




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

July 28, 2005

MEMORANDUM

TO: Press Office

FROM: Joseph F. Stoltz   
Assistant Staff Director  
Audit Division

SUBJECT: Public Issuance of the Final Audit Report on Hostetler for Congress  
(A04-01)

Attached please find a copy of the audit report on Hostetler for Congress, which was approved by the Commission on July 14, 2005.

The audit report may be released to the public on July 28, 2005.

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 Hostetler for Congress

January 28, 2003 – September 30, 2004

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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)

Hostetler for Congress (HFC) is the principal campaign committee for Ronald Hostetler, Republican Candidate for the U.S. House of Representatives from the state of Pennsylvania, 17<sup>th</sup> District. HFC maintains its headquarters in Hershey, Pennsylvania. For more information, see the Campaign Organization chart, p. 2.

## Financial Activity (p. 2)

- **Receipts**
  - Contributions From Individuals \$ 137,119
  - Contributions From Political Committees 1,750
  - Contribution From Candidate 2,000
  - **Total Receipts** \$ 140,869
- **Disbursements**
  - Operating Expenditures \$ 131,699
  - Refunds of Contributions to Individuals 2,000
  - **Total Disbursements** \$ 133,699

## Finding and Recommendation (p. 3)

- Omission of Disclosure Information

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<sup>1</sup> 2 U.S.C. §438(b).

**Report of the  
Audit Division  
on  
Hostetler for Congress**

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January 28, 2003 – September 30, 2004



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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of Hostetler for Congress, 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**

At the start of fieldwork, HFC had not filed disclosure reports for the period April 8, 2004, through September 30, 2004. Therefore, testing receipts and disbursements for itemization and disclosure during this period was not possible. On January 11, 2005, HFC filed the required disclosure reports. The late filing of these reports is currently being handled by the Commission in another context.

This audit examined:

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

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Hostetler for Congress</b>
• Date of Registration	January 28, 2003
• Audit Coverage	January 28, 2003 – September 30, 2004
<b>Headquarters</b>	Hershey, Pennsylvania
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	One
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	John H. Grab
• Treasurer During Period Covered by Audit	John H. Grab
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Volunteer Staff

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

<b>Cash on hand @ January 13, 2003</b>	<b>\$ 0</b>
○ Receipts from Individuals	137,119
○ Receipts from Political Committees	1,750
○ Receipts from Candidate	2,000
<b>Total Receipts</b>	<b>\$ 140,869</b>
○ Operating Expenditures	131,699
○ Refunds of Contributions to Individuals	2,000
<b>Total Disbursements</b>	<b>\$ 133,699</b>
<b>Cash on hand @ September 30, 2004</b>	<b>\$ 7,170</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Omission of Disclosure Information**

For the disclosure reports filed, the Audit staff reviewed all disbursements and noted that HFC failed to properly disclose 27 disbursements totaling \$45,243. Although HFC filed amended reports, they did not materially correct the disclosure errors.

(For more detail, see p. 4)

## Part IV

# Finding and Recommendation

### Omission of Disclosure Information

#### Summary

For the disclosure reports filed, the Audit staff reviewed all disbursements and noted that HFC failed to properly disclose 27 disbursements totaling \$45,243. Although HFC filed amended reports, they did not materially correct the disclosure errors.

#### Legal Standard

**A. Reporting Operating Expenditures.** When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made—see below). 2 U.S.C. §434(b)(5)(A) and 11 CFR §104.3(b)(4)(i).

#### B. Examples of Purpose

- Adequate Descriptions. Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, catering costs, loan repayment, or contribution refund. 11 CFR §104.3 (b)(4)(i)(A).
- Inadequate Descriptions. The following descriptions do not meet the requirement for reporting “purpose”: advance, election day expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote, and voter registration. 11 CFR §104.3 (b)(4)(i)(A).

#### Facts and Analysis

For the disclosure reports that were filed, the Audit staff reviewed all disbursements. Our testing revealed that HFC failed to provide a purpose for 21 disbursements totaling \$42,243. HFC also disclosed six disbursements totaling \$3,000 to the wrong payee. Documentation reviewed by the Audit staff contained sufficient information for HFC to disclose a purpose and the correct payee for these transactions.

During the exit conference, the Audit staff provided HFC’s treasurer with workpapers detailing those disbursements which were improperly disclosed. The treasurer indicated that HFC would file amendments to correct the public records.

#### Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that HFC amend its reports to correct the disclosure errors noted above. In response to the interim audit report HFC filed amended reports. However, HFC failed to amend its October Quarterly report for the calendar year 2003, which contained 12 (of the 21) disclosure errors relating purpose.<sup>2</sup>

<sup>2</sup> Several attempts were made to contact the Treasurer in order to resolve this matter. He neither responded to telephone messages nor electronic mail messages.