

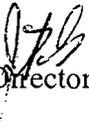


FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 5, 2010

MEMORANDUM

To: Judith Ingram
Press Officer

From: Joseph F. Stoltz 
Assistant Staff Director
Audit Division

Subject: Public Issuance of the Audit Report on the Committee to Elect Alan Grayson

Attached please find a copy of the audit report on the Committee to Elect Alan Grayson, which was approved by the Commission on March 25, 2010.

All parties involved have received informational copies of the report and the report may be released to the public April 5, 2010.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library
ITD Web 



Report of the Audit Division on the Committee to Elect Alan Grayson

January 1, 2007 – December 31, 2008

Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.¹ The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Campaign (p. 2)

The Committee to Elect Alan Grayson is the principal campaign committee for Alan Grayson, Democratic candidate for the U.S. House of Representatives from the state of Florida, 8th District, and is headquartered in Orlando, Florida. For more information, see the chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)

- **Receipts**
 - Loans from Candidate \$2,650,000
 - Contributions from Other Political Committees 244,400
 - Contributions from Individuals 213,166
 - Other Receipts 8,900
 - Other Loans 7,680
 - **Total Receipts** **\$3,124,146**
- **Disbursements**
 - Operating Expenditures \$3,015,309
 - Loan Repayments 97,184
 - Contribution Refunds 10,150
 - Other Disbursements 1,778
 - **Total Disbursements** **\$3,124,421**

Finding and Recommendation (p. 3)

- Misstatement of Financial Activity

¹ 2 U.S.C. §438(b).

Report of the Audit Division on the Committee to Elect Alan Grayson

January 1, 2007 – December 31, 2008



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Part I

Background

Authority for Audit

This report is based on an audit of the Committee to Elect Alan Grayson (CTEAG), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must 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. 2 U.S.C. §438(b).

Scope of Audit

Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, the scope of this audit was limited to the following:

1. The receipt and permissibility of loans.
2. The consistency between reported figures and bank records.
3. The disclosure of individual contributors' occupation and name of employer.
4. The disclosure of purposes for disbursements.

Part II

Overview of Campaign

Campaign Organization

| | |
|---|--|
| Important Dates | Committee to Elect Alan Grayson |
| • Date of Registration | May 24, 2006 |
| • Audit Coverage | January 1, 2007 – December 31, 2008 |
| Headquarters | Orlando, Florida |
| Bank Information | |
| • Bank Depositories | One |
| • Bank Accounts | One checking account, two savings accounts |
| Treasurer | |
| • Treasurer When Audit Was Conducted | Paul Ashcraft |
| • Treasurer During Period Covered by Audit | Paul Ashcraft |
| Management Information | |
| • Attended FEC Campaign Finance Seminar | No |
| • Used Commonly Available Campaign Management Software Package | Yes |
| • Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations | Paid staff and volunteers |

Overview of Financial Activity (Audited Amounts)

| | |
|---|---------------------|
| Cash on hand @ January 1, 2007 | \$ 6,276 |
| Receipts | |
| ○ Loans from Candidate | \$ 2,650,000 |
| ○ Contributions from Other Political Committees | 244,400 |
| ○ Contributions from Individuals | 213,166 |
| ○ Other Receipts | 8,900 |
| ○ Other Loans | 7,680 |
| ○ Total Receipts | \$ 3,124,146 |
| Disbursements | |
| ○ Operating Expenditures | \$ 3,015,309 |
| ○ Loan Repayments | 97,184 |
| ○ Contribution Refunds | 10,150 |
| ○ Other Disbursements | 1,778 |
| ○ Total Disbursements | \$ 3,124,421 |
| Cash on hand @ December 31, 2008 | \$ 6,001 |

Part III

Summary

Finding and Recommendation

Misstatement of Financial Activity

A comparison of CTEAG's reported financial activity to its bank records revealed that cash-on-hand, receipts and disbursements had been misstated for calendar years 2007 and 2008. For 2007, CTEAG overstated beginning cash on hand by \$71,286, overstated receipts by \$4,734, overstated disbursements by \$8,308 and overstated ending cash on hand by \$67,712. In 2008, receipts were overstated by \$178,396, disbursements were overstated by \$77,779 and the ending cash on hand was overstated by \$168,329. In response to the interim audit report, CTEAG amended its reports and materially corrected the misstatements. (For more detail, see page 4.)

Part IV

Finding and Recommendation

Misstatement of Financial Activity

Summary

A comparison of CTEAG's reported financial activity to its bank records revealed that cash-on-hand, receipts and disbursements had been misstated for calendar years 2007 and 2008. For 2007, CTEAG overstated beginning cash on hand by \$71,286, overstated receipts by \$4,734, overstated disbursements by \$8,308 and overstated ending cash on hand by \$67,712. In 2008, receipts were overstated by \$178,396, disbursements were overstated by \$77,779 and the ending cash on hand was overstated by \$168,329. In response to the interim audit report, CTEAG amended its reports and materially corrected the misstatements.

