



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20543

June 15, 1992

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
THE COMMITTEE FOR QUALITY HOSPITAL CARE

Attached please find a copy of the Final Audit Report on The Committee for Quality Hospital Care, which was approved by the Commission on June 9, 1992.

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

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

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REPORT OF THE AUDIT DIVISION
ON
COMMITTEE FOR QUALITY HOSPITAL CARE (CQHC)

I. Background

A. Overview

This report is based on an audit of the Committee for Quality Hospital Care ("the Committee") undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to 2 U.S.C. Section 438(b) 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.

The Committee registered with the Federal Election Commission on December 5, 1988, and maintains its headquarters in Boston, Massachusetts. The audit covered the period from December 15, 1988 (the Committee's reported date of inception)^{1/} through December 31, 1990. The Committee reported an opening cash balance of \$26,613.48, total receipts of \$52,770.00, total disbursements of \$50,417.52, and a cash on hand balance at December 31, 1990 of \$25,455.78.^{2/}

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

^{1/} The earliest transaction on the Committee's bank statements includable in reported activity was dated December 21, 1988. Committee activity between December 5 and December 15, 1988 was minimal.

^{2/} The amounts do not foot due to reporting discrepancies (See Misstatement of Financial Activity, Finding II.B.).

B. Key Personnel

The treasurers of the Committee from its inception to the present are as follows:

William Guenther	Inception - 2/09/89
Bernard D. Flynn	2.10.89 - 4/26/92
Paul J. Moran	4.27.92 - Present

C. Scope

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

II. Audit Findings and Recommendations

A. Source of Cash on Hand

Section 104.12 of Title 11, Code of Federal Regulations states, in part, that political committees which have cash on hand at the time of registration shall disclose on their first report the source(s) of such funds. The cash on hand balance is assumed to be composed of those contributions most recently received by the committee.

The Committee reported beginning cash on hand at December 15, 1988 of \$26,613.48. The correct reportable balance per our bank reconciliation is \$27,282.39 (See Misstatement of Financial Activity, Finding II.B.5.). The Committee has not disclosed the source(s) of its reported beginning cash on hand.

The Audit staff traced the bank deposits containing the most recently received contributions beginning December 15, 1988, back through July 15, 1988, to cover the \$27,282.39. Each check deposited in this period was reviewed for permissibility. The Audit staff determined that twenty-four of these contributions reviewed, totaling \$7,250.00, required itemization, and should be included as memo entries on Schedules A (Itemized Receipts). The remaining contributions, totaling \$20,032.39, are required to be reported as unitemized contributions on an amended Detailed Summary Page [Line 11(a)].

In the interim audit report the Audit staff recommended that the Committee file Memo Schedules A (Itemized Receipts) and an amended Detailed Summary Page to disclose the source of beginning cash on hand.

In response to the interim audit report, the Committee filed Memo Schedules A (Itemized Receipts) and an amended Detailed Summary Page, correctly disclosing the source of beginning cash on hand.

Recommendation #1

The Audit staff recommends no further action with regard to this matter.

B. Misstatement of Financial Activity

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

The Audit staff's reconciliation of the Committee's reported activity to its bank activity from December 15, 1988^{3/} through June 30, 1989 and from January 1, 1990 through December 31, 1990 revealed the following misstatements:^{4/}

^{3/} It should be noted that the Committee's reported activity began on 12/15/88. Since the initial disclosure report filed covered activity between 12/15/88 and 6/30/89 and the activity between 12/15/88 and 12/31/88 was minimal, the Audit staff included the 1988 activity with the 1989 activity for this review.

^{4/} The Committee did not file a report covering activity from July 1, 1989 through December 31, 1989 (See Finding II.C.).

