




FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 7, 1999

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON MISSISSIPPI  
DEMOCRATIC PARTY POLITICAL ACTION COMMITTEE

Attached please find a copy of the audit report and related documents on Mississippi Democratic Party Political Action Committee, which was approved by the Commission on May 28, 1999.

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**  
**MISSISSIPPI DEMOCRATIC PARTY**  
**POLITICAL ACTION COMMITTEE**

Approved May 28, 1999



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

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**REPORT OF THE AUDIT DIVISION  
ON THE  
MISSISSIPPI DEMOCRATIC PARTY POLITICAL ACTION COMMITTEE  
EXECUTIVE SUMMARY**

The Mississippi Democratic Party Political Action Committee (MDP) registered with the Federal Election Commission on February 8, 1982.

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 MDP at the completion of fieldwork on July 24, 1998 and later in the interim audit report. MDP's response to those findings are contained in the audit report.

The following is an overview of the findings contained in the audit report.

**RECEIPT OF AN EXCESSIVE CONTRIBUTION FROM A NON-REGISTERED COMMITTEE** — 2 U.S.C. §441a(a)(1)(C). MDP received a \$10,000 contribution from a non-registered committee, the excessive portion of which totaled \$5,300. In addition, the permissibility of the entire \$10,000 was questioned, as Mississippi state campaign finance law allows corporate contributions for use in non-federal elections. In response, MDP explained that the contribution was supposed to have been deposited into the "State Non-Federal Account".

**RECEIPT OF PROHIBITED CONTRIBUTIONS** — 2 U.S.C. §441b(a). MDP received 47 contributions from 40 prohibited sources, totaling \$23,775. In addition, this report questions a \$33,000 transfer of funds to the non-federal account and its subsequent reversal, which appeared to have been an attempt to resolve deposited prohibited contributions. In response to the interim audit report, MDP filed amended Schedules D to disclose the refunds due as debts. MDP and supplied copies of some refund checks (\$4,225) issued on 4/1/99, which had not yet been negotiated. The current Treasurer was unable to provide any new information as to why the transfers had been made between the federal and non-federal account.

**ITEMIZATION OF RECEIPTS FROM POLITICAL ORGANIZATIONS** — 2 U.S.C. §434(b)(3)(B). MDP failed to itemize 28 contributions totaling \$3,246 received from party committees and other political committees. In response to the interim audit report, MDP filed amended Schedules A disclosing these contributions.

**DISCLOSURE OF OCCUPATION/NAME OF EMPLOYER** — 2 U.S.C. §434(b)(3)(A) and 11 CFR §104.7(b). The occupation and/or the name of employer was not disclosed as required for contributions totaling \$ 24,940 received from 39 contributors. In response to the interim audit report, the MDP provided documentation of its efforts to obtain the missing information and filed amended Schedules A to disclose the information obtained.

**DISCLOSURE OF DISBURSEMENTS**— 2 U.S.C. §434(b)(5). Payments totaling approximately \$112,000 to a payroll processing firm were disclosed on Schedules H-4. Correct disclosure of these payments requires that each individual who received a paycheck be disclosed, as well as payments to taxing authorities. Additionally, for payments totaling \$13,199, there was either no disclosure of the address and/or an inadequate disclosure of the purpose as "GOTV". Finally, four reimbursements, totaling \$6,278, were not adequately disclosed as to purpose or payee. In response to the interim audit report, the MDP filed amendments to its reports to correct these omissions.

**REPORTING OF DEBTS AND OBLIGATIONS** — 2 U.S.C. §434(b)(8) and 11 CFR §104.11(a). MDP did not disclose outstanding debts and obligations to 30 vendors, totaling about \$35,000, on Schedule D as required. In addition, a debt to an individual (\$2,226) and a contingent liability were not disclosed. In response to the interim audit report, the MDP filed amendments to its disclosure reports to correct the public record.

