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. 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)
Friends of Sharron Angle is the principal campaign committee for Sharron Angle, Republican candidate for the United States Senate from Nevada, and is headquartered in Reno, Nevada. For more information, see the chart on the Campaign Organization, p. 2.

Financial Activity (p. 2)
- Receipts
  - Contributions from Individuals $27,790,037
  - Contributions from Other Political Committees 399,037
  - Contributions from Other Authorized Committees 56,544
  - Refunds and Other Receipts 23,531
  Total Receipts $28,269,149

- Disbursements
  - Operating Disbursements $27,948,259
  - Contribution Refunds 206,202
  - Other Disbursements 22,675
  Total Disbursements $28,177,136

Commission Findings (p. 3)
- Filing of 48-Hour Notices (Finding 1)
- Reporting of Debts and Obligations (Finding 2)

1 2 U.S.C. §438(b).
Final Audit Report of the Commission on Friends of Sharron Angle

(February 17, 2009 - December 31, 2010)
# Table of Contents

## Part I. Background
- Authority for Audit 1
- Scope of Audit 1
- Audit Hearing 1

## Part II. Overview of Campaign
- Campaign Organization 2
- Overview of Financial Activity 2

## Part III. Summaries
- Commission Findings 3

## Part IV. Commission Findings
- Finding 1. Filing of 48-Hour Notices 4
- Finding 2. Reporting of Debts and Obligations 6
Part I
Background

Authority for Audit
This report is based on an audit of Friends of Sharron Angle (FOSA), 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 whether 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, this audit examined:
1. the receipt of excessive contributions and loans;
2. the receipt of contributions from prohibited sources;
3. the disclosure of contributions received;
4. the disclosure of individual contributors’ occupation and name of employer;
5. the disclosure of disbursements, debts and obligations;
6. the consistency between reported figures and bank records;
7. the completeness of records; and
8. other committee operations necessary to the review.

Audit Hearing
FOSA declined the opportunity for a hearing before the Commission on the matters presented in this report.
Part II
Overview of Campaign

Campaign Organization

Important Dates
- Date of Registration: April 9, 2009
- Audit Coverage: February 17, 2009 - December 31, 2010

Headquarters
- Reno, Nevada

Bank Information
- Bank Depositories: Three
- Bank Accounts: Five

Treasurer
  Robert Fee (October 25, 2011 - Present)
- Treasurer During Period Covered by Audit: Alan Mills

Management Information
- Attended FEC Campaign Finance Seminar: Yes
- Who Handled Accounting and Recordkeeping Tasks: Paid Staff

Overview of Financial Activity
(Audited Amounts)

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash-on-hand @ February 17, 2009</td>
<td>0</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>o Contributions from Individuals</td>
<td>27,790,037</td>
</tr>
<tr>
<td>o Contributions from Other Political Committees</td>
<td>399,037</td>
</tr>
<tr>
<td>o Contributions from Other Authorized Committees</td>
<td>56,544</td>
</tr>
<tr>
<td>o Refunds and Other Receipts</td>
<td>23,531</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td><strong>$ 28,269,149</strong></td>
</tr>
<tr>
<td><strong>Disbursements</strong></td>
<td></td>
</tr>
<tr>
<td>o Operating Disbursements</td>
<td>27,948,259</td>
</tr>
<tr>
<td>o Contribution Refunds</td>
<td>206,202</td>
</tr>
<tr>
<td>o Other Disbursements</td>
<td>22,675</td>
</tr>
<tr>
<td><strong>Total Disbursements</strong></td>
<td><strong>$ 28,177,136</strong></td>
</tr>
<tr>
<td>Cash-on-hand @ December 31, 2010</td>
<td><strong>$ 92,013</strong></td>
</tr>
</tbody>
</table>
Part III
Summaries

Commission Findings

Finding 1. Filing of 48-Hour Notices
FOSA filed in an untimely manner or failed to file 48-hour notices for 169 contributions totaling $243,750, that were made prior to the primary and general elections. These included 65 earmarked contributions totaling $107,200. In response to the Interim Audit Report recommendation, FOSA submitted written comments stating that it made a good-faith effort to file all notices, but that the contribution processing system in place could not handle the large number of donations received.

