



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

July 19, 1985

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: ROBERT J. COSTA *Ph For RJC 7-19-85*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
JESSE JACKSON FOR PRESIDENT COMMITTEE,
NEW YORKERS FOR JESSE JACKSON,
JACKSON FOR PRESIDENT-CALIFORNIA

Attached please find a copy of the final audit report of
Jess Jackson for President Committee, New Yorkers for Jesse
Jackson, Jackson for President-California which was approved by
the Commission on July 12, 1985.

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: FEC Library
RAD
Public Record ✓
Office of General Counsel

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION

ON THE

JESSE JACKSON FOR PRESIDENT COMMITTEE,
NEW YORKERS FOR JESSE JACKSON
AND
JACKSON FOR PRESIDENT COMMITTEE-CALIFORNIA

I. Background

A. Overview

This report is based on an audit of the Jesse Jackson for President Committee, the New Yorkers for Jesse Jackson and the Jackson for President Committee-California, to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act") and the Presidential Primary Matching Payment Account Act. The audit was conducted pursuant to Section 9038(a) of Title 26 of the United States Code which states that "after each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under Section 9037."

In addition, Section 9039(b) of Title 26 of the United States Code and Section 9038.1(a)(2) of Title 11 of the Code of Federal Regulations states that the Commission may conduct other examinations and audits from time to time as it deems necessary to carry out the provisions of this subchapter.

The Jesse Jackson for President Committee ("the Committee") registered with the Federal Election Commission on November 14, 1983 and served as the principal campaign committee of Jesse L. Jackson, Democratic candidate for President of the United States. The Committee maintains its headquarters in Washington, D.C. The candidate designated the New Yorkers for Jesse Jackson on December 8, 1983 and the Jackson for President Committee-California on February 21, 1984 as authorized committees.^{1/}

^{1/} For a detailed discussion of the authorized committees, see Sections III and IV.

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The audit covered the period from the Committee's inception, November 14, 1983, through July 31, 1984, the final coverage date of the last report filed at the time of the audit. In addition, certain financial activity was reviewed through October 31, 1984 to verify the Statement of Net Outstanding Campaign Obligations. The Committee reported a beginning cash balance of \$-0-; total receipts for the period of \$6,361,696.43; total expenditures for the period of \$6,310,675.33 and a closing cash balance on July 31, 1984 of \$52,304.44.^{2/} However, the Committee continued to receive contributions and make disbursements. In addition, revised Statements of Net Outstanding Campaign Obligations were submitted with each matching fund submission as required by 11 C.F.R. § 9034.5(d). Under 11 C.F.R. § 9038.1(b)(3) and (e)(4) additional audit work may be conducted and addenda to this report issued as necessary.

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

B. Key Personnel

The Treasurers of the Committee during the period audited were:

Mr. Samuel L. Foggie, Sr.	11/14/83-2/21/84
Ms. Emma Chappell	2/21/84-present

C. Scope

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

D. Introduction to Findings

Section II of this report includes Title 2 findings and recommendations which resulted from our review of the records of the Jesse Jackson For President Committee. Sections III and IV include Title 2 findings and recommendations which resulted from our review of the two authorized committees, New Yorkers for Jesse Jackson and Jackson for President-California. Section V contains the combined audited Statement of Net Outstanding Campaign Obligations for the PCC and the two authorized committees.

^{2/} The totals do not foot due to math discrepancies on the reports (difference of \$1,283.34).

Recommendation

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

B. Other Matters Referred to the Office of General Counsel

Other matters noted during the audit were referred to the Commission's Office of General Counsel.

III. New Yorkers for Jesse Jackson

Background

New Yorkers for Jesse Jackson ("NYJJ") registered with the Federal Election Commission as an authorized committee for Jesse L. Jackson on December 8, 1983. NYJJ maintains its headquarters in Brooklyn, New York.

The audit covered the period from the NYJJ's inception November 19, 1983, through September 30, 1984, the final coverage date of the last report filed at the time of the audit. NYJJ reported a beginning cash balance of \$-0-; total receipts for the period of \$364,208.57; total expenditures for the period of \$364,208.57 and a closing cash balance on September 30, 1984 of \$-0-.