**MISSTATEMENT OF FINANCIAL ACTIVITY** — 2 U.S.C. §434(b)(1), (2) and (4). Reported totals for receipts, disbursements and cash on hand for calendar years 1995 and 1996 were misstated. In response to the interim audit report, the MDP filed amended disclosure reports which corrected these misstatements.

**REPORT OF THE AUDIT DIVISION ON THE  
MISSISSIPPI DEMOCRATIC PARTY POLITICAL ACTION  
COMMITTEE**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Mississippi Democratic Party Political Action Committee (MDP), 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, MDP reported a beginning cash balance of \$3,668; total receipts of \$415,537; total disbursements of \$365,697; and a closing cash balance of \$53,508.<sup>1</sup>

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<sup>1</sup> MDP ceased reporting beginning and ending cash figures on the Summary Pages of disclosure reports filed during 1996. This figure was derived by using the reported ending cash balance at December 31, 1995 and reported receipts and disbursements for 1996. Figures in this report are rounded to the nearest dollar.

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### C. COMMITTEE ORGANIZATION

MDP registered with the Commission on February 8, 1982, and maintains its headquarters in Jackson, Mississippi. MDP had two Treasurers during the period covered by the audit. Mr. Stephen Hale was Treasurer from June, 1994<sup>2</sup> through September 15, 1995. On September 16, 1995, Ms. Peggy Peterson was elected Treasurer and remained in that position until January 25, 1997. The current Treasurer is Ms. Jodie Robinson.

To manage its federal financial activity, MDP maintained two bank accounts. From these accounts, MDP made approximately 400 disbursements. Receipts were composed of contributions from individuals (approximately \$156,300), contributions from other political committees and organizations (approximately \$29,000), fees received from candidates for ballot access payments (\$9,545), a loan received from a state candidate committee in the amount of \$10,000 (see Finding II.A.), offsets to operating expenditures (\$250) and transfers from the MDP non-federal accounts of approximately \$200,400<sup>3</sup>.

### 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 (see Finding II.A.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.B.)
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.C. and II.D.);
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.E.);
5. proper disclosure of debts and obligations (see Finding II.F.);

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<sup>2</sup> MDP never filed an amended Statement of Organization indicating that Mr. Hale was the Treasurer. However, MDP's Executive Director notified the Commission in June of 1995 that Mr. Hale was the new Treasurer and had taken office in June of 1994.

<sup>3</sup> These categories of receipts total \$405,495 or about \$10,000 less than reported receipts (\$415,537). See Finding II.G..

6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records (see Finding II.G.);
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;
9. review of expenditures made on behalf of federal candidates; and,
10. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. MDP did not maintain externally generated documentation, such as invoices, bills or receipts, for about 30% of its disbursements, limiting our testing of the reporting of debts and obligations (See Finding II.F.) and the disclosure of information such as payee address and purpose of the disbursement for all items (see Finding II.E.). It should be noted that the Commission may pursue any of the matters discussed in this report in an enforcement action.

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

### **A. RECEIPT OF AN EXCESSIVE CONTRIBUTION FROM A NON- REGISTERED COMMITTEE**

Section 441a(a)(1)(C) of Title 2 of the United States Code states no person shall make contributions to any other political committee in any calendar year which, in the aggregate, exceed \$5,000. Section 100.10 of Title 11 of the Code of Federal Regulations defines "person" as an individual, partnership, committee, association, corporation, labor organization, and any other organization, or group of persons.

Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations defines the term "contribution" to include any loan (except for a loan made in accordance with 11 CFR 100.7(b)(11)) received by the committee. The aggregate amount loaned to a committee by a contributor, when added to other contributions from that person, shall not exceed the contribution limitations set forth at 11 CFR part 110. The section further states that a loan which exceeds the contribution limitations in 11 CFR part 110 shall be unlawful whether or not it is repaid.

Section 103.3(b) of Title 11 of the Code of Federal Regulations states if contributions which on their face exceed the contribution limitations set forth in 11 CFR part 110 are deposited into a campaign depository, the treasurer has sixty days to resolve



the excessive portion of the contribution by either requesting a redesignation or reattribution from the contributor in accordance with 11 CFR 110.1(b), 110.1(k), or 110.2(b), as appropriate, or by refunding the contribution to the contributor.