1. Receipts: December 15, 1988 through June 30, 1989

The Committee's receipts from December 15, 1988 through June 30, 1989 were understated by a net amount of \$7,648.00. The components of this misstatement are as follows:

1989 Receipts as Reported		\$ 5,215.00
• Unreported Interest	\$ 838.00	
• Unreported Contributions ^{5/}	7,265.00	
• Over Reported Contribution	(25.00)	
• Reported Contributions - No Record of Deposit	(305.00)	
• Unexplained	(125.00)	<u>7,648.00</u>
Adjusted 1989 Receipts		<u>\$12,863.00</u>

2. Disbursements: December 15, 1988 through June 30, 1989

The Committee's disbursements from December 15, 1988 through June 30, 1989 were understated by a net amount of \$4,483.47. The components of this misstatement are as follows:

1989 Disbursements as Reported		\$11,613.82
• Unreported Bank Charges	\$ 42.47	
• Unreported Disbursements ^{6/}	4,397.00	
• Voided Disbursement - No Report Adjustment for Void	(300.00)	
• Over Reported Contribution Made by the Committee	(50.00)	
• Unexplained	394.00	<u>4,483.47</u>
Adjusted 1989 Disbursements		<u>\$16,097.29</u>

^{5/} Included in this total are \$1,250.00 in unreported contributions requiring itemization.

^{6/} \$2,800 - Contributions to Political Committees and Unregistered Organizations [\$2,400 of which requires itemization (See Finding II.D.)],
\$1,597 - Operating Expenditures

3. 1990 Receipts

The Committee's 1990 receipts were overstated by a net amount of \$2,163.18. The components of this misstatement are as follows:

1990 Receipts as Reported		\$47,555.00
• Unreported Interest	\$ 716.82	
• Contributions Received in 1990, Reported in 1991	510.00	
• Unreported 1990 Refund, Deposited in 1991	1,000.00	
• Unreported 1989 Refund Deposited in 1990	(625.00)	
• Reported Contributions with No Record of Deposit	(3,500.00)	
• Over Reported Contribution	(100.00)	
• Over Reported Unitemized Contributions	(195.00)	
• Unexplained	<u>30.00</u>	<u>(2,163.18)</u>
Adjusted 1990 Receipts		<u>\$45,391.82</u>

4. 1990 Disbursements

The Committee's 1990 disbursements were understated by a net amount of \$3,708.00. The components of this misstatement are as follows:

1990 Disbursements as Reported		\$38,803.70
• Unreported Disbursements ^{7/}	5,272.43	
• Under Reported Disbursements	100.00	
• Reported Unitemized Disbursements with No Payment Transaction Records	(1,271.93)	
• Over Reported Disbursements	(400.00)	
• Unreported Bank Charges	<u>7.50</u>	<u>3,708.00</u>
Adjusted 1990 Disbursements		<u>\$42,511.70</u>

5. Ending Balance

The reported ending cash balance at December 31, 1990 was overstated by \$15,954.74, resulting from the misstatements detailed above. Included in this amount is a \$668.91 difference between the Committee's reported cash on hand of \$26,613.48 on December 15, 1988 and the correct reportable cash on hand balance of \$27,282.39 (See Finding II.A.).

At the exit conference the Treasurer was provided with (a) photocopies of the 1989 and 1990 bank reconciliations, (b) photocopies of contribution checks for the unreported contributions, and (c) schedules detailing reported contributions for which no deposit record could be located by the Audit staff. Committee officials provided no explanations as to why some contributions were not reported and why no deposit records were available for other reported contributions.

In the interim audit report the Audit staff recommended that the Committee file comprehensive amendments covering the periods December 15, 1988 through June 30, 1989 and calendar year 1990 correcting reported receipts and disbursements for both periods, and cash on hand.

7/ \$3,300.00 - Contributions to Political Committees and Unregistered Organizations [\$2,800 of which requires itemization (See Finding II.D.)]
\$1,972.43 - Operating Expenditures

In response to the interim audit report, the Committee filed comprehensive amendments covering these periods which materially corrected reported receipts, disbursements and cash on hand.

Recommendation #2

The Audit staff recommends no further action with regard to this matter.