Key Personnel

The Treasurer of the NYJJ during the period audited was Mr. George Glee, Jr.

Findings and Recommendations Related to Title 2 of the United States Code

A. Itemization of Contributions from Political Committees

Under 2 U.S.C. § 434(b)(3)(B) each report 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.

The Audit staff identified ten (10) contributions from political committees, totalling \$874, that were not itemized as required. The NYJJ officials stated that they were unaware that these contributions were from political committees.

The interim audit report contained the Audit staff's recommendation that within 30 days of receipt of that report, the NYJJ file a comprehensive amendment to correct the disclosure problem noted above.

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II. Findings and Recommendations Related to Title 2 of the United States Code - Jesse Jackson For President Committee

A. Itemization of Contributions from Individuals

Section 434(b)(3)(A) of Title 2, United States Code, requires 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 such contribution.

The Committee's contribution records were reviewed to determine whether all contributions aggregating in excess of \$200 per calendar year were itemized as required on the Committee's disclosure reports. The results of testing contributions on a sample basis indicated that 14% of the itemizable contributions were not itemized as required. The explanation provided by Committee officials was that (1) contributions deposited into state accounts were not forwarded to the Committee until well after the disclosure reports were submitted to the FEC and (2) Committee report processing errors.

As of the close of audit fieldwork in December 1984, the Committee had received updated contribution files from their data processing firm for January and February 1984. Our review of these updated files indicated no material problems for January and February 1984 with respect to itemization. At the exit conference on December 21, 1984, Committee officials stated that because of the large processing costs involved in amending the Schedules A-P, they were awaiting an official recommendation from the Commission before preparing amendments.

The interim audit report contained the Audit staff's recommendation that within 30 days of receipt of that report, the Committee file amended Schedules A-P to correct the itemization problem noted above for the period November 14, 1983 through October 1, 1984.

On June 26, 1985, the Committee filed amended Schedules A-P which materially corrected the deficiencies noted above.

The Committee also provided the following explanation in its June 26, 1985 response to the interim audit report:

These errors were made by our contracted computer firm due to edits not occurring in a timely manner to be reflected on the monthly financial disclosure reports. If the edits did not occur prior to the time for filing that month's report, it would not be itemized in any future report, however, it would be included in the aggregate totals.

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On June 26, 1985, the Committee filed amended Schedules A-P for NYJJ which materially corrected the deficiencies noted above.

Recommendation

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

B. Other Matter Referred to the Office of General Counsel

A certain other matter noted during the audit was referred to the Commission's Office of General Counsel.

IV. Jackson for President Committee-California

Background

The Jackson for President Committee-California ("JPC-CA") registered with the Federal Election Commission as an authorized committee for Jesse L. Jackson on February 21, 1984. The JPC-CA maintains its headquarters in Los Angeles, California.

The audit covered the period from the JPC-CA's inception, January 25, 1984, through November 30, 1984, the final coverage date of the last report filed at the time of the audit. The JPC-CA reported a beginning cash balance of \$-0-; total receipts for the period of \$689,512; total expenditures for the period of \$689,487; and a closing cash balance on November 30, 1984 of \$25.00.

Key Personnel

The Treasurer of the JPC-CA during the period audited was Mr. Julius Glazer.

Findings and Recommendations Related to Title 2 of the United States Code

A. Itemization of Contributions from Political Committees

Under 2 U.S.C. § 434(b)(3)(B) each report 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.

JPC-CA's contribution records were reviewed to determine whether all contributions from political committees were itemized on the disclosure reports. During this review, we noted 15 contributions, totalling \$1,084.50, from political committees which were not itemized as required. JPC-CA officials provided no explanation for this disclosure omission.

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The interim audit report contained the Audit staff's recommendation that within 30 days of receipt of that report, the JPC-CA file a comprehensive amendment to correct the disclosure problem noted above.

On June 26, 1985, the Committee filed amended Schedules A-P for JPC-CA which materially corrected the deficiencies noted above.

