



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

June 19, 1996

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
THE AMERICAN HOSPITAL ASSOCIATION POLITICAL
ACTION COMMITTEE

Attached please find a copy of the final audit report and related documents on the American Hospital Association Political Action Committee which was approved by the Commission on June 10, 1996.

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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REPORT OF THE AUDIT DIVISION
ON

**The American Hospital Association
Political Action Committee**

Approved June 10, 1996



FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
WASHINGTON, D.C.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

**FINAL AUDIT REPORT
ON THE
AMERICAN HOSPITAL ASSOCIATION
POLITICAL ACTION COMMITTEE**

EXECUTIVE SUMMARY

The American Hospital Association Political Action Committee (the Committee) registered with the Federal Election Commission on November 22, 1978.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission

The findings of the audit were presented to the Committee at an exit conference held at the completion of fieldwork on October 16, 1995 and later in an interim audit report. The Committee's response to those findings is included in this final audit report.

MISSTATEMENT OF FINANCIAL ACTIVITY — 2 U.S.C. §§434(b)(1),(2) and (4). For 1994, the Committee's reported totals for receipts and disbursements were understated by approximately \$500 and \$12,500 respectively, primarily as a result of not reporting interest earned, not reporting \$22,000 in disbursements, and not adjusting for \$13,500 in checks issued but later voided. Beginning and ending cash were also misstated. In response to the exit conference, the Committee filed an amendment which materially corrected these misstatements.

DISCLOSURE OF OCCUPATION AND NAME OF EMPLOYER — 2 U.S.C. §§431(13)(A), 432(i), 434(b)(3)(A) and 11 CFR 104.7(a) and (b). The audit identified 191 contributions, totaling \$49,120, for which the contributors' occupation and/or name of employer was not disclosed. The necessary information was present in the Committee's records for about a third of the items, however, no amendments had been filed. Subsequent to the exit conference, the Committee filed amended Schedules A which materially corrected the public record.

REPORTING OF TRANSFERS FROM AFFILIATED COMMITTEES — 2 U.S.C. §§431(13)(B) and 434(b)(3)(D). The audit identified nine transfers totaling \$56,342 that were not itemized as required, although the value of these transfers was included in reported totals. In response to the exit conference, the Committee filed Schedules A which materially corrected these discrepancies.

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POLITICAL ACTION COMMITTEE**

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

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**REPORT OF THE AUDIT DIVISION
ON
THE AMERICAN HOSPITAL ASSOCIATION POLITICAL ACTION
COMMITTEE**

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of The American Hospital Association Political Action Committee (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 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 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.

B. AUDIT COVERAGE

The audit covered the period January 1, 1993 through December 31, 1994. The Committee reported a beginning cash balance of \$332,757, total receipts for the period of \$1,092,666, total disbursements for the period of \$1,354,305 and an ending cash balance of \$71,118.¹

C. CAMPAIGN ORGANIZATION

The Committee registered with the Federal Election Commission on November 22, 1978. The Treasurer of the Committee is Mr. Sidney Jacob, who was also the Treasurer during the audit period. The Committee maintains its headquarters in Chicago, Illinois.

¹ All amounts presented in this report have been rounded to the nearest dollar. The Committee understated its reported receipts and disbursements (see Finding II A.)

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To handle its federal financial activity, the Committee maintained three bank accounts (2 checking and 1 money market). The Committee made 908 disbursements totaling approximately \$1,364,441². The Committee received approximately 2,580 contributions from individuals, totaling \$263,117, 39 transfers from affiliated committees, totaling \$292,725 and 261 contributions from other political committees, totaling \$524,672.

D. AUDIT SCOPE AND PROCEDURES

The audit included testing of the following general categories

- 1 The receipt of contributions or loans in excess of the statutory limitations;
- 2 the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
- 3 proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed (see Findings II B and C),
- 4 proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed,
- 5 proper disclosure of Committee debts and obligations;
- 6 the accuracy of total reported receipts, disbursements and cash balances as compared to Committee bank records (see Finding II A),
- 7 adequate recordkeeping for Committee transactions,
- 8 other audit procedures that were deemed necessary in the situation

Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements was detected. It should be noted that the Commission may pursue any of the matters discussed in this report in an enforcement action.

² The vast majority of disbursements were for contributions to federal candidates and other political committees. Expenses for fundraising activities and administrative costs were paid by the Committee's connected organization.

II. AUDIT FINDINGS AND RECOMMENDATIONS

A. 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 the reporting period and the total amount of all receipts and disbursements received or made during the reporting period and the calendar year

The Audit staff's reconciliation of the Committee's reported activity to its bank activity for the audit period revealed a misstatement of financial activity for 1994

1 Beginning Cash on Hand

The reported beginning cash on hand balance at January 1, 1994 was understated by \$17,518, primarily due to disbursements made and reported in 1992 and 1993, totaling \$13,250, that were not negotiated by the bank; adjusting entries for these items were not included in the Committee's reports

2 Receipts

Reported receipts were understated by \$489. This net understatement was primarily due to the Committee not reporting interest earned, totaling \$236

3 Disbursements

Reported disbursements were understated by \$12,493. This net understatement was mostly due to the Committee not reporting four disbursements totaling \$22,000, and reporting disbursements totaling \$13,500, that were later voided but not adjusted for on the Committee's disclosure reports

