



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

AR#95-74

March 27, 1997

**MEMORANDUM**

**TO:** RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

**FROM:** ROBERT J. COSTA *RJC - h2 H7H 3-27-97*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

**SUBJECT:** PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON THE  
NEW HAMPSHIRE DEMOCRATIC STATE COMMITTEE

Attached please find a copy of the final audit report and related documents on the New Hampshire Democratic State Committee which was approved by the Commission on March 19, 1997.

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

UNCLASSIFIED

REPORT OF THE AUDIT DIVISION  
ON THE  
**New Hampshire Democratic  
State Committee**

Approved March 19, 1997



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

UNIVERSITY MICROFILMS

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**REPORT OF THE AUDIT DIVISION  
ON THE**

**New Hampshire Democratic  
State Committee**

**Approved March 19, 1997**



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

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

**FINAL AUDIT REPORT  
ON THE  
NEW HAMPSHIRE DEMOCRATIC STATE COMMITTEE  
EXECUTIVE SUMMARY**

The New Hampshire Democratic State Committee (the Committee) registered with the Comptroller General of the United States on December 13, 1973.

The audit was conducted pursuant to 2 U.S.C. Section 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 and later, in an interim audit report.

The following is an overview of the findings contained in the final audit report.<sup>1</sup>

**SOURCE OF CONTRIBUTIONS** — 11 CFR Section 110.4(c)(3). The Committee made seven deposits, totaling \$4,026, which included currency in excess of the \$50 limit. Committee records made available contained adequate information to document four deposits, totaling \$1,870. In response to the interim report, the Committee provided a photocopy of a Committee check which indicated that \$2,006 (the excessive amount of currency in the other three deposits) was transferred to the Committee's non-federal account. This transfer was not made within the 30 day window provided at 11 CFR 103.3(b).

In addition, seven sequentially numbered cashier's checks, totaling \$12,000, were identified. Although there were notations containing a name, address, occupation and/or name of employer on each of the checks, there was no evidence from the named contributors. In the interim report it was recommended that the Committee provide evidence, such as signed statements from the named individuals regarding the source(s) of funds used to purchase the cashier's checks. Also, a detailed itemization of all expenses associated with the event was requested.

In response, the Treasurer provided photocopies of certified letters addressed to the named individuals, and photocopies of four envelopes stamped "returned to sender." According to the Treasurer, no responses from the remaining three letters were received, and he was unable to find any expenses associated with the event.

**DISCLOSURE OF SHARED FEDERAL AND NON-FEDERAL ACTIVITIES** — 11 CFR Sections 104.3(b)(3)(i)(A), 104.10(b)(3) and (4), 106.5(a)(2)(ii), (f)(1) and (2), and (g)(1) and (2). The Committee participated in several federal/non-federal fundraising activities and filed Schedules H-2 which listed the activities and related allocation percentages for

<sup>1</sup> The scope of the Audit staff's testing regarding contributions, disbursements, and debts was limited in certain respects. Please refer to Section I.D. for additional information.

each. However, during fieldwork we were not able to verify the allocation ratios due to a lack of certain receipt records. In response to the interim report, the Treasurer provided a list of contributions related to eleven fundraising events and filed amended Schedules H-2 to reflect revised allocation ratios.

The Committee disclosed receiving 23 transfers from its non-federal account, totaling \$84,300, during 1993-94. During fieldwork, we were not able to determine if the transfers were made timely or if the amounts were reflective of the underlying shared expenses. In response to the interim report, the Committee filed amended Schedules H-3 for 16 of the transfers including revised breakdowns of the related allocable expenses. However, no documentation was submitted in support of the revisions. It should be noted that based on audit work performed, no over-funding by the non-federal account occurred.

The Committee did not itemize properly \$28,950 in disbursements on Schedules H-4. In response to the interim report, amended schedules were filed which corrected the public record.

Finally, although requested in the interim report, the Committee did not provide any evidence to demonstrate that it had implemented procedures to insure compliance with the regulations governing allocation of expenses between federal and non-federal accounts.

**MISSTATEMENT OF FINANCIAL ACTIVITY** — 2 U.S.C. Sections 434(b)(1), (2) and (4). For calendar year 1993 reported totals for receipts were understated by \$2,353, reported totals for disbursements were overstated by \$1,122, and reported cash at 12/31/93 was understated by \$3,568. The Committee filed amendments which materially corrected the reporting errors.