Recommendation

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

B. Other Matters Referred to the Office of General Counsel

Other matters noted during the audit were referred to the Commission's Office of General Counsel.

V. Finding Related to Title 26 of the United States Code

A. Determination of Net Outstanding Campaign Obligations

Section 9034.5(a) of Title 11, Code of Federal Regulations, requires that within 15 days of the candidate's date of ineligibility, a Statement of Net Outstanding Campaign Obligations (NOCO) be submitted which discloses among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of the necessary winding down costs.

Sections 9033.5(c) and 9032.6(a) of Title 11, Code of Federal Regulations, states that the ineligibility date for a candidate seeking the nomination of a party which nominates its Presidential candidate at a national convention is the date on which the party nominates its candidate.

The Commission determined that the date of ineligibility for Jesse L. Jackson was July 18, 1984. The Committee submitted the original NOCO on July 23, 1984 and has continued to submit a revised NOCO with each matching fund submission.

The Audit staff reviewed the NOCO as of October 31, 1984, the most recent NOCO filed at the time of the audit. We made necessary adjustments to this statement and have prepared an audited statement which appears below.

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Jesse Jackson for President Committee
 New Yorkers for Jesse Jackson
 and
 Jackson for President Committee-California

Revised Statement of Net Outstanding Campaign Obligations
 October 31, 1984 (Audited Statement)

Assets		
Cash on hand (Petty cash)		\$200.00
Cash in bank		(89,232.40)
Accounts Receivable		30,092.94
Telephone Deposits		44,855.54
Capital Assets		<u>1,000.00</u>
		(\$ 13,083.92)
Total Assets		
Obligations		
Accounts Payable for Qualified Campaign Expenses		388,397.16 ^{5/}
Loan Payable		50,000.00
Estimated Winding Down Costs 11/1/84 to 4/30/85		
Salaries	\$67,987.13	
Rent	3,750.00	
Telephones	7,800.00	
Equipment/Supplies	3,100.00	
Audit and Legal Fees	73,791.28	
Data Processing	61,000.00	
Fundraising	<u>58,418.00</u>	
		<u>275,846.41</u>
Total Obligations		<u>714,243.57</u>
Net Outstanding Campaign Obligations Deficit		<u>(\$727,327.49)</u>

^{5/} This figure does not include \$18,805 in debts disclosed by Jackson for President-California for which no records were made available to review.

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Committee officials agreed with all components of the audited NOCO.

Conclusion

Between November 1, 1984 and December 31, 1984, the above named Committees reported receiving individual contributions totaling \$267,710.22 and matching fund payments totaling \$154,636.89. Therefore, as of December 31, 1984 the Committee has not received matching fund payments in excess of entitlement.

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FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

January 15, 1988

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICER

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

SUBJECT: ADDENDUM TO THE FINAL AUDIT REPORT -
JESSE JACKSON FOR PRESIDENT COMMITTEE,
NEW YORKERS FOR JESSE JACKSON,
JACKSON FOR PRESIDENT - CALIFORNIA

Attached please find a copy of the Addendum to the Final Audit Report of the above subject committee which was approved by the Commission on January 6, 1988.

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: FEC Library
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Public Disclosure

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FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

ADDENDUM TO THE
FINAL REPORT OF THE AUDIT DIVISION
ON THE
JESSE JACKSON FOR PRESIDENT COMMITTEE,
NEW YORKERS FOR JESSE JACKSON
AND
JACKSON FOR PRESIDENT COMMITTEE-CALIFORNIA

I. Background

A. Overview

On July 19, 1985, the Federal Election Commission ("the Commission") released the final audit report on the Jesse Jackson For President Committee, New Yorkers For Jesse Jackson and Jackson For President Committee-California ("the Committee"). That report was based on an audit of the Committee pursuant to 26 U.S.C. § 9038(a). The audit covered the period November 14, 1983 through July 31, 1984. In addition, certain financial activity was reviewed through October 31, 1984 to verify the Statement of Net Outstanding Campaign Obligations.