Legal Standard

Contents of Reports. Each report must disclose:

- The amount of cash on hand at the beginning and end of the reporting period;
- The total amount of receipts for the reporting period and for the election cycle;
- The total amount of disbursements for the reporting period and for the election cycle; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2), (3), (4), and (5).

Facts and Analysis

The Audit staff reconciled reported financial activity to bank records for calendar years 2007 and 2008. The following charts outline the discrepancies for the beginning cash balance, receipts, disbursements and the ending cash balance for each year.

| 2007 Activity | | | |
|--|-----------------|---------------------|------------------------|
| | Reported | Bank Records | Discrepancy |
| Opening Cash Balance @ January 1, 2007 | \$77,562 | \$6,276 | \$71,286 Overstated |
| Receipts | \$55,325 | \$50,591 | \$4,734 Overstated |
| Disbursements | \$40,656 | \$32,348 | \$8,308 Overstated |
| Ending Cash Balance @ December 31, 2007 | \$92,231 | \$24,519 | \$67,712 Overstated |

The \$71,286 overstatement of the beginning cash balance on January 1, 2007, was primarily due to a \$75,000 overstatement of reported cash-on-hand at December 31, 2006. Beginning

cash on the year-end report was inexplicably increased by \$75,000 over the ending cash balance of the previously filed report.

The overstatement of receipts resulted from the following:

| | |
|--|--------------------------|
| • Reports adjusted incorrectly for voided checks | \$ (5,319) |
| • Unreported refunds received | <u>585</u> |
| Net overstatement of receipts | <u>\$ (4,734)</u> |

The overstatement of disbursements resulted from the following:

| | |
|---|--------------------------|
| • 2008 disbursements reported but not supported by check or debit | \$ (8,442) |
| • Three unreported disbursements | <u>134</u> |
| Net overstatement of disbursements | <u>\$ (8,308)</u> |

The \$67,712 overstatement of ending cash on hand resulted from the unexplained beginning cash difference as well as the receipt and disbursement misstatements noted above.

| 2008 Activity | | | |
|--|-----------------|---------------------|-------------------------|
| | Reported | Bank Records | Discrepancy |
| Opening Cash Balance @ January 1, 2008 | \$92,231 | \$24,519 | \$67,712 Overstated |
| Receipts | \$3,251,951 | \$3,073,555 | \$178,396 Overstated |
| Disbursements | \$3,169,852 | \$3,092,073 | \$77,779 Overstated |
| Ending Cash Balance @ December 31, 2008 | \$174,330 | \$6,001 | \$168,329 Overstated |

The overstatement of receipts resulted from the following:

| | |
|---|---------------------------|
| • Credit card debt erroneously reported as loan receipts | \$(137,596) |
| • Credit card contributions from individuals reported twice | (34,859) |
| • Loans from Candidate reported incorrectly | (5,000) |
| • Other deposits reported incorrectly | 937 |
| • Unexplained difference | <u>(1,878)</u> |
| Net overstatement of receipts | <u>\$(178,396)</u> |

The overstatement of disbursements resulted from the following:

| | |
|---|---------------------------|
| • Disbursements reported but not supported by check or debit (see further explanation below) | \$(169,231) |
| • Unreported loan payment to Candidate | 80,000 |
| • Unreported disbursements | 12,297 |
| • Disbursements reported incorrectly | <u>(845)</u> |
| Net overstatement of disbursements | <u>\$(77,779)</u> |

CTEAG reported disbursements (\$169,231) that were not supported by a check or debit. Most of these discrepancies were due to credit card transactions for which the payment was not made by year-end 2008. As such, no reporting of disbursements on Schedule B was required. In addition, several disbursements were incorrectly reported twice.

The \$168,329 overstatement of ending cash on hand resulted from the misstatements noted above.

At the exit conference, the Audit staff provided CTEAG's representatives with schedules detailing these discrepancies. CTEAG's representatives agreed to review the spreadsheets and expressed a willingness to file amended reports.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that CTEAG:

- Amend its reports to correct the misstatements noted above.
- Amend its most recently filed report to correct the cash on hand balance with an explanation that the change resulted from a prior period audit adjustment. Further, CTEAG should reconcile the cash balance of its most recent report to identify any subsequent discrepancies that may impact the \$168,329 adjustment recommended by the Audit staff.

In response to the interim audit report, CTEAG amended its reports and materially corrected the misstatements. In addition, CTEAG amended its most recently filed reports to correct the cash on hand balance.