**DISCLOSURE OF JOINT FUNDRAISING ACTIVITIES AND CONTRIBUTIONS FROM INDIVIDUALS** — 2 U.S.C. Section 434(b)(3)(A) and 11 CFR Section 102.17(c)(8). Based on our limited review of contributions from individuals, we identified approximately \$9,400 in contributions which were not itemized correctly on reports filed. Most of the errors involved amounts and/or contributor names. The Committee filed amended reports to correct these errors.

The Committee itemized 8 transfers, totaling \$17,106, received from the Democratic State Party Victory Fund. The moneys represented the current net income resulting from a joint fundraising effort. Although correspondence reviewed indicated that the Democratic National Committee had forwarded memo Schedules A, listing contribution information, for inclusion in the Committee's filings, the memo schedules had not been filed.

In response to the interim report, the Treasurer stated that he was unable to locate the schedules and could not verify that the schedules were ever sent to the Committee; however, he contacted the Democratic National Committee and requested replacements. The Treasurer planned to submit the schedules when available.



**REPORT OF THE AUDIT DIVISION  
ON THE  
NEW HAMPSHIRE DEMOCRATIC STATE COMMITTEE**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the New Hampshire Democratic State 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 the 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 from January 1, 1993 through December 31, 1994. The Committee reported a beginning cash balance at January 1, 1993 of \$7,703; total reported receipts for the period of \$313,408; total reported disbursements for the period of \$318,458 and an ending cash balance at December 31, 1994 of \$2,653.<sup>1</sup>

**C. CAMPAIGN ORGANIZATION**

The Committee registered with the Comptroller General of the United States on December 13, 1973 as the New Hampshire Democratic State Committee. The Committee maintains its headquarters in Concord, New Hampshire.

<sup>1</sup> All figures presented in this report have been rounded to the nearest dollar.

The Treasurer of the Committee during the period covered by the audit was Mr. Robert Walsh. The current Treasurer of the Committee is Mr. Keith Regli. Mr. Regli became Treasurer on March 29, 1995.

The Committee maintained two bank accounts for its federal activity during the period covered by the audit, however, only one of these accounts was utilized for federal receipts and disbursements. The other federal account maintained a minimal balance and financial activity was limited to interest received and service charges paid. The Committee received contributions from individuals and political committees, as well as transfers from a non-federal account for shared expenses.

#### **D. AUDIT SCOPE AND PROCEDURES**

Although the Committee satisfied the minimum recordkeeping requirements of 11 CFR §102.9 relating to its contribution records, these records were not maintained in a manner whereby the Audit staff could perform the substantive testing normally undertaken when reviewing contributions from individuals and political committees. The Committee could not produce a computerized file or a listing of all contributions received during the audit period and the Committee had no system in place to aggregate contributions (see Findings II.A., B., and C.). Contribution records consisted of two notebooks containing photocopies of most of the deposit tickets (annotations to indicate the related fundraising event or mailing were present for some of the contributions), some photocopies of contributor checks and some photocopies of solicitation devices containing contributor information.

The scope of the Audit staff's testing regarding the Committee's disbursements, and the debts owed by the Committee, was also limited. The majority of records provided were generated by the Committee rather than the payees, and the Committee had no system for tracking debts owed. In addition, the Committee's disbursement records did not contain documentation in support of the Committee's allocation of shared expenses. As a result, the Audit staff was unable to verify the Committee's Schedules H reporting, the breakdown of allocable expenses relative to transfers from the Committee's non-federal account and whether these transfers were made in a timely manner (see Finding II.D.).

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (see Finding II.A.1.);
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 Finding 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 (see Finding II.D.3.);
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.E.);
7. adequate recordkeeping for Committee transactions;
8. proper reporting and funding of allocable expenses (see Finding II.D.) and,
9. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected during the period covered by the audit. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. SOURCE OF CONTRIBUTIONS**

Section 110.4(c)(3) of Title 11 of the Code of Federal Regulations states that a candidate or committee receiving an anonymous cash contribution in excess of \$50 shall promptly dispose of the amount over \$50. The amount over \$50 may be used for any lawful purpose unrelated to any Federal election, campaign, or candidate.