Section 102.5(b) of Title 11 of the Code of Federal Regulations states that any organization that makes contributions but does not qualify as a political committee under 11 CFR 100.5 shall either establish a separate account to which only funds subject to the limitations and prohibitions of the Act shall be deposited and from which contributions shall be made, or, demonstrate through a reasonable accounting method that whenever such organization makes a contribution, that organization has received sufficient funds subject to the limitations and prohibitions of the Act to make such contribution.

A \$10,000 check made payable to "Mississippi Democratic Party" was received from "The Dick Molpus Campaign" and deposited into the MDP federal account on April 12, 1995. On the memo line of the check was written "Loan". Mr. Molpus was the Mississippi democratic gubernatorial candidate in the 1995 general election. MDP had previously received a \$300 check from the Dick Molpus Campaign dated March 6, 1995. Mississippi state campaign finance law allows political committees to receive contributions which do not comply with the limitations and prohibitions of the Act.

On October 16, 1995, nearly six months after the check had been deposited, MDP issued a check from its federal account to "Molpus for Governor" in the amount of \$5,000. The memo line on this check read "repayment of loan". On November 22, 1995, another check was issued to the "Dick Molpus Campaign", in the amount of \$10,000, also from the federal account. There was no entry on the memo line of this check.

MDP reported the receipt of the loan on its Mid-Year 1995 Schedules H-3, Transfers From Non-Federal Accounts, as a \$10,000 transfer from the "The Dick Molpus Campaign" for administrative and voter drive expenses. Schedule H-3 is for reporting transfers from MDP's non-federal account to reimburse its federal account for allocable expenses. The \$5,000 repayment in October was partially disclosed on Schedule H-4, Joint Federal/Non-Federal Activity Schedule, of the MDP 1995 Year End disclosure report. The entry identified the payee as the Dick Molpus Campaign, and the date as October 16, 1995. No amount or other information was provided. The payment appears to have been included in MDP's reported activity. The MDP disclosed the \$10,000 payment on its Year End 1995 report, again on Schedules H-4, as a "refund of contribution". Neither of these transactions was properly disclosed on Schedules A, B, or C; nor was documentation available to establish the terms, conditions, or purpose of the loan.

Therefore, for the period April 12, 1995 through October 16, 1995, MDP appears to have received a contribution (\$10,000), the excessive portion of which totaled

\$5,300 (\$300 + \$10,000 - \$5,000). Further, the permissibility of these funds remains as a concern.

MDP representatives, who were advised of these matters at the exit conference, had no official response at that time.

The interim audit report recommended that MDP demonstrate the \$10,000 received from the Dick Molpus Campaign in 1995 was not an excessive contribution and, in addition, provide evidence that the non-excessive portion of the contribution met the requirements of 11 CFR §102.5(b). The interim audit report further recommended that corrective Schedules A, B and C be filed, as needed.

In response to the interim audit report, MDP amended its reports to reflect the \$10,000 receipt as a loan from the Dick Molpus Campaign and disclosed its subsequent repayment. The Treasurer states in her response that the contribution was supposed to have been deposited into the "State Non-Federal Account" and used to pay for temporary help for state elections. Upon finding out that that the funds had been deposited in the wrong account, the past Treasurer returned \$5,000 thinking this would make a permissible contribution. Several months later, this former Treasurer found out that the remaining portion was still not permissible and refunded \$10,000 to the Dick Molpus Campaign, a \$5,000 overpayment. MDP has entered discussions with the Dick Molpus Campaign to resolve this \$5,000 overpayment.

## **B. RECEIPT OF PROHIBITED CONTRIBUTIONS**

Section 441b(a) of Title 2 of the United States Code states, in relevant part, that it is unlawful for any corporation organized by authority of any law of Congress to make a contribution in connection with any election to any political office, or for any corporation or labor organization, to make a contribution in connection with any election to federal office and that it is unlawful for any candidate, political committee or any person knowingly to accept or receive any contribution prohibited by this section.