This Addendum is based on the follow-up audit fieldwork conducted pursuant to 11 C.F.R. § 9038.1(b)(3) which states that the Commission staff may conduct additional fieldwork after completion of the fieldwork conducted pursuant to paragraph (b)(1) and (2) of the section.

In addition, 11 C.F.R. § 9038.1(e)(4) states, in part, that addenda to the audit report may be issued from time to time as circumstances warrant and as additional information becomes available. Such addenda may be based, in part, on follow-up fieldwork conducted under paragraph (b)(3) of this section.

The follow-up fieldwork covered the period August 1, 1984 through December 31, 1986, the last day covered by the most recent report filed with the Commission at the time of the follow-up fieldwork. During the period under review, the Committee reported a beginning cash balance on August 1, 1984 of \$18,844.71, total receipts of \$1,858,014.56, total disbursements of \$1,874,918.83 and an ending cash balance on December 31, 1986 of \$1,940.44. In addition, certain financial activity was reviewed through February 27, 1987 to determine the Committee's Net Outstanding Campaign Obligation position.

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

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B. Key Personnel

The Treasurer of the Committee during the period reviewed was Ms. Emma Chappell.

C. Scope

The audit included such tests as verification of total receipts and disbursements; limited reviews of individual transactions and required supporting documentation; analysis of debts and obligations (including winding down costs) and such other procedures as deemed necessary under the circumstances to determine whether the Committee received any matching fund payments in excess of the amount to which it was entitled and whether any amount of any payment made from the matching payment account was used for any purpose other than to defray the qualified campaign expenses of the Committee.

II. Findings and Recommendations Related to Title 26 of the United States Code**A. Post-Ineligibility Campaign Expenditures
Apparent Unauthorized Salary Payments**

Section 9032(9) of Title 26, United States Code, and Section 9032.9 of Title 11, Code of Federal Regulations, in part, define a qualified campaign expense as a purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value incurred by a candidate or his authorized committee in connection with his campaign for nomination for election from the date the individual became a candidate through the last day of the candidate's eligibility.

Furthermore, included in the examples of disbursements that are not qualified campaign expenses under 11 C.F.R. § 9034.4(b)(3) are "post ineligibility expenditures" or expenses incurred after a candidate's date of ineligibility, to the extent that they do not qualify as winding down costs.

Section 9034.4(a)(3) of Title 11, Code of Federal Regulations, defines winding down costs as (i) costs associated with the termination of political activity, such as the costs of complying with the post-election requirements of the Act and other necessary administrative costs associated with winding down the campaign, including office space rental, staff salaries and office supplies, or (ii) costs incurred before the candidate's date of ineligibility, for which written arrangement or commitment was made on or before the candidate's date of ineligibility.

Section 9038.2(b)(2)(A) of Title 26 of the United States Code provides, in part, that the Commission may determine that amounts of any payments made to a candidate from the matching payment account were used for purposes other than to defray qualified campaign expenses.

The Committee reported on Schedule C-P (Loans) a \$9,692.34 loan to its comptroller, and considered this loan as an employee advance, incurred on April 30, 1985 and due (repayable) on December 31, 1985. The repayment date subsequently changed to August 31, 1986.

The Audit staff reviewed the circumstances surrounding this loan (advance). It appears that for the period January 10, 1985 through May 31, 1985 the comptroller who normally was paid a bi-weekly salary of \$1,384.62, was instead paid \$1,384.62 weekly. As a result, the Audit staff calculated that the comptroller was overpaid \$9,692.34 (see Attachment 1).

It should be noted that although the Committee considers the overpayments to be unauthorized, the payroll checks in question were all signed by the Treasurer. According to the Treasurer, she signed a number of blank checks which were then given to the comptroller.

On July 16, 1987, the Audit staff received copies of the comptroller's final payments (plus \$600.27 in interest) satisfying the debt, and a copy of a notarized affidavit, signed by the Treasurer, stating that the obligation has been repaid in full.

In the Interim Report the Audit staff recommended no further action be taken, but noted that the committee could offer additional information relative to the transactions noted above.

The Committee did not respond within the provided time period, nor has any additional information been received to date.

