



# FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

A83-47

## REPORT OF THE AUDIT DIVISION ON CORK

### I. Background

#### A. Overview

This report is based on an audit of CORK ("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 November 14, 1980 as Citizens Organized to Replace Kennedy. On April 1, 1983, the Committee amended its statement of organization to delete the reference to Senator Kennedy's name from its title by changing the organization's official name to CORK. The Committee maintains its headquarters in Garrisonville, Virginia.

The audit covered the period January 1, 1981, through December 31, 1982. The Committee reported a cash balance on January 1, 1981 of \$500; total receipts for the period of \$412,316.95; total disbursements for the period of \$410,144.39; and a cash balance on December 31, 1982 of \$2,532.50<sup>1/</sup>.

This audit report is based on documents and working papers which support 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.

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<sup>1/</sup> The reported totals do not foot due to computational and other reporting errors. In addition, see Finding II.A. regarding unreported receipts and disbursements.

**B. Key Personnel**

The Treasurers of the Committee during the period covered by the audit were Mr. Paul Brown from January 1, 1981 through September 10, 1981; Mr. James Deger from September 10, 1981 through June 1, 1982; and Mr. Paul Brown again from June 1, 1982 through the present.

**C. Scope**

The audit included such tests as verification of total reported receipts and disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances.

**II. Audit Findings and Recommendations**

**A. Misstatement of Financial Activity  
(Unreported Receipts and Disbursements)**

Sections 434(b)(1), (2), and (4) of Title 2 of the United States Code require that each report disclose the amount of cash on hand at the beginning of the reporting period as well as the total amount of all receipts and disbursements for the reporting period and the calendar year.

Section 434(b)(5) of Title 2 of the United States Code requires that each report disclose the name and address of each person to whom an expenditure is made which in the aggregate exceeds \$200 within the calendar year, together with the date, amount, and purpose of the expenditure.

In reconciling the Committee's financial activity from the bank records to their FEC disclosure reports, it was noted that the Committee failed to disclose \$17,555.87 in receipts, \$17,415.65 in disbursements, and \$140.22 in cash on hand.

The Committee maintained what was termed an "escrow" account into which contributions were deposited before being transferred to the operating account. Committee practice is to report receipts when deposited into the operating account. There are to be no expenditures made from the escrow account other than transfers to the operating account. However, in February and March of 1982, expenditures of \$6,357 and \$10,875 for postage were made directly from the escrow account. Neither the receipt nor the disbursement of these funds was disclosed.

The balance of unreported receipt and disbursement activity consisted of bank charges for direct wires, check printing and other services.

It should be noted that all receipts and disbursements should be disclosed when the transactions occur. The practice of not reporting contributions until they are transferred to the operating account results in an understatement of receipts and cash on hand by an amount equal to the balance in the escrow account as of the date of the close of books for the preparation of FEC reports.

On September 23, 1983, the Committee filed a comprehensive amendment which properly disclosed the above financial activity.

#### Recommendation

The Audit staff recommends no further action on this matter.

#### B. Itemization of Contributions

Section 434(b)(3) of Title 2 of the United States Code requires that each report disclose the identification of each person who makes a contribution or contributions to the reporting committee which in the aggregate exceed \$200 within the calendar year, together with the date and amount of the contribution.

A review of the Committee's contribution records revealed that the Committee failed to itemize 32 contributions totalling \$29,165 which required itemization. This represents 53% of the number (60) and 36% of the dollar value (\$81,370) of contributions requiring itemization.

The Committee's January 31, 1982 Year End Report, filed on March 28, 1983, included 25 of the contributors previously not itemized. These itemization schedules were denoted "entire year cumulation". Although these schedules contained the contributors' names, addresses, and aggregate year-to-date totals, they did not disclose the dates and amounts of the individual contributions.

On September 23, 1983, the Committee filed an amendment which itemized the required contributions.

#### Recommendation

The Audit staff recommends no further action on this matter.

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