Sections 103.3(b)(2) and (4) of Title 11 of the Code of Federal Regulations state, in part, that the treasurer shall refund any contribution determined to be illegal to the contributor within thirty days of the date on which the illegality is discovered. Further, any contribution which appears to be illegal and which is deposited into a campaign depository shall not be used for any disbursements by the political committee until the contribution has been determined to be legal. The political committee must either establish a separate account in a campaign depository for such contributions or maintain sufficient funds to make all such refunds.

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

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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.

During our review of all MDP receipts, the Audit staff identified 47 contributions from 40 prohibited sources. These contributions totaled \$23,775. Forty-five of the contributions were received from incorporated entities, to include five contributions from incorporated casinos. The other two contributions were from banks. The MDP did not maintain sufficient funds in its bank accounts with which to refund these prohibited contributions as required by 11 CFR §103.3(b)(4).

Since MDP itemized all but one of the above contributions on Schedules A filed with the Commission, informational notices questioning the possible prohibited nature of these contributions were sent on three occasions requesting MDP to provide more information. On May 11, 1996, the MDP issued a check, payable to its non-federal account, in the amount of \$33,000; the memo line of this check was annotated "Transfer Per FEC". Based on discussions with former MDP personnel, this was an effort to comply with the Commission's request. No workpapers or correspondence with contributors was available for the Audit staff to review. Therefore, it is unknown how the \$33,000 figure was determined and whether the contributors were given the option to receive a refund of their original contribution(s).

By check dated May 12, 1996, MDP transferred \$56,000 to its federal account from the non-federal account. The purpose of this transfer was reported on Schedule H-3 as "administrative/voter drive expenses". The following information was disclosed on the check stub: "\$33,000 - FEC", "15,000 - FEC - fine 1991 [illegible]", and "8,000 - Bills".

MDP never informed the Commission of the \$33,000 transfer and never included it in its reported activity (see Finding II.G.2.). However, as noted above, the non-federal account appears to have returned the \$33,000 sent to it by MDP the day before, effectively offsetting the initial transfer. MDP has received an impermissible transfer of \$33,000 from its non-federal account.

At the exit conference, workpapers detailing these prohibited contributions were provided to representatives of MDP, who agreed to make refunds as soon as the funds became available. In addition, MDP representatives were informed of the above noted transfers and had no official response at that time. It should be noted that this issue was also addressed in a previous audit report.

The interim audit report recommended that MDP demonstrate that the above contributions were not from prohibited sources. Absent such a demonstration, it was recommended that MDP refund the contributions, report the refunds on Schedules B, and provide evidence (i.e., copies of the front and back of the negotiated check) of such refunds. If funds were not available to make the refunds, the amounts were to be reported on Schedules D (amending MDP's most recently filed disclosure report) as debt and refunds made as funds became available. The interim audit report further recommended that MDP provide an explanation of the two transfers between the federal and non-federal accounts noted above.

In response to the interim audit report, MDP filed amended Schedules D for its 1998 Year-end report disclosing these prohibited contributions as debts owed by MDP and supplied copies (front only) of 22 refund checks (\$4,225) issued during April, 1999, which had not yet been negotiated.

The current Treasurer was unable to provide any new information as to why the transfers had been made between the federal and non-federal account<sup>4</sup>.

### C. ITEMIZATION OF RECEIPTS FROM POLITICAL ORGANIZATIONS

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

Section 431(13) of Title 2 of the United States Code states that the term "identification" means: in the case of any individual, the name, the mailing address, and

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<sup>4</sup> The current Treasurer was unable to speak with the former Executive Director, due to a pending lawsuit involving the former MDP Executive Director and so could only speculate on possible reasons for the transfers between the federal and non-federal accounts.

the occupation of such individual, as well as the name of his or her employer; and in the case of any other person, the full name and address of such person.

