
REPORT OF THE AUDIT DIVISION
ON THE
**ELECTIONS COMMITTEE OF THE
COUNTY OF ORANGE**

Approved April 1, 1999



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

22.07.025.3957

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ELECTIONS COMMITTEE OF THE COUNTY OF ORANGE

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22.07.025.3950

**REPORT OF THE AUDIT DIVISION
ON THE
ELECTIONS COMMITTEE OF THE COUNTY OF ORANGE**

EXECUTIVE SUMMARY

The Elections Committee of the County of Orange (ECCO) registered with the Federal Election Commission on November 5, 1984.

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 one finding arising from the audit was presented to representatives of ECCO at an exit conference held at the conclusion of fieldwork on November 22, 1998, and later in an interim audit report. The following is an overview of the finding contained in the audit report.

PROHIBITED CONTRIBUTION - IMPERMISSIBLE TRANSFER FROM THE NON-FEDERAL ACCOUNT

11 CFR §§ 102.5(a)(1)(i), 106.5(g)(1) and (2). ECCO received a \$3,000 loan from its non-federal account that was repaid approximately six months later. During the period the loan remained outstanding, it is considered a prohibited contribution. ECCO's response to the interim audit report did not demonstrate that the loan was permissible. The finding concluded that ECCO violated the cited regulatory provisions when it received a \$3,000 transfer in the form of a loan from its non-federal account. It should be noted that ECCO's response did indicate that its current officials understand that such loans are not permissible and have taken measures to prevent the likelihood of such an occurrence in the future.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION
ON THE
ELECTIONS COMMITTEE OF THE COUNTY OF ORANGE**

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Elections Committee of the County of Orange (ECCO), 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 from January 1, 1995 through December 31, 1996. During this period, ECCO reported a beginning cash balance of \$906; total receipts of \$115,728; total disbursements of \$114,740; and an ending cash balance of \$1,894.¹

C. CAMPAIGN ORGANIZATION

ECCO registered with the Federal Election Commission on November 5, 1984, and maintains its headquarters in Santa Ana, California. ECCO had three Treasurers during the period covered by the audit. Mr. Paul A. Strabala was the Treasurer from January 14, 1993 until January 26, 1995. Mr. Michael R. Robinson was the Treasurer from January 27, 1995 through March 17, 1996. On March 18, 1996, Mr. William B. Carolan became Treasurer and held the position until October 21, 1996. Mr. Robinson again served as Treasurer from October 22, 1996 through August 3, 1997. The

¹ All amounts in this report have been rounded to the nearest dollar.

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current Treasurer is Tamara Jean McIntyre.

To manage its Federal financial activity, ECCO used one bank account, from which it made approximately 340 disbursements. ECCO received contributions from individuals totaling approximately \$64,000, transfers from its non-federal account totaling \$48,747, and a \$3,000 loan from its non-federal account.

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; (see Audit Finding and Recommendation)
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;
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 debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
7. adequate recordkeeping for transactions;
8. proper disclosure of the allocation of costs associated with administrative expenses and activities conducted jointly on behalf of federal and non-federal elections and candidates; and
9. other audit procedures that were deemed necessary in the situation.

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

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II. AUDIT FINDING AND RECOMMENDATION

PROHIBITED CONTRIBUTION - IMPERMISSIBLE TRANSFER FROM THE NON-FEDERAL ACCOUNT

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that each organization, including a party committee, which finances political activity in connection with both federal and non-federal elections and which qualifies as a political committee under 11 CFR 100.5 shall establish a separate federal account in a depository in accordance with 11 CFR part 103. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate federal account. All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections, except as provided in 11 CFR 106.5(g).

Section 106.5(g)(1) of Title 11 of the Code of Federal Regulations states, in part, committees that have established separate federal and non-federal accounts under 11 CFR 102.5(a)(1)(i) shall pay the expenses of joint federal and non-federal activities as follows: (i) pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense; or (ii) establish a separate allocation account into which funds from its federal and non-federal accounts shall be deposited solely for the purpose of paying allocable expenses. Once a committee has established a separate allocation account for this purpose, all allocable expenses shall be paid from that account for as long as the account is maintained.

Further, 11 CFR §106.5(g)(2) states, in relevant part that, the committee shall transfer funds from its non-federal account to its federal account following determination of the final cost of each joint federal and non-federal activity, or in advance of such determination if advance payment is based on a reasonable estimate of the activity's final cost as determined by the committee and the vendors involved. For each transfer, the committee must itemize in its reports the allocable activities for which the transferred funds are intended to pay, and such funds may not be transferred more than 10 days before or 60 days after the payments for which they are designated are made. Any portion of a transfer from a committee's non-federal account to its federal account that does not meet the requirements of paragraph (g)(2)(ii) of this section shall be presumed to be a loan or contribution from the non-federal account to a federal account, in violation of the Act.

On its July 15th 1996 Quarterly Report, ECCO disclosed the receipt, on April 17, 1996, of a \$3,000 loan from its non-federal account. The loan, repaid on October 10, 1996, had remained outstanding 176 days. It appears that ECCO received a prohibited

contribution of \$3,000 from its non-federal account during the period the loan remained outstanding.

ECCO representatives were informed of this matter at the exit conference and had no official response at that time.

The interim audit report recommended that ECCO demonstrate that the \$3,000 loan received from its non-federal account was permissible.

In response to the interim audit report, ECCO's controller submitted a letter which stated, in part, that:

“ The volunteers who worked on ECCO's reports and handled their finances at the time of the April 17, 1996 loan are no where (sic) to be located. Hence, no explanation from them is attainable. New volunteers are now working on ECCO's finances and their reports are being prepared by a professional (namely me). Therefore, mistakes of this nature should not happen in the future.”

It is concluded that ECCO received a \$3,000 prohibited contribution in the form of a loan from the non-federal account. ECCO's response indicates that its current officials understand that such loans are not permissible and have taken measures to prevent the likelihood of such an occurrence in the future.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 2, 1999

Ms Tamara Jean McIntyre, Treasurer
Elections Committee of the County of Orange
1700 East Garry Street, Suite 211
Santa Ana, CA 92705

Dear Ms McIntyre:

Attached please find the Report of the Audit Division on the Elections Committee of the County of Orange. The Commission approved the report on April 1, 1999. As noted on page 2, the Commission may pursue the matter discussed in an enforcement action.

The Commission approved Audit Report will be placed on the public record on April 8, 1999. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Henry Miller or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Cesta".

Robert J. Cesta
Assistant Staff Director
Audit Division

Attachment as stated

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CHRONOLOGY

ELECTIONS COMMITTEE OF THE COUNTY OF ORANGE

Audit Fieldwork	10/19/98 - 10/22/98
Interim Audit Report to the Committee	2/10/99
Response Received to the Interim Audit Report	3/15/99
Final Audit Report Approved	4/1/99

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