#### **1. Receipt of Anonymous Contributions of Currency in Excess of the Limitation**

The Audit staff reviewed the Committee's available receipt documentation and identified seven deposits, totaling \$4,026, which included cash in excess of \$50. Recorded on the associated deposit tickets were currency totals with no additional information; other Committee records made available did not contain any

documentation as to source of funds. The excessive portion totaled \$3,676 [\$4,026 - \$350 (7 x \$50)].

A schedule of the aforementioned items was provided to the Committee at the exit conference. The Committee Treasurer stated that the source of the cash was "pass the hat" collections at various fundraising events. He added that he would attempt to locate listings of the attendees at these events to demonstrate that the cash was from several individuals and, therefore, not excessive anonymous cash contributions.

The Committee was afforded 10 business days to submit documentation related to the matters presented at the exit conference. In this 10 day time period, the Committee provided listings of event attendees, photocopies of event contributor cards and photocopies of currency from a raffle event along with the contributors' names relative to four deposits containing \$1,870 in currency. No information was provided regarding three deposits containing \$2,156 in currency. Therefore, excessive portions, totaling \$2,006 [\$2,156 (\$4,026 - \$1,870) - \$150 (3 x \$50)] still required documentation or corrective action.

In the interim audit report, the Audit staff recommended that the Committee provide evidence that the funds deposited in excess of \$50 were not anonymous cash contributions in excess of \$50, such as, information which included evidence of the number of persons in attendance at fundraising events; the amounts charged to attend; the amount of cash proceeds from particular fundraising events; and, any other information which clarified the sources of cash deposits. Absent such evidence, it was recommended that the Committee dispose of the excessive portions for any lawful purpose unrelated to any Federal election, campaign, or candidate. If funds were not available to dispose of the amounts in excess of \$50 per deposit, it was further recommended that the Committee disclose the excessive contributions as debts owed by the Committee on Schedule D (Debts and Obligations).

In the Committee's response to the interim audit report, the Committee provided a photocopy of a check (front only) written from the federal account to the NH Democratic State Committee in the amount of \$2,006. A notation on the memo line of this check states "Transfer excess cash deposits from 199 *sic*." The Audit staff notes that this transfer was not made within 30 days of receipt of the contributions as required by 11 CFR §103.3(b).

## 2. Cashier's Checks

During our review of contributions from individuals, we noted a deposit into the Committee's main federal account of seven sequentially numbered cashier's checks, totaling \$12,000. The seven cashier's checks, all dated November 23, 1993, were drawn on the Interbank of New York. A notation on the deposit documentation stated "Chris Spirou NY Fundraiser."

Information made available related to this deposit consisted of: (a) a photocopy of the deposit ticket; (b) photo-copies of each of the seven cashier's checks; (c) notations containing the name, address, occupation and/or name of employer of seven individuals<sup>2</sup>; (d) a photocopy of an apparent draft invitation to an event which stated that the event date was November 15, 1993; and (e) a list of potential invitees to the event (which contained the name of one of the seven individuals - Lakis Papadopoulos).

The draft invitation noted that an event was to be held at the Karyatis Restaurant in Astoria, New York on November 15, 1993<sup>3</sup>, to honor Chris Spirou, the Committee Chairman at that time, "...for his accomplishments and contributions to the community." This invitation requested that checks, made payable to "Friends of Chris Spirou," be sent to the restaurant to the attention of Lakis Papadopoulos<sup>4</sup>. The Audit staff determined that no committee with the name "Friends of Chris Spirou" was registered with the Federal Election Commission or with the New Hampshire Secretary of State at that time.

No other information was made available. It appears that the cashier's checks were the only funds received from this event and that these individuals made no other contributions to the Committee during the period covered by the audit. The \$12,000 received from this event accounted for approximately 10% of total reported contributions from individuals during the period covered by the audit. No disbursements associated with this event were reported by the Committee.

A photocopy of the deposit ticket listing the seven cashier's checks in question, was provided to the Committee at the exit conference. The Audit staff requested that the Committee obtain and submit documentation as to the source of funds relative to these seven contributions. The Committee Treasurer stated that he was unfamiliar with the particulars of this event, but that he would ask the former Treasurer for information about this event and provide it to the Audit staff.

In the interim audit report, the Audit staff recommended that the Committee provide evidence, such as signed statements from the named individuals, regarding the source(s) of funds used to purchase the seven cashier's checks noted above. It was further recommended that the Committee provide an itemization of all expenses associated with this event, to include for each expense, the name and address of the vendor,

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<sup>2</sup> One of the named individuals was identified as "Vice President of Interbank."