All 52 contributions received from party committees and other political committees were reviewed. Of these, 28 contributions totaling \$3,246 were not disclosed on Schedule A as required.

At the exit conference, representatives for MDP were provided a schedule detailing these items. They agreed to file amended Schedules A. It should be noted that this issue was also addressed in a previous audit report.

The interim audit report recommended that MDP file amended Schedules A (by reporting period) disclosing the above noted contributions.

In response to the interim audit report, MDP filed amended Schedules A as recommended.

#### **D. DISCLOSURE OF OCCUPATION/NAME OF EMPLOYER**

Section 434(b)(3)(A) of Title 2 of the United States Code requires, in part, a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per 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" 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.

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, any records of such committee shall be considered in compliance with this Act.

Section 104.7(b) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer will only be deemed to have exercised best efforts to obtain, maintain and report the required information if for each contribution received aggregating in excess of \$200 per calendar year which lacks required contributor information, the treasurer makes at least one effort after the receipt of the contribution to obtain the missing information. Such effort shall consist of either a written request sent to the contributor or an oral request to the contributor documented in writing. The written or oral request must be made no later than thirty (30) days after receipt of the contribution. The written or oral request shall not include material on any other subject or any additional solicitation, except that it may include language solely thanking the contributor for the contribution.

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All 180 contributions from individuals required to be disclosed on Schedules A filed as part of MDP's disclosure reports, were reviewed. The occupation and/or the name of employer was not disclosed as required for contributions from 39 contributors (\$ 24,940), representing 22% of the number of contributions requiring disclosure of such information.

The MDP Executive Director during 1995 and 1996 stated that when contributions were received that lacked the required information, subsequent attempts to obtain it were made either by letter or a phone call. No phone log was kept to document these calls and the Audit staff was unable to obtain any follow-up letters sent to contributors.

These issues were discussed with representatives of the MDP at an exit conference. The representatives agreed to contact contributors to request the information and to amend MDP disclosure reports as needed.

The interim audit report recommended that MDP submit documentation to demonstrate that best efforts were utilized to obtain the required occupation/name of employer information related to contributions from individuals. Absent such a demonstration, it was recommended that the MDP make an effort to obtain the missing occupation/name of employer information and file amended Schedules A (by reporting period) to disclose any occupation/name of employer information obtained from those contacts.

In response to the interim audit report, MDP sent copies of phone logs detailing its efforts to obtain the missing occupation/name of employer information, annotated with any information obtained. In addition, MDP filed amended Schedules A disclosing the information obtained. Although MDP has demonstrated best efforts to obtain the required occupation/name of employer information, it was not accomplished in a timely manner.

#### **E. DISCLOSURE OF DISBURSEMENTS**

Section 434(b)(5) of Title 2 of the United States requires each report under this section to disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee to meet a candidate or committee operating expense, together with the date, amount and purpose of such operating expenditure.

Section 102.9(b)(2) of Title 11 of the Code of Federal Regulations states, in part, payee means the person who provides the goods or services to the committee or agent thereof in return for payment, except for an advance of \$500 or less for travel and subsistence to an individual who will be the recipient of the goods or services.

During our review of disbursements, the Audit staff identified payments totaling approximately \$112,000 to a payroll processing firm. These payments, which represented the semi-monthly gross pay for all employees, were disclosed on Schedules H-4 as payments to the payroll firm, Employer Plus, Inc. Correct disclosure of these payments requires that each individual who received a paycheck be disclosed, as well as payments to taxing authorities.

Additionally, for 17 payments made from MDP's Victory '96 bank account, totaling \$13,199, there was either no disclosure of the address and/or an inadequate disclosure of the purpose as "GOTV".

Also reviewed were all reimbursements received by Executive Director, Alice Skelton. Four of these items, totaling \$6,278, were inadequately disclosed. Three items were disclosed simply as reimbursement expense, while the fourth item disclosed the payee incorrectly.

The Audit staff discussed these issues with MDP representatives, who indicated a willingness to amend disclosure reports as needed.