The Commission approved a finding that FOSA filed in an untimely manner or failed to file 48-hour notices for 169 contributions, totaling $243,750, that were made prior to the primary and general elections. (For more detail, see p. 4.)

Finding 2. Reporting of Debts and Obligations
The Audit staff identified debts, totaling $2,287,080, that FOSA did not itemize on Schedule D (Debts and Obligations). In response to the Interim Audit Report recommendation, FOSA amended its reports to materially correct the reporting of debts and obligations. FOSA also stated that the debt reporting problems were due to a breakdown in communications between vendors and committee staff.

The Commission approved a finding that FOSA failed to itemize debts totaling $2,287,080 on Schedule D. (For more detail, see p. 6.)
Part IV
Commission Findings

Finding 1. Filing of 48-Hour Notices

Summary
FOSA filed in an untimely manner or failed to file 48-hour notices for 169 contributions totaling $243,750, that were made prior to the primary and general elections. These included 65 earmarked contributions totaling $107,200. In response to the Interim Audit Report recommendation, FOSA submitted written comments stating that it made a good-faith effort to file all notices, but that the contribution processing system in place could not handle the large number of donations received.

The Commission approved a finding that FOSA filed in an untimely manner or failed to file 48-hour notices for 169 contributions totaling $243,750, that were made prior to the primary and general elections.

Legal Standard
A. Last-Minute Contributions (48-Hour Notices). Campaign committees must file special notices regarding contributions of $1,000 or more received less than 20 days but more than 48 hours before any election in which the candidate is running. This rule applies to all types of contributions to any authorized committee of the candidate, including:
   • contributions from the candidate;
   • loans from the candidate and other non-bank sources; and
   • endorsements or guarantees of loans from banks. 11 CFR §104.5(f).

B. Reporting by Recipient Committee. When a candidate committee receives earmarked contributions through a conduit, each individual contribution should be itemized when the individual's total contributions to the committee aggregate over $200 per election cycle. This itemization must include:
   • the full name;
   • address;
   • occupation and employer of the contributor; and
   • date the contribution was received by the conduit. 11 CFR §110.6(c)(2)(ii)(C).

Contributions from Political Action Committees, authorized committees, or other political committees must be itemized regardless of the amount contributed. 11 CFR §104.3(a)(4).

In addition, the total contribution(s) transmitted through the conduit should be itemized on Schedule A as a memo entry. The conduit's full name and address must be provided, along with the date when the candidate committee received the contribution and the total amount. 11 CFR §110.6(c)(2).
Facts and Analysis

A. Facts
The Audit staff reviewed contributions of $1,000 or more that FOSA received during the 48-hour notice filing periods for the primary (May 20, 2010 – June 5, 2010) and general (October 14, 2010 – October 30, 2010) elections. FOSA filed in an untimely manner or failed to file 48-hour notices for 169 contributions totaling $243,750, as summarized below.

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>48-Hour Notices Not Filed</td>
<td>$31,200 (21)</td>
<td>$115,450 (88)</td>
<td>$146,650 (109)</td>
</tr>
<tr>
<td>48-Hour Notices Filed Late, but Before the Election</td>
<td>$51,500 (29)</td>
<td>$0 (0)</td>
<td>$51,500 (29)</td>
</tr>
<tr>
<td>48-Hour Notices Filed After the Election</td>
<td>$45,600 (31)</td>
<td>$0 (0)</td>
<td>$45,600 (31)</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$128,300 (81)</td>
<td>$115,450 (88)</td>
<td>$243,750 (169)</td>
</tr>
</tbody>
</table>

Primary election contributions for which notices were filed late (prior to or after the election) or not filed included 53 earmarked contributions totaling $86,100. General election contributions for which notices were not filed included 12 earmarked contributions in the amount of $21,100.

B. Interim Audit Report & Audit Division Recommendation
The Audit staff discussed the filing of 48-hour notices with FOSA’s counsel at the exit conference and subsequently provided schedules of the contributions for which FOSA did not file 48-hour notices or filed them in an untimely manner. FOSA’s counsel expressed concern that these notices were not filed or were filed in an untimely manner and stated that FOSA had established a system under which the finance director would examine the contributions received on a daily basis to identify those that required such notices. Counsel further stated that FOSA would attempt to determine why the required notices were not filed.

