a contribution made by more than one person that does not indicate the amount to be attributed to each contributor shall be attributed equally to each

contributor. If a contribution to a candidate on its face or when aggregated with other contributions from the same contributor exceeds the limitations on contributions set forth in 11CFR 110.1(b) or (d), as appropriate, the treasurer may ask the contributor whether the contribution was intended to be a joint contribution by more than one person. A contribution shall be considered to be reattributed to another contributor if the treasurer of the recipient political committee asks the contributor whether the contribution is intended to be joint contribution by more than one person, and informs the contributor that he or she may request a return of the excessive portion of the contribution if it is not intended to be a joint contribution; and within 60 days from the date of the treasurer's receipt of the contribution, the contributors provide a written reattribution of the contribution, which is signed by each contributor, and which indicates the amount to be attributed to each contributor if equal attribution is not intended.

The Audit staff's review of contributions identified apparent excessive contributions from 14 individuals and one political action committee totaling \$16,900. The contributions were received prior to the primary election. The contributor's checks did not include an election designation. Further, no documentation was found in JCFC's records that demonstrated any attempt to obtain reattribution or redesignation of the excessive amounts. However, JCFC's database and disclosure reports attributed the excessive portion of each contribution to the general election.

JCFC did not maintain a separate account to deposit questionable contributions but consistently maintained balances sufficient to cover the excessive contributions. Using election designations recorded by JCFC, the Audit staff also performed an analysis of contributions and disbursements to determine whether any of the contributions designated for the general election had been spent on primary election expenses. That analysis indicated that primary activity was not funded by contributions designated for the general election.

At the exit conference, JCFC representatives were provided a schedule of the excessive contributions. Subsequent to the exit conference, JCFC provided copies of refund checks (front only) issued to 11 contributors, totaling \$10,100.

In the interim audit report, the Audit staff recommended that JCFC provide evidence, which demonstrated the remaining contributions in question, totaling \$6,800, were not excessive. Absent such evidence, the Audit staff recommended that JCFC refund the excessive contributions and provide evidence of all refunds (copies of the front and back of the negotiated refund checks, to include negotiated copies of the 11 refund checks discussed above). If funds were not currently available to make the necessary refunds, those contributions requiring refunds should have been disclosed as debts on Schedule D (Debts and Obligations) until such time that funds became available to make the refunds.

In response to the interim audit report, JCFC provided copies of negotiated refunds checks for \$9,000 of the \$10,100 refunds mentioned above. JCFC also provided

copies (front only) of four refund checks issued on September 17, 2002, totaling \$5,800. With respect to the remaining \$1,000 excessive contribution, JCFC neither provided evidence that the contribution was not excessive nor evidence that a refund check had been issued.

B. 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 calendar year.

The Audit staff's reconciliation of JCFC's reported financial activity to its bank records for calendar year 2000 revealed material misstatements with respect to reported disbursements and ending cash. Minor differences identified in reported receipts were provided to JCFC to assist it in bringing its reported cash on hand into line with the bank balance. JCFC did not maintain records to show derivation of its reported amounts. Absent such records, the Audit staff could not identify all differences between bank and reported activity.

JCFC should have reported disbursements totaling \$1,065,620. However, it reported total disbursements of only \$1,040,878, an understatement of \$24,742. The understatement was primarily due to JCFC not reporting credit card transactions (\$11,245), in-kind contributions as disbursements (\$4,674), and ATM withdrawals and bank charges (\$729). Further, JCFC issued a check to an individual for \$15,000 but reported this transaction as \$6,869, a net underreporting of \$8,131.³ As a result of the errors noted above, ending cash-on-hand was overstated.

This matter was discussed at the exit conference. Workpapers detailing all reporting discrepancies have been provided to JCFC.

The Audit staff recommended that JCFC file amended Summary and Detailed Summary pages as well as the necessary supporting schedules for calendar year 2000 correcting the misstatements.

An assistant to the treasurer indicated that she was having trouble loading the FEC software but was communicating with the Commission's electronic filing personnel. To date, no amended reports have been received.

³ JCFC erroneously disclosed receiving a loan of \$6,869 from an individual who placed media ads. The individual was subsequently owed \$15,000 in media commissions. JCFC paid the \$15,000 but only disclosed this payment as \$6,869, apparently to offset the erroneously reported loan.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

October 25, 2002

Ms. Jennifer Carroll
Jennifer Carroll for Congress
7163 Augusta Drive
Green Cove Springs, FL 32043

Dear Ms. Carroll:

Attached, please find the Report of the Audit Division on Jennifer Carroll for Congress. The Commission approved this report on October 2, 2002.

The Commission approved Report will be placed on the public record on November 6, 2002. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the report should be directed to Renee T. Coleman-Bunn or Thomas J. Nurthen 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 "Joseph F. Stoltz". The signature is stylized and written over a faint, larger version of the name.

Joseph F. Stoltz
Assistant Staff Director
Audit Division

Attachment as stated

cc: Charles Curry, Treasurer

JENNIFER CARROLL FOR CONGRESS

CHRONOLOGY

Audit Fieldwork	07/16/01 – 07/26/01
Interim Audit Report to Committee	08/01/02
Response Received to the Interim Audit Report	09/20/02 & 10/03/02
Final Audit Report Approved	10/02/02
Final Audit Report to Committee	10/25/02