Recommendation

The Audit staff recommends that no further action be taken in this matter.

B. Determination of Net Outstanding Campaign Obligations

Section 9034.5(a) of Title 11 of the Code of Federal Regulations, requires that the candidate submit a Statement of Net Outstanding Campaign Obligations ("NOCO"), which contains, among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs, within 15 days of the Candidate's date of ineligibility.

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Further, 11 C.F.R. § 9034.5(d) requires that a candidate submit a revised Statement of Net Outstanding Campaign Obligations with each submission for matching funds payments filed after the candidate's date of ineligibility, reflecting the financial status of the campaign as of the close of business on the last business day preceding the date of submission for matching funds.

Pursuant to 11 C.F.R. § 9033.5, the Candidate's date of ineligibility is July 18, 1984. The Committee submitted its original NOCO Statement on July 23, 1984, and has continued to submit revised NOCO Statements with each subsequent matching fund submission.

During the initial fieldwork, the Audit staff reviewed the NOCO Statement dated October 31, 1984. This review was limited to the verification of cash on hand, loans payable, accounts payable, estimated accounts receivable and estimated winding down cost. During the follow-up fieldwork, the Audit staff updated the Committee's October 31, 1984 NOCO Statement using actual expenses paid in lieu of the estimates presented in the final audit report. This NOCO Statement as amended appears below.

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Jesse Jackson for President Committee,
New Yorkers for Jesse Jackson
and
Jackson for President Committee-California

Revised Statement of Net Outstanding Campaign Obligations
October 31, 1984 (Audited Statement)
As Determined on February 27, 1987

Assets		
Cash on hand (Petty cash)	\$ 200.00	
Cash	(84,699.69)	
Accounts Receivable	11,965.44	
Telephone Deposits	50,806.57	
Capital Assets	<u>1,000.00</u>	
Total Assets		(\$ 20,727.68)
Liabilities		
Loans Payable	(50,000.00)	
Accounts Payable	<u>(370,729.95)</u>	
Total Payables		(\$420,729.95)
Winding Down Cost		
Salaries	(153,369.50)	
Data Processing	(40,474.14)	
Legal and Accounting	(28,282.67)	
Fundraising	(54,141.08)	
Equipment/Supplies	(17,186.32)	
Rent	(7,153.50)	
Telephones	(5,481.34)	
Accrued winding down cost		<u>(24,645.15)</u>
Total Winding Down Cost ^{1/}		<u>(\$330,733.70)</u>
Net Outstanding Campaign Obligations Deficit		<u>(\$772,191.33)</u>

^{1/} The Audit staff did not calculate estimated winding down cost, due to the lack of certain information. However, it should be noted that this calculation does not affect the auditors determination regarding entitlement.

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The Audit staff's review of the Committee's deposits indicate that for the period October 31, 1984 through March 11, 1985, the Committee received \$354,792.34 in contributions from individuals and matching fund payments totaling \$350,769.37.

Based on the aforementioned analysis the Candidate did not receive any matching funds to which he was not entitled.