The Audit staff recommended that FOSA provide evidence that the 48-hour notices were not required to be filed or were filed in a timely manner, or provide any further comments it considered relevant.

C. Committee Response to Interim Audit Report
FOSA submitted comments regarding its failure to file 48-hour notices. FOSA stated that it makes no excuses, but that it made a good-faith effort to file the notices.

By way of explanation, FOSA noted that “Sharron Angle was not the favored ‘establishment’ candidate in the GOP Primary, but began to receive small dollar contributions from across the country…” FOSA added that the endorsement of the Tea
Party Express and the win in the June 2010 Nevada GOP Primary led to FOSA receiving far more contributions than previously anticipated. FOSA pointed out that the funds received were equivalent in volume to those received for a Presidential campaign, without the infrastructure already in place to handle such volume.

FOSA also noted that the notices not filed for the general election period comprise less than 2% of the total amount of contributions during the 48-hour notice reporting period.

FOSA reiterated that there was no intent to fail to comply with the law, but the contribution processing system in place could not handle the large number of donations received.

D. Draft Final Audit Report
The Draft Final Audit Report noted that, in response to the Interim Audit Report, FOSA submitted comments to explain the untimely filed and non-filed 48-hour notices.

E. Committee Response to Draft Final Audit Report
FOSA submitted a response to the Draft Final Audit Report stating that it had no additional comments on this matter.

Commission Conclusion
On October 17, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find FOSA filed in an untimely manner, or failed to file, 48-hour notices totaling $243,750.

The Commission approved the Audit staff’s recommendation.

Finding 2. Reporting of Debts and Obligations

Summary
The Audit staff identified debts, totaling $2,287,080, that FOSA did not itemize on Schedule D (Debts and Obligations). In response to the Interim Audit Report recommendation, FOSA amended its reports to materially correct the reporting of debts and obligations. FOSA also stated that the debt reporting problems were due to a breakdown in communications between vendors and committee staff.

The Commission approved a finding that FOSA failed to itemize debts on Schedule D totaling $2,287,080.

Legal Standard
A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).
B. Itemizing Debts and Obligations.
   • A debt or obligation of $500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports the debt or obligation on the next regularly scheduled report.
   • A debt or obligation exceeding $500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts
The Audit staff reviewed FOSA’s invoices and computer files containing disbursements made in 2009 and 2010 to 19 selected vendors and identified debts totaling $1,442,452 that were reported on Schedule D. However, FOSA did not report debts totaling $2,287,080 on Schedule D as required. The majority of these debts should have been reported on the 2010 October Quarterly and 12-Day Pre-General reports.

B. Interim Audit Report & Audit Division Recommendation
The Audit staff discussed the reporting of debts and obligations with FOSA’s counsel at the exit conference and subsequently provided workpapers detailing the unreported debts. Counsel stated that FOSA would look into this issue. Documentation provided by FOSA subsequent to the exit conference was considered in the “Facts” section presented above.

The Audit staff recommended that absent evidence that the debts did not require disclosure, FOSA should amend its reports to itemize these debts and obligations on the appropriate Schedule D and provide any further comments it considered relevant.

C. Committee Response to Interim Audit Report
In response, FOSA amended its reports to materially correct the reporting of debts and obligations. FOSA also provided a written explanation stating that the vendors were under the impression that FOSA was provided the information to disclose all outstanding debts and obligations in a timely manner. FOSA staff, however, were either unaware that the information needed to be reported, or did not receive the information. FOSA admitted that, whatever the cause, “...the amounts were apparently not reported as debts.”

In addition, FOSA noted that when preparing its response to the Interim Audit Report, it had discussed this matter with the vendors involved and expressed to them that each should review its procedures to ensure better communication with political committees in the future.

D. Draft Final Audit Report
The Draft Final Audit Report noted that, in response to the Interim Audit Report, FOSA amended its reports to materially correct the reporting of debts and obligations, and provided additional comments.

---

2 This is the sum of the total unreported debt balance for each of the 19 vendors during the period covered by the audit (debts only counted when incurred).
E. Committee Response to Draft Final Audit Report
FOSA submitted a response to the Draft Final Audit Report stating that it had no additional comments on this matter.

Commission Conclusion
On October 17, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find FOSA failed to itemize debts totaling $2,287,080.

The Commission approved the Audit staff’s recommendation.