C. Failure to File Report

Section 434(a)(4)(A)(iv) of Title 2 of the United States Code, states, that in a calendar year in which a regularly scheduled general election is not held, all political committees, other than authorized committees of a candidate, shall file a report covering the period beginning January 1 and ending June 30, which shall be filed no later than July 31 and a report covering the period beginning July 1 and ending December 31, which shall be filed no later than January 31 of the following calendar year.

The Committee did not file a report covering the period July 1, 1989 through December 31, 1989. On December 5, 1990 the Commission's Reports Analysis Division sent a "notice of failure to file" relative to this omission. Our review of bank records provided by the Committee revealed that the Committee received a \$625.00 refund and \$539.79 in interest earned during this period. These items were required to be itemized on Schedules A. Further, the Committee made disbursements totaling \$18,691.97, comprised of \$16,650.00 in contributions made to political committees (of which \$15,650.00 was required to be itemized on Schedules B) and \$2,041.97 in operating expenditures (of which \$1,856.54 was required to be itemized on Schedules B).

No explanation was provided by the Committee for its failure to file this report.

In the interim audit report the Audit staff recommended that the Committee file a Year End 1989 report to include the reportable activity and receipts/disbursements which required itemization.

In response to the interim audit report, the Committee filed a Year End 1989 report which included the reportable activity and receipts/disbursements which required itemization.

Recommendation #3

The Audit staff recommends no further action with regard to this matter.

D. Itemization of Contributions to Political Committees and Unregistered Organizations

Section 434(b)(6)(B)(i) of Title 2 of the United States Code states that each report shall disclose the name and address of each political committee which has received a contribution from the reporting committee during the reporting period, together with the date and amount of any such contribution. In addition, 2 U.S.C. §434(b)(6)(B)(v) states, in part, that each report shall disclose the name and address of each person who has received a disbursement from the reporting committee in an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such contribution.

Section 441a(a)(8) of Title 2 of the United States Code states that for purposes of the limitations imposed by this section, all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit to such candidate, shall be treated as contributions from such person to such candidate. The intermediary or conduit shall report the original source and the intended recipient of such contribution to the Commission and to the intended recipient.

Under 11 C.F.R. §110.6(c)(1)(iv)^{8/} the report by the conduit or intermediary shall contain the following information:

- (A) The name and mailing address of each contributor and, for each earmarked contribution in excess of \$200, the contributor's occupation and the name of his or her employer;
- (B) The amount of each earmarked contribution, the date received by the conduit, and the intended recipient as designated by the contributor; and
- (C) The date each earmarked contribution was forwarded to the recipient candidate or authorized committee and whether the earmarked contribution was forwarded in cash or by the contributor's check or by the conduit's check.

During our review of Committee disbursements made to political committees and unregistered organizations, it was

^{8/} This regulatory citation was contained in the regulations revised as of January 1, 1990. In the regulations revised as of January 1, 1988 and January 1, 1989, this regulation was 11 C.F.R. §110.6(c)(4) and contained the same requirements.

noted that 12 disbursements, totaling \$5,200.00, were not itemized as required.^{9/}

Of the 12 disbursements not itemized as required, 11 were in amounts greater than \$200.01. The other disbursement was an earmarked contribution. Under 11 C.F.R. §110.6(c), earmarked contributions are required to be itemized regardless of amount.

Committee officials provided no explanation for these discrepancies.

In the interim audit report the Audit staff recommended that within 30 days of the service of this report, the Committee file amended Schedules B (Itemized Disbursements), as part of comprehensive amendments, covering the periods December 15, 1988 through June 30, 1989 and calendar year 1990, correcting the above noted problems.

In response to the interim audit report, the Committee filed comprehensive amendments correcting the above noted problems.

Recommendation #4

The Audit staff recommends no further action with regard to this matter.

^{9/} The \$5,200.00 in contributions not itemized as required, comprised of \$2,400.00 during the period December 15, 1988 through June 30, 1989 and \$2,800.00 during calendar year 1990, were not included in the Committee's reported activity (See Misstatement of Financial Activity, Finding II.B.2. and 4.).