<sup>3</sup> The date as printed in the document was apparently November 7, 1993.

<sup>4</sup> Mr. Papadopoulos' occupation is noted as "contractor" on the documentation related to the cashier's check attributed to him. Reported entries for contributions made by a Lakis Papadopoulos to a Senatorial campaign during calendar year 1993 included the following occupations/name of employers: Business Executive/Promo-Pro Ltd. and Restaurateur/Karyatis Restaurant.

date, amount, and purpose, as well as the identification of the person(s) who defrayed these expenses.

In the Committee's response to the interim audit report, the Committee Treasurer stated that he was only able to obtain "second and third hand information" relative to the seven cashier's checks and it appeared that the only Committee staff connected with this event was Chris Spirou, the former Committee Chairman, who he has not been able to locate. He added that the checks included the required contributor information and the treasurer at that time probably conferred with counsel prior to depositing them.

The Treasurer also provided photocopies of certified letters he had sent to the seven named individuals requesting them to sign a written statement that the donations were from their personal funds. These letters also requested details about the event in question and asked the individuals to provide information about why cashier's checks were used. The response included photocopies of envelopes stamped "returned to sender" relative to four of the seven letters and the Treasurer added that no responses were received from the other three. He also stated that he was unable to find any expenses relative to this event and he assumed the event was "only coincidental to the party contributions" because there were so few contributions.

The Audit staff notes that a question still remains as to the source of funds involved.

#### **B. DISCLOSURE OF JOINT FUNDRAISING ACTIVITIES**

Section 102.17(c)(8)(B) states, in part, that each committee participating in a joint fundraising activity, shall report its share of net proceeds received as a transfer-in from the fundraising representative and shall also file a memo Schedule A itemizing its share of gross receipts as contributions from original contributors to the extent required under 11 CFR 104.3(a).

During the period covered by the audit, the Committee received eight checks, totaling \$17,106, drawn on the account of the Democratic State Party Victory Fund. The Committee's deposit records contained a photocopy of each check along with a letter from the chairman of the Democratic National Committee (DNC). Each letter stated that the funds being transferred represented the current net income available to the Committee from the "DNC State Party Direct Mail Program" and that the check should have been deposited into the federal account. The letter explained that this program was a joint fundraising effort between the DNC, the 49 State Democratic Committees, and the DC Democratic Party.

The letter also stated that the funds provided should be reported as a transfer-in from the DNC, which acted as the fundraising representative, and that the

Committee should attach the memo Schedules A, already forwarded to the Committee by the DNC, to the appropriate FEC report.

The Audit staff determined that the Committee itemized the eight transfers on its FEC reports; however the Committee did not file the memo Schedules A. The contribution records provided to the Audit staff did not include any of these memo schedules.

In the interim audit report, the Audit staff recommended that the Committee file memo Schedules A relative to the \$17,106 in joint fundraising proceeds received from the DNC.

In the Committee's response to the interim audit report, the Committee Treasurer stated that he was unable to locate any memo Schedules A in the Committee's files and he cannot verify that these schedules were ever sent to the Committee by the DNC. He contacted the DNC to request photocopies of these schedules and stated that he will submit them when he receives them.

### C. DISCLOSURE OF CONTRIBUTIONS FROM INDIVIDUALS

Section 434(b)(3)(A) of Title 2 of the United States Code states that each report shall disclose the identification of each person who makes a contribution 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 such contribution. Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be, 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.

The Audit staff performed a limited review of contributions from individuals<sup>5</sup>. The Committee itemized 206 contributions from individuals, totaling \$76,298, on its disclosure reports. Based on the Audit staff's review, 27 of these contributions, totaling \$9,359, were disclosed incorrectly (12% of the total dollar value). The majority of these errors involved instances where the Committee disclosed incorrect aggregate year-to-date totals, contribution amounts and contributor names. The treasurer of the Committee during the period covered by the audit stated that the Committee had maintained a computer file for contributions at that time, but that the file no longer existed.

A schedule of these contributions was provided to the Committee at the exit conference. The Committee did not comment further on this matter. Subsequent to the exit conference, the Committee filed amended reports which materially corrected these disclosure errors.

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<sup>5</sup> The Audit staff was limited to testing only those individual contributions itemized on the Committee's disclosure reports because the Committee could not produce a computerized file or a listing of all contributions received during the period covered by the audit.