The interim audit report recommended that MDP file amended Schedules H-4 (by reporting period) to correct the disclosure of the above noted disbursements.

In response to the interim audit report, MDP amended its reports as recommended.

#### **F. REPORTING OF DEBTS AND OBLIGATIONS**

Section 434(b)(8) of Title 2 of the United States Code states that each report shall disclose the amount and nature of outstanding debts and obligations owed by a political committee.

Section 104.11 of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by a political committee which remain outstanding shall be continuously reported until extinguished. In addition, a debt, obligation, or written promise to make an expenditure, the amount of which is \$500 or less, shall be reported as of the time the payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any debt or obligation, the amount of which is over \$500, shall be reported as of the date on which the debt or obligation is incurred.

The Audit staff's review of disbursements determined that MDP did not disclose any of its debts and obligations on Schedules D. Based on available invoices and related payments, it was determined that outstanding debts and obligations to 30 vendors, totaling about \$35,000, were not disclosed on Schedule D as required.

Subsequent to the completion of fieldwork, the MDP provided documentation relative to reimbursements paid to Alice Skelton (Executive Director for the Party). A review of this documentation indicated that the MDP failed to disclose a debt of \$2,226. In addition, Alice M. Skelton has filed Civil Action # 97-42, against the Democratic Party of the State of Mississippi, and its former Chairman, Johnnie E. Walls, Jr., individually and as Chairman, for money she claims is owed her for non-reimbursed expenses approximating \$12,176, salary totaling \$12,500 and bonuses amounting to \$30,000. This Civil Action also names as defendants, members of the MDP Executive Committee, roughly 100 individuals.

MDP's representatives were informed of the unreported debt to 30 vendors (\$35,000) at the exit conference and agreed to amend its reports, as necessary. Subsequent to the exit conference, MDP representatives were informed of those matters pertaining to Alice Skelton. At that time, a MDP representative stated that an attorney had advised them to list the contingent liability until such time as the issue could be settled in court.

The interim audit report recommended that MDP file Schedules D (by reporting period) to disclose the debts and obligations addressed above. It was further recommended that MDP provide a written description of system changes it has implemented to enable it to identify and report debts and obligations.

As part of its response to the interim audit report, MDP filed amended Schedules D as recommended. However, its response did not provide a written description of any system changes implemented to enable it to identify and report debts and obligations.

#### **G. 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 all disbursements for the reporting period and calendar year.

The Audit staff's reconciliation of bank activity to reports filed by the MDP, indicated that receipts, disbursements and cash-on-hand balances had been misstated. The MDP did not provide workpapers detailing how its reported amounts were calculated. Beginning in 1996, the MDP ceased reporting beginning and ending cash figures on Summary Pages filed as part of its disclosure reports. Its April Quarterly 1996 Summary Page notes that "[t]his figure is unknown, pending completion of current FEC audit. Amended [sic] report will be filed". The statement refers to a Commission



audit of the MDP's 1993-1994 activity conducted during 1996.<sup>5</sup> No amended reports have been filed. Therefore, ending cash on hand as of 12/31/96 was derived by using the reported ending cash balance at December 31, 1995 and reported receipts and disbursements for 1996.

1. January 1, 1995 through December 31, 1995

The MDP reported a beginning cash on hand balance at January 1, 1995 of \$3,668. The correct amount was determined to be \$2,875. Thus, reported beginning cash was overstated by \$793. The overstatement resulted from the failure to account for three outstanding checks issued in 1994.

The MDP reported total disbursements of \$125,183. The correct figure was determined to be \$130,171; therefore, disbursements had been understated by \$4,988. The net understatement was due to: \$5,182 in unreported disbursements; reported disbursements of \$629 not supported by either a check or debit memo; an \$872 math error; and, an unexplained difference of \$437.

The MDP reported a cash-on-hand balance on December 31, 1995 of \$11,293. The correct cash balance was \$4,651. Therefore, the ending-cash-on-hand balance was overstated by \$6,642. This overstatement resulted from the misstatements detailed above and from an \$861 overstatement of reported receipts by the MDP.

