



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

April 30, 2004

MEMORANDUM

TO: ROBERT W. BIERSACK  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON  
TIM JOHNSON FOR SOUTH DAKOTA, INC.

Attached please find a copy of the audit report and related documents on Tim Johnson for South Dakota, Inc., which was approved by the Commission on April 19, 2004.

The report may be released to the public on April 30, 2004.

Attachment as stated

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



# Report of the Audit Division on Tim Johnson for South Dakota, Inc.

January 1, 2001 – December 31, 2002

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## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Committee (p. 2)

Tim Johnson for South Dakota, Inc. (TJFSD) is the principal campaign committee for Senator Tim Johnson, Democratic candidate for the U.S. Senate from the state of South Dakota. TJFSD is headquartered in Sioux Falls, South Dakota. For more information, see chart on the Campaign Organization, p.2.

## Financial Activity (p. 2)

• Receipts	
○ From Individuals	\$3,345,766
○ From Political Party Committees	34,972
○ From Other Political Committees	2,106,759
○ Transfers From Other Authorized Committees	37,151
○ Offsets to Operating Expenditures	29,303
○ Other Receipts	114,039
○ Total Receipts	\$ 5,667,990
• Disbursements	
○ Total Operating & Other Disbursements	\$ 6,196,026

## Finding and Recommendation (p. 3)

- Misstatement of Financial Activity

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<sup>1</sup> 2 U.S.C. §438(b).

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Tim Johnson for South Dakota, Inc. (TJFSD), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must 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.  
2 U.S.C. §438(b).

### **Scope of Audit**

Following Commission approved procedures, the Audit staff evaluated various factors and as a result, this audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The consistency between reported figures and bank records.
5. The completeness of records.
6. Other committee operations necessary to the review.

### **Changes to the Law**

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. Except for November 7, 2002 through December 31, 2002, the period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are primarily those that were in effect prior to November 7, 2002.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Tim Johnson for South Dakota, Inc.</b>
• Date of Registration	January 24, 1986
• Audit Coverage	January 1, 2001 through December 31, 2002
<b>Headquarters</b>	Sioux Falls, South Dakota
<b>Bank Information</b>	
• Bank Depositories	5
• Bank Accounts	9 (1 Checking, 1 Savings, , 2 Money Market and 5 Investment Accounts)
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Berniece F. Mayer
• Treasurer During Period Covered by Audit	Berniece F. Mayer
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations	Chad Schuldt, Controller

#### Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2001</b>	<b>\$553,477</b>
<b>Receipts</b>	
○ From Individuals	\$3,345,766
○ From Political Party Committees	34,972
○ From Other Political Committees	2,106,759
○ Transfers From Other Authorized Committees	37,151
○ Offsets to Operating Expenditures	29,303
○ Other Receipts	114,039
<b>Total Receipts</b>	<b>\$5,667,990</b>
<b>Disbursements</b>	
○ Operating & Other Disbursements	\$6,196,026
<b>Total Disbursements</b>	<b>\$ 6,196,026</b>
<b>Cash on hand @ December 31, 2002</b>	<b>\$ 25,441</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Misstatement of Financial Activity**

When TJFSD's reported activity was compared to its bank records, the Audit staff found that for calendar year 2001, cash on hand and disbursements had been misstated. In response to the interim audit report, TJFSD filed amended reports, which corrected the misstatements noted above.

(For more detail, see p. 4)

## Part IV

# Finding and Recommendation

### Misstatement of Financial Activity

#### Summary

When TJFSD's reported activity was compared to its bank records, the Audit staff found that for calendar year 2001, cash on hand and disbursements had been misstated. In response to the interim audit report, TJFSD filed amended reports, which corrected the misstatements noted above.

#### Legal Standard

**Contents of Reports.** Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
  - The total amount of receipts for the reporting period and for the calendar year; and
  - The total amount of disbursements for the reporting period and for the calendar year.
- 2 U.S.C. §434(b)(1), (2) and (4).

#### Facts and Analysis

TJFSD used a commonly available campaign management software package, in conjunction with QuickBooks, to prepare its disclosure reports. The date of receipt and the date of deposit were provided for most transactions. The date of receipt was used for reporting purposes. The Audit staff's bank reconciliations for both 2001 and 2002 used date of deposit as shown on TJFSD's bank statements to determine correct reportable receipts. As a result, offsetting differences arose between years on the bank reconciliations. However, reported receipts were materially correct over the two year audit period.

The following chart details the discrepancies between TJFSD's reported activity and its bank records for 2001 not attributable to the noted timing differences. Succeeding paragraphs explain why the discrepancies occurred. TJFSD did not provide work papers detailing the derivation of its reported figures; as such, the Audit staff was not able to explain all discrepancies.

<b>2001 Campaign Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Cash on Hand at 1/1/01	\$595,311	\$606,482	\$11,171 Understated
Receipts	\$2,058,763	\$2,036,430	\$22,333 Overstated
Disbursements	\$932,264	\$990,626	\$58,362 Understated
Cash on Hand at 12/31/01	\$1,721,810	\$1,652,286	\$69,524 Overstated

The Audit staff was unable to determine the cause of the \$11,171 understatement of beginning cash on hand or the \$22,333 overstatement of receipts for 2001. TJFSD representatives could not explain these discrepancies either.

The understatement of disbursements resulted primarily from the failure to report disbursements totaling \$58,086. Although no specific reason was identified for some disbursements not being reported, 53% of the amount (\$30,955) was in the 4<sup>th</sup> quarter of 2001.

The overstatement of the closing cash on hand resulted from the misstatements described above.

The Audit staff discussed these matters with TJFSD representatives at the exit conference and provided them with schedules detailing the disbursements not reported. TJFSD representatives stated that any unreported disbursements will be disclosed in amended reports.

#### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that TJFSD amend its reports to correct the misstatements noted above. In response to the interim audit report, TJFSD amended its reports to correct the misstatements noted above.