In the interim audit report, the Audit staff recommended no further action, however, the Committee was afforded the opportunity to provide any additional information or explanation. In response to the interim audit report, the Treasurer stated that the Committee had attempted to correct the disclosure errors noted by the Audit staff.

**D. JOINT FEDERAL AND NON-FEDERAL ACTIVITIES**

1. Disclosure of Allocation Ratios on Schedules H-2 (Allocation Ratios)

Section 106.5(a)(2)(ii) of Title 11 of the Code of Federal Regulations states, in part, that committees that make disbursements in connection with federal and non-federal elections shall allocate expenses according to this section for the direct costs of a fundraising program or event including disbursements for solicitation of funds and for planning and administration of actual fundraising events, where federal and non-federal funds are collected by one committee through such program or event.

Section 106.5(f)(1) of Title 11 of the Code of Federal Regulations states, in part, that if federal and non-federal funds are collected by one committee through a joint activity, that committee shall allocate its direct costs of fundraising, as described in paragraph (a)(2) of this section, according to the funds received method. Under this method, the committee shall allocate its fundraising costs based on the ratio of funds received into its federal account to its total receipts from each fundraising program or event. This ratio shall be estimated prior to each such program or event based upon the committee's reasonable prediction of its federal and non-federal revenue from that program or event, and shall be noted in the committee's report for the period in which the first disbursement for such program or event occurred, submitted pursuant to 11 CFR 104.5.

In addition, Section 106.5(f)(2) of Title 11 of the Code of Federal Regulations states, in part, that the committee shall adjust the allocation ratio for that program or event to reflect the actual ratio of funds received no later than 60 days after each fundraising program or event from which both federal and non-federal funds are collected. If the non-federal account has paid more than its allocable share, the committee shall transfer funds from its federal to its non-federal account, as necessary, to reflect the adjusted allocation ratio. If the federal account has paid more than its allocable share, the committee shall make any transfers of funds from its non-federal account to its federal account to reflect the adjusted allocation ratio within the 60-day time period established by this paragraph.

The Audit staff reviewed the Committee's fundraising activities and noted that the Committee had many joint federal/non-federal events and mailings, during the period covered by the audit. The Committee filed Schedules H-2 listing these activities along with the federal and non-federal allocation percentages for each activity.

The Committee's deposit records consisted of the following: (1) most of the deposit tickets relative to deposits into the federal and non-federal accounts; (2) some photocopies of contributor checks (or currency relative to some cash contributions); (3) some photocopies of the solicitation materials which apparently accompanied the contributions; and, (4) some annotations to indicate the related fundraising event or mailing. Since these records were incomplete and no computerized file was available to the Audit staff, we were unable to verify the allocation ratios disclosed by the Committee.

The former Committee treasurer stated that he would be able to tie the contributions to the fundraising activities based upon the contributors' names and contribution amounts, as recorded in the deposit records. He added that once he had done this, the allocation ratios could be recalculated. A listing of the fundraising activities or events, as disclosed by the Committee, was provided to the Treasurer. The Treasurer stated that he would meet with the former treasurer and attempt to reconstruct the allocation ratios. He added that in all likelihood, contributions were deposited into the federal or non-federal accounts based upon which account needed funds to pay outstanding bills at a given time.

The Committee was afforded 10 days to submit documentation related to the matters presented at the exit conference. In this time period, the Committee provided the Audit staff with a listing of monthly deposit totals into the federal account and a listing of transfers from the non-federal account to the federal account for the period covered by the audit. The Audit staff was unable to verify certain deposit totals provided on this listing. In addition, the Committee provided no information relative to the shared events associated with these deposits. As a result, the Audit staff was still unable to verify the allocation ratios for each fundraising event disclosed by the Committee.

2. Disclosure of Allocable Activities Funded By Transfers From the Non-federal Account on Schedules H-3 (Transfers from Non-federal Accounts)

Section 106.5(g)(1)(i) of Title 11 of the Code of Federal Regulations state, in part, that committees that have established separate federal and non-federal accounts under 11 CFR 102.5(a)(1)(i) shall pay the entire amount of an allocable expense from its federal account and shall transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense.

Section 104.10(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that a political committee that pays allocable expenses in accordance with 11 CFR 106.5(g) shall report each transfer of funds from its non-federal account to its federal account for the purpose of paying such expenses and that in the report covering the period in which the transfer occurred, the committee shall explain in a memo entry the allocable expenses to which the transfer relates and the date on which the transfer was made.