2. January 1, 1996 through December 31, 1996

The MDP reported receipts of \$282,729 in 1996. The correct amount was determined to be \$273,574, resulting in an overstatement of \$9,155. Although the amounts by which receipts were overstated or understated could be calculated by reporting period, absent MDP workpapers detailing the source of its reported figures, the Audit staff is unable to explain this overstatement.

The MDP reported total disbursements of \$240,515 for 1996. The correct figure was determined to be \$277,141, resulting in an understatement of \$36,626. The net understatement was due to: an unreported transfer of \$33,000 to the non-federal account (see Finding II.C.); \$4,057 in unreported disbursements; \$466 in disbursements that were reported but not supported by a canceled check or debit memo; and, an unexplained difference of \$35.

As noted above, MDP did not report a cash-on-hand amount for December 31, 1996. Based on the reported cash-on-hand balance at December 31, 1995, and reported receipts and disbursements in 1996, the MDP's cash-on-hand balance at December 31, 1996 was calculated to be \$53,508. The correct cash balance was \$1,084.

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<sup>5</sup> The Report of the Audit Division relative to this audit was placed on the public record, January 24, 1997.

Therefore, the ending-cash-on-hand balance was overstated by \$52,424. This overstatement resulted from the misstatement of ending cash on hand at 12-31-95, as well as the misstatement of receipts and disbursements for 1996, as detailed above.

The Audit staff discussed these matters with MDP representatives at the exit conference. These representatives indicated a willingness to amend disclosure reports as required. It should be noted that this issue was also addressed in a previous audit report.

The interim audit report recommended that MDP file comprehensive amended Summary and Detailed Summary Pages for calendar years 1995 and 1996, to correct the misstatements noted above. It was further recommended that MDP file amended Schedules B, H-3, and H-4, as appropriate, by reporting period, to disclose those disbursements not reported (See also Recommendations #3, #4, #5 and #6).

In response to the interim audit report, MDP amended its reports as recommended.

2025.02.07

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 1, 1999

Ms. Jodie Robinson, Treasurer  
Mississippi Democratic Party  
Political Action Committee  
P.O. Box 1583  
Jackson, MS 39215

Dear Ms. Robinson:

Attached please find the Report of the Audit Division on the Mississippi Democratic Party Political Action Committee. The Commission approved the report on May 28, 1999. As noted on page 2, the Commission may pursue any of the matters discussed in an enforcement action.

The Commission approved Audit Report will be placed on the public record on June 7, 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 Rhonda Simmons or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Costa".

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

445 520 29 22 07 025 3944

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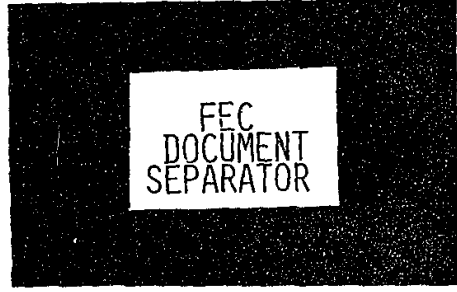
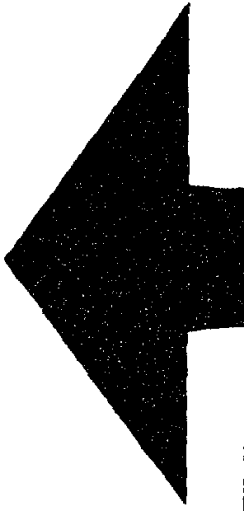
CHRONOLOGY

MISSISSIPPI DEMOCRATIC PARTY POLITICAL ACTION COMMITTEE

|  |                   |
|--|-------------------|
| Audit Fieldwork                                  | 6/22/98 - 7/24/98 |
| Interim Audit Report<br>to the Committee         | 2/5/99            |
| Response Received to the<br>Interim Audit Report | 4/26/99           |
| Final Audit Report Approved                      | 5/28/99           |

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