



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

A81-27

January 20, 1982

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICER

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -  
LEAGUE OF CONSERVATION VOTERS

Attached please find a copy of the final audit report of the League of Conservation Voters which was approved by the Commission on January 7, 1982.

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: FEC Library  
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Public Record

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WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION  
ON THE  
LEAGUE OF CONSERVATION VOTERS

I. Background

A. Overview

This report is based on an audit of the League of Conservation Voters ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance 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 section, 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.

The Committee registered with the Federal Election Commission on May 18, 1978 and is affiliated with the League of Conservation Voters Campaign Fund. The Committee maintains its headquarters in Washington, D.C.

The audit covered the period from January 1, 1980 through December 31, 1980. The Committee reported an opening cash balance of \$26,121.26, total receipts of \$379,623.87, total expenditures of \$402,031.31, and a closing cash balance of \$3,713.82.

This report is based on documents and working papers supporting each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period audited were as follows: Mr. Rafe Pomerance, Treasurer, January 1, 1980 through January 31, 1980 and Ms. Marion Edey, Treasurer, January 31, 1980 through December 31, 1980.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures; review of required supporting documentation, and analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances. However, although the contribution records provided by the Committee met the recordkeeping requirements of 2 U.S.C. 432(c) and 11 C.F.R. 102.9(a), they did not include any material prepared outside of the Committee. Therefore, no verification of individual contribution transactions was performed.

II. Audit Findings and Recommendations

A. Misstatements of Financial Activity

Section 434(b) (1) (2) and (4) of Title 2 of the United States Code states, in part that each report filed by the treasurer of a political committee shall disclose the amount of cash on hand at the beginning of the reporting period; for the reporting period and the calendar year, the total amount of all receipts; and for the reporting period and the calendar year, the total amount of all disbursements.

Section 104.14(b) of Title 11 of the Code of Federal Regulations states, in part, that "Each political committee or other person required to file any report or statement...shall maintain all records relevant to such reports or statements as follows:

(1) Maintain records, including bank records, with respect to the matters required to be reported, including vouchers, worksheets, receipts, bills and accounts, which shall provide in sufficient detail the necessary information and data from which the filed reports and statements may be verified, explained, clarified and checked for accuracy and completeness".

As part of routine audit procedures, the Committee's reported cash at January 1, 1980, and cash receipts and disbursements for the calendar year ending December 31, 1980, were reconciled with bank statements for the same period. The reconciliation revealed that beginning cash was overstated by \$4,475.26 or 17% of the reported total; cash receipts for the year were understated by \$4,460.14 or 1.18% of the reported total, and cash disbursements overstated by \$824.08 or .2% of the reported total. The net effect of these misstatements was an understatement of ending cash by \$808.96 or 28% of the reported total.

A reconciliation of each report to bank activity for each report period indicated that the committee did not have uniform procedures for compiling report activity, particularly with regard to cash receipts. The Audit staff was unable to reconstruct beginning cash or reported monthly receipts, because the Committee could not provide working papers showing the compilation of reported totals, nor were committee personnel able to assure the Audit staff that a consistent method was used to develop those totals.

The Committee stated that they had hired a consultant to develop effective accounting and reporting procedures, and were researching the use of an EDP system for processing receipts.

In the interim audit report, the Audit staff recommended that the Committee provide evidence of the development of formalized and uniform procedures to record financial activity, maintain such records, and compile FEC reports in compliance with the FECA and related regulations.

In their November 2, 1981 response to the interim audit report, the Committee submitted a description of accounting procedures designed by their accounting consultant for compliance with FECA recordkeeping and reporting requirements.

#### Recommendation

Based on the Committee's implementation of their revised accounting procedures, the Audit staff recommends that no further action be taken on this matter.

#### B. Itemization of Debts and Obligations

Section 434(b)(3)(E) of Title 2 of the United States Code states, in part that each report shall disclose the identification of each person who makes a loan to the reporting committee during the reporting period, together with the identification of any endorser or guarantor of such loan, and date and amount of value of such loan.

Section 104.3(d) of Title 11, Code of Federal Regulations states, in part that each report filed shall, on Schedule "C" or "D", disclose the amount and nature of outstanding debts and obligations.

Section 104.11 of Title 11, Code of Federal Regulations states, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. Specifically, a debt, obligation or other promise to make an expenditure, the amount of which is \$500 or less, shall be reported as of the time payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any loan, debt or obligation, the amount of which is over \$500 shall be reported as of the time of the transaction.

In the course of the audit, the Committee's reporting of debts and obligations was reviewed 100%. A pre-audit review and subsequent fieldwork indicated that the 1980 30 Day Post General Election report and 1980 Year End report misstated and omitted debts on Schedule "C" (Loans) and Schedule "D" (Debts and Obligations).

1) 30 Day Post General Election Report

In the post general report, Schedule "D" debts totaling \$7,916.62 were reported to be outstanding at the beginning of the period, when they were actually incurred during the period. In addition, a loan from a political committee for \$2,000 on October 22, 1980 was not reported on either Schedule "C" or "D", nor was the amount included in the total for line 10 and (Debts and Obligations Owed by the Committee) of the Summary page.