Section 106.5(g)(2)(ii) of Title 11 of the Code of Federal Regulations states, in part, that funds transferred from a committee's non-federal account to its federal account are subject to the following requirements: (A) for each such transfer, the committee must itemize in its reports the allocable activities for which the transferred funds are intended to pay as required by 11 CFR 104.10(b)(3); and (B) such funds may not be transferred more than 10 days before or more than 60 days after the payments for which they are designated are made.

The Audit staff reviewed the disclosure of all 23 transfers, totaling \$84,300, made from the non-federal account to the federal account during the period covered by the audit. The Committee disclosed these transfers on Schedules H-3 and characterized the expenses relative to these transfers as Administrative/Voter Drive. The Committee's records relative to these transfers did not allow the Audit staff to identify the category of allocable expenses associated with each transfer. As a result, the Audit staff was unable to verify that the amounts transferred for the allocable activity were calculated correctly by the Committee. In addition, we were unable to test the timing of transfers to determine if they were made no more than 10 days before or 60 days after the payments were made to the vendor.

A listing of the 23 transfers from the non-federal account to the federal account noted above was provided to the Committee. The Treasurer made no comment and no additional information or amended disclosure reports have been provided to date.

3. Disclosure of Disbursements on Schedules H-4 (Joint Federal/Non-Federal Activity Schedule)

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that a political committee that pays allocable expenses in accordance with 11 CFR 106.5(g) shall also report each disbursement from its federal account in payment for a joint federal and non-federal expense or activity. In the report covering the period in which the disbursement occurred, the committee shall state the full name and address of each person to whom the disbursement is made, and the date, amount and purpose of each such disbursement. If the disbursement includes payment for the allocable costs of more than one activity, the committee shall itemize the disbursements showing the amounts designated for payment of administrative expenses and generic voter drives, and for each fundraising program or exempt activity as described in 11 CFR 106.5(a)(2). The Committee shall also report the total amount expended by the committee that year, to date, for each category of activity.

Section 104.3(b)(3)(i)(A) of Title 11 of the Code of Federal Regulations states, in part, that the term "purpose" means a brief statement or description of why the disbursement was made.



The Committee maintained separate federal and non-federal accounts and did not utilize a separate allocation account. During the review of disbursements, the Audit staff noted that the Committee did not provide adequate disclosure information on Schedules H-4 for 33 items, totaling \$28,950 (18% of the dollar total). The majority of these errors involved instances where the Committee disclosed incorrect expense classifications, lump sum totals instead of single entries for each disbursement and incorrect amounts.

A schedule detailing the disbursements which were disclosed incorrectly was provided to the Committee at the exit conference. The Committee did not comment on this matter. Subsequent to the exit conference, the Committee filed amended Schedules H-4 relative to the 1993 Year End Report which corrected two of the 33 errors noted above. No additional amendments have been filed to date relative to the remaining 31 errors, totaling \$28,681.

In the interim audit report, the Audit staff recommended that the Committee take the following action:

- Provide documentation related to all joint federal/ non-federal fundraising activities occurring during the period covered by the audit, along with a breakdown by deposit identifying the joint activity responsible for the contributions; and, file amended Schedules H-2 with revised federal/non-federal allocation ratios, if different from the original filings (see Section II.D.1.).
- Provide documentation related to the 23 transfers made from the non-federal account to the federal account during the period covered by the audit, which supports the breakdown of allocable expenses associated with the transfers, as well as the Committee's calculations relative to the amounts transferred; and, file amended Schedules H-3 with revised breakdowns of the allocable expenses relative to these transfers, if different from the original filings (see Section II.D.2.).
- If after reviewing the transactions discussed above, the non-federal account over-funded its portion of shared expenses, it was further recommended that the federal account refund the over-funded amount to the non-federal account.
- File amended Schedules H-4 to correct the 31 items, totaling \$28,681, which were disclosed incorrectly (see Section II.D.3.).

The Audit staff further recommended that the Committee demonstrate that it had implemented procedures to insure compliance with the regulations related to the allocation of expenses between federal and non-federal activities.