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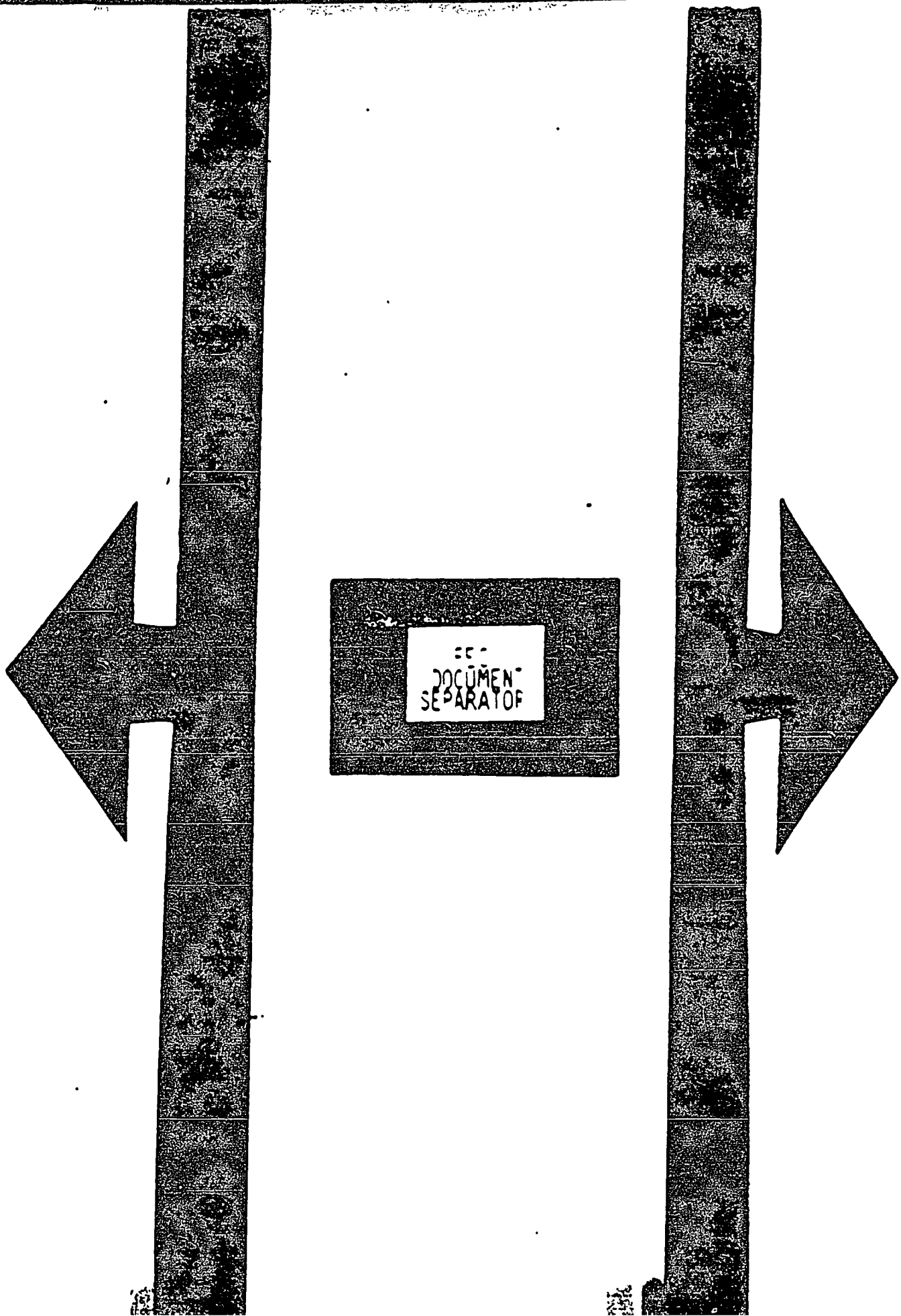
Attachment 1

Schedule of Payroll Disbursements
To Linda H. Moody (Comptroller)
(1/10/85 - 5/14/85)

<u>Check Number</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
4836	1/10/85	\$ 1,384.62	Authorized
4851	1/16/85	1,384.62	Unauthorized
4873	1/28/85	1,384.62	Authorized
4875	1/18/85	1,384.62	Unauthorized
4893	2/8/85	1,384.62	Authorized
4947	2/11/85	2,769.24	Authorized
4954	2/18/85	1,384.62	Unauthorized
4958	3/1/85	1,384.62	Unauthorized
4964	3/8/85	1,384.62	Unauthorized
4968	3/18/85	1,384.62	Unauthorized
4977	3/22/85	1,384.62	Authorized
4978	3/28/85	1,384.62	Unauthorized
4980	4/5/85	1,384.62	Authorized
4989	4/12/85	1,384.62	Authorized
4991	4/19/85	1,384.62	Authorized
4996	4/26/85	1,384.62	Authorized
5008	5/14/85	<u>1,384.62</u>	Authorized
	Total	\$24,923.16	
	Less Total Authorized	<u>15,230.82</u>	
	Amount Unauthorized	<u>\$ 9,692.34</u>	

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