2) Year-End Report

In the Year-End Report, loans from individuals totaling \$7,200 continuing from a prior period and outstanding at December 31, 1980, were omitted from Schedule "C" and the amount was not reported in the Schedule "D" total or line 10 of the Summary page.

The loan from a political committee was extinguished but no activity was reported on either Schedule "C" or "D", the loan repayment having been reported as a "contribution" to the political committee on Schedule "B".

Debts totaling \$3,000 owed to the Committee were not reported on Schedule "C", although the total amount was included on line 9 (Debts and Obligations Owed to the Committee) of the Summary page.

The Commission's Reports Analysis Division forwarded written requests for additional information dated April 7, June 10, and July 2, 1981, directed at the 30-Day and Year End reports and asking for clarification of these matters. Committee responses, however, were inadequate. Committee personnel stated that they did not understand reporting requirements for debts and obligations, and were willing to amend reports as required.

In the interim audit report, the Audit staff recommended that the Committee amend the 1980 30 Day Post General Election Report and 1980 Year End Report to correct the Schedule "C" and "D" errors and omissions noted above.

On November 2, 1981, the Committee submitted amended reports correcting the Schedule "C" and "D" errors and omissions noted above.

### Recommendation

The Audit staff recommends that no further action be taken on this matter.

#### C. Documentation of Contributions

Section 432(c) of Title 2 of the United States Code states in part that the treasurer of a political committee shall keep an account of all contributions received by or on behalf of such political committee; the name and address of any person who makes any contribution in excess of \$50, together with the date and amount of such contribution; and the identification of any person who makes a contribution or contributions aggregating more than \$200 during a calendar year, together with the date and amount of any such contribution.

Section 102.9(a) of Title 11 of the Code of Federal Regulations states in part that an account shall be kept by any reasonable accounting procedure of all contributions received by or on behalf of the political committee.

The Audit staff's review of Committee fundraising activities identified two methods by which most contributions were generated:

- 1) door-to-door canvassing performed by an outside vendor;  
and
- 2) direct mail fundraising.

Committee records available at the time of the audit fieldwork disclosed that out of \$379,623.87 in contributions reported during the period January 1, 1980 through December 31, 1980, 155 items totaling \$106,700 were identified by the Committee to be greater than \$50, requiring a record to be kept of the contributor name and address. For the remaining \$272,923.87 in receipts, the Committee provided the following records of activity in 6 Committee depositories:

- 1) check registers with deposit entries annotated with descriptions such as "small" to indicate items of less than \$50;
- 2) bank statements with deposit slips denoting multiple deposit items of less than \$50; and
- 3) one bank account, accounting for approximately \$127,000 in receipts, where the records contained no detail as to the composition of deposit entries.

In the absence of a comprehensive contributor list, the Audit staff was unable to test the unidentified contributions for aggregation or other requirements of the Act. The Committee stated that they had no formal aggregation procedures, relying on their ability to recognize repeat contributors and the probability that small contributors would not aggregate more than \$200 in contributions in the calendar year.

Although the Audit staff is of the opinion that the maintenance of a comprehensive contributor list from door-to-door canvassing would be an unreasonable burden for the Committee, some other documentation is needed to verify that the recordkeeping, disclosure, and contribution limitation requirements of the Act were met.

However, during the audit fieldwork, the Committee did not provide records generated by canvassing activity which could verify that collection and recordkeeping were performed in compliance with the Act, nor did the Committee document any communications between the Committee and the vendor acknowledging the practice of accounting procedures and controls directed toward compliance with the Act.

Regarding records pertaining to contributions generated by direct mail fundraising, the Committee stated that they did not maintain a record of individual contributions. However, other records used by the Committee to manage their mailings, but not available at the time of the audit fieldwork, may have substantiated Committee statements that formalized aggregation procedures were not necessary.

Therefore, the Audit staff recommended, in the interim audit report, that the Committee provide documentation verifying that contributions generated by door-to-door canvassing and direct mail solicitation were collected in compliance with the Act's recordkeeping, disclosure and individual contribution limitation requirements.

In their response to the interim audit report, the Committee provided for Audit staff review additional records that, although not designed for use as a comprehensive contributor list, provided evidence of Committee recordkeeping.

The records related to three (3) separate areas of Committee activity: addressograph cards for the headquarters account direct mail receipts; forms used in the canvassing in one (1) of the two (2) states where canvassing was conducted; and detailed deposit slips for receipts collected in the other state canvass. Because the addressograph cards were used to record direct mail contributions to both the Committee and their affiliate (the League of Conservation Voters Campaign Fund) without differentiation, the results of tests performed on the records are presented in terms of gross receipts of both Committees.

The Audit staff's review of the records indicates that 90% of the contributions received by the League of Conservation Voters and their affiliate, the League of Conservation Voters Campaign Fund, are adequately documented by the records provided. In addition, the Committee has revised their accounting procedures and begun a conversion to an EDP receipts processing system for the purpose of compliance with the recordkeeping provisions of the Act.

#### Recommendation

The Audit staff recommends no further action, based on the Committee's continued implementation of their EDP contributions processing system, and adherence to the revised accounting procedures submitted to the Audit staff.



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