4 Ending Cash on Hand

The reported ending cash on hand balance at December 31, 1994 was understated by \$5,514. This net understatement was primarily due to the errors detailed above

At the exit conference the Committee was provided with schedules detailing the misstatements. The Committee agreed to file amended disclosure reports

Subsequent to the exit conference, the Committee filed amended reports that materially corrected the misstatements discussed above

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In the interim audit report, the Audit staff recommended no further action. The Committee did not provide any additional information or comments regarding this matter

B. DISCLOSURE OF OCCUPATION AND NAME OF EMPLOYER

Section 434(b)(3)(A) of Title 2 of the United States Code states that each report shall disclose the identification of each person (other than a political committee) who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such contribution

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" as, in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer

Section 432(i) of Title 2 of the United States Code states, in part, that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain, and submit the information required by this Act for the political committee, any report or any records of such committee shall be considered in compliance with this Act.

Sections 104 7(a) and (b) of Title 11 of the Code of Federal Regulations state, in part, that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain, and submit the information required by the Act, any report of such committee shall be considered in compliance with the Act. The treasurer and the committee will only be deemed to have exercised best efforts if all of the following are present: all written solicitations for contributions include a clear request for the contributor's full name, mailing address, occupation and name of employer, and include the statement that such reporting is required by Federal law; the treasurer makes at least one effort after the receipt of the contribution, in either a written request or documented oral request, within thirty days of the receipt of the contribution, to obtain the information; and, the treasurer reports all contributor information not provided by the contributor, but in the committee's possession, including information in contributor records, fundraising records and previously filed reports, in the same two year election cycle (The effective date of this regulation was March 3, 1994)

The Audit staff conducted a review of contributions from individuals which identified 191 contributions, totaling \$49,120, for which the contributors' occupation and/or name of employer was not disclosed. This accounted for 31% of the dollar total of contributions requiring itemization. The vast majority of these errors (185 of 191 items) resulted from the Committee not disclosing the contributors' occupation. It should be noted that the Committee had obtained the required information for 62 of the 191 errors, but had not amended its reports

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Furthermore, the Committee provided two sample solicitations and a contribution card which the Audit staff reviewed. The solicitations did not include either a request for occupation and name of employer or language stating the reporting of such information is required by law.³

At the exit conference, the Committee was presented with a schedule detailing the occupation and name of employer errors. Although Committee officials stated that they did not know why this information was not maintained and disclosed, they agreed to file amended Schedules A (Itemized Receipts) to disclose the information required and to obtain the information not maintained in its files.

Subsequent to the exit conference, the Committee filed amended Schedules A which materially corrected the discrepancies noted above. Moreover, the Committee provided us with copies of letters requesting the required information and copies of documentation obtained.

In the interim audit report, the Audit staff recommended no further action. The Committee did not provide any additional information or comments regarding this matter.

C. REPORTING OF TRANSFERS FROM AFFILIATED COMMITTEES

Section 434(b)(3)(D) of Title 2 of the United States Code states, in part, that each report under this section shall disclose the identification of each affiliated committee which makes a transfer to the reporting committee during the reporting period, together with the date and amount of such transfer.

Section 431(13)(B) of Title 2 of the United States Code states that the term "identification" means, in the case of any other person, the full name and address of such person.

The Audit staff reviewed transfers received from affiliated committees. Our review identified 9 transfers, received between February 8, 1993 and December 5, 1994, totaling \$56,342 (transfers from affiliated committees totaled \$292,725), that were not itemized as required on Schedule A (Itemized Receipts). The Committee included these amounts in its unitemized receipt totals (line 11a(ii)). Committee officials stated that they did not know why these transfers were not itemized.

At the exit conference, the Committee was provided with a schedule detailing the items discussed above. Committee officials agreed to file Schedules A for line 12 (Transfers From Affiliated/Other Party Committees) itemizing the transfers noted above.

³ The errors involved contributions dated both before and after the effective date of change to 11 CFR §104.7. The Committee did not satisfy the best efforts provision of either the current or former regulation.

Subsequent to the exit conference, the Committee filed Schedules A which materially corrected the discrepancies.

In the interim audit report, the Audit staff recommended no further action. The Committee did not provide any additional information or comments regarding this matter

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FEDERAL ELECTION COMMISSION

June 12, 1996

Mr. Sidney Jacob, Treasurer
American Hospital Association
Political Action Committee
One North Franklin Street
Chicago, IL 60606

Dear Mr. Jacob:

Attached please find the Final Audit Report on the American Hospital Association Political Action Committee. The Commission approved the report on June 10, 1996.

The Commission approved Final Audit Report will be placed on the public record on June 19, 1996. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 219-4155 or toll-free at (800) 324-9536. Any questions you have related to matters covered during the audit or in the report should be directed to Marty Favin of the Audit Division at (202) 219-3720 or at the above toll free number.

Sincerely,

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

cc: Lori Schor

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CHRONOLOGY

**THE AMERICAN HOSPITAL ASSOCIATION
POLITICAL ACTION COMMITTEE**

Audit Fieldwork	9/18/95 - 10/6/95
Interim Audit Report to the Committee	5/8/96
Final Audit Report Approved	6/10/96

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