With respect to Section II.D.1., the Committee's response to the interim audit report included a listing of contributions received in 1993 and 1994 from eleven fundraising events which, for each contribution, identified the following: event name; contributor's last name; contribution date; contribution amount; and, whether the item was deposited into the federal or non-federal account. The Audit staff was unable to verify that the contributions noted as federal by the Committee were included in deposits to the federal account.<sup>6</sup> Approximately 44% of the dollar total of the listed contributions were itemized on the Committee's Schedules A (Itemized Receipts).

The Audit staff compared the dollar total of contributions noted on this listing to the dollar total of contributions reported by the Committee on its disclosure reports; the amounts listed are materially reflected in the reported totals. The Committee filed amended Schedules H-2 which revised the federal/non-federal allocation ratios accordingly.

With respect to Section II.D.2., the Committee filed amended Schedules H-3 relative to 16 of the 23 transfers made from the non-federal account to the federal account during the period covered by the audit. These amendments included revised breakdowns of the allocable expenses relative to these 16 transfers. No documentation was submitted in support of the Committee's calculations. The remaining seven transfers were not revised and are therefore still categorized as Administrative/Voter Drive.

The Audit staff notes that based on our review of the Committee's response to the interim audit report and amended reports relative to joint federal and non-federal activities, the non-federal account did not over-fund its portion of shared expenses. As a result, no refund from the federal account to the non-federal account is warranted.

With respect to Section II.D.3., the Committee filed amended Schedules H-4 which materially corrected the inadequate disclosure information noted above.

The Committee did not provide any evidence demonstrating that it has implemented procedures to insure compliance with the regulations related to the allocation of expenses between federal and non-federal activities.

#### **E. MISSTATEMENT OF FINANCIAL ACTIVITY**

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

<sup>6</sup> As noted in the first paragraph of Section I.D., the Audit staff was unable to perform the substantive testing normally undertaken when reviewing contributions from individuals. The Committee could not produce a computerized file or a listing of all contributions received during the audit period.

The Audit staff reconciled the Committee's reported financial activity to its bank activity for the period January 1, 1993 through December 31, 1994 and determined that material misstatements occurred relative to this time period.

1. Calendar Year 1993

a. Receipts

The Committee understated reported receipts by \$2,353. This net understatement was primarily due to the Committee not reporting four contributions from political committees, totaling \$4,000 and over reporting three contributions from individuals, totaling \$700.

b. Disbursements

The Committee's reported disbursements were overstated by \$1,122. This net overstatement was due to the following: unreported disbursements totaling \$3,541 and over reporting \$4,663 in various disbursement transactions.

c. December 31, 1993 Cash on Hand

The Committee reported an ending cash balance at December 31, 1993 of \$9,869; the correct balance is \$13,437. This understatement resulted from the misstatements described above.

2. Calendar Year 1994

a. Cash on Hand

The Committee's reported January 1, 1994 cash balance was understated by \$3,568 (see Section 1.c. above). The Committee reported an ending cash balance at December 31, 1994 of \$2,653. The Audit staff determined that the correct balance was \$3,805. This net understatement was primarily due to the Committee carrying forward the understated January 1, 1994 cash on hand balance and the net under reporting of various 1994 disbursement transactions.

At the exit conference, the Committee was provided with certain information relative to these misstatements. The Committee was afforded 10 days to submit documentation related to the matters presented at the exit conference. During this time period, the Committee filed amended reports that materially corrected the misstatements.

In the interim audit report, the Audit staff recommended no further action, however, the Committee was afforded the opportunity to provide any additional information or explanation. The Committee provided no additional comments relative to this finding.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

March 19, 1997

Mr. Keith Regli, Treasurer  
New Hampshire Democratic State Committee  
150 North Main Street  
Concord, NH 03301

Dear Mr. Regli:

Attached please find the Final Audit Report on the New Hampshire Democratic State Committee. The Commission approved the report on March 19, 1997.

The Commission approved Final Audit Report will be placed on the public record on March 27, 1997. 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) 424-9530. Any questions you have related to matters covered during the audit or in the report should be directed to Rick Halter 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

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**CHRONOLOGY**

**NEW HAMPSHIRE DEMOCRATIC STATE COMMITTEE**

<b>Audit Fieldwork</b>	<b>2/26/96 — 3/8/96</b>
<b>Interim Audit Report to the Committee</b>	<b>10/8/96</b>
<b>Response Received to the Interim Audit Report</b>	<b>11/13/96</b>
<b>Final Audit Report Approved</b>	<b>3/19/97</b>

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