



# Draft Final Audit Report of the Audit Division on Spike Maynard for Congress

(February 17, 2010 - December 31, 2010)

## 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.<sup>1</sup> 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 the matter discussed in this report.

## About the Campaign (p. 2)

Spike Maynard for Congress is the principal campaign committee for Elliott Edward Maynard, Republican candidate for the House of Representatives from the State of West Virginia, 3<sup>rd</sup> District, headquartered in Williamson, West Virginia. For more information, see the chart on the Campaign Organization, p. 2.

## Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 954,961
○ Contributions from Political Committees and Other Receipts	76,253
<b>Total Receipts</b>	<b>\$ 1,031,214</b>
• Disbursements	
○ Operating Expenditures	\$ 967,005
○ Refunds to Individuals	60,000
<b>Total Disbursements</b>	<b>\$ 1,027,005</b>

## Finding and Recommendation (p. 3)

- Disclosure of Disbursements

<sup>1</sup> 2 U.S.C. §438(b).

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# Part I

## Background

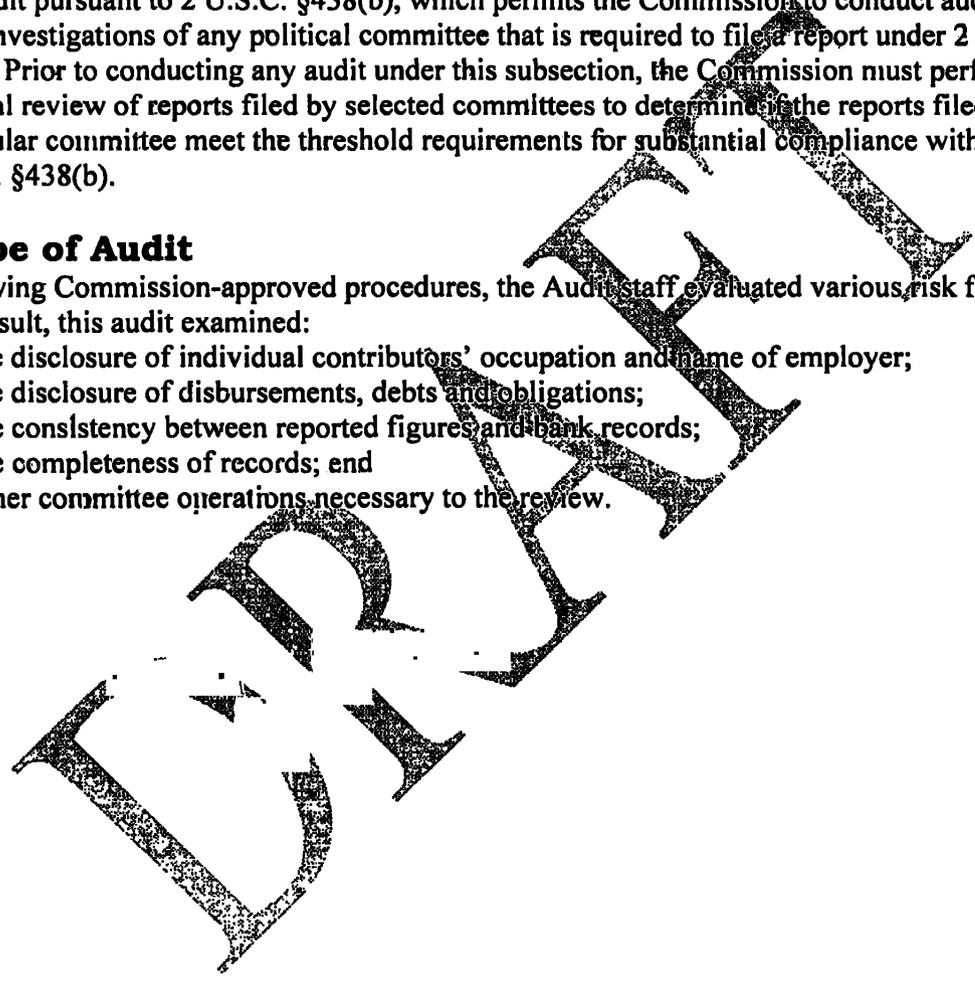
### Authority for Audit

This report is based on an audit of Spike Maynard for Congress (SMFC), 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, this audit examined:

1. the disclosure of individual contributors' occupation and name of employer;
2. the disclosure of disbursements, debts and obligations;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other committee operations necessary to the review.



## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	
• Date of Registration	February 26, 2010
• Audit Coverage	February 17, 2010 - December 31, 2010
<b>Headquarters</b>	
Williamson, West Virginia	
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	Two checking
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Robert Ryan
• Treasurer During Period Covered by Audit	Robert Ryan
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash-on-hand @ February 17, 2010</b>	\$ 0
<b>Receipts</b>	
○ Contributions from Individuals	954,961
○ Contributions from Political Committees and Other Receipts	76,253
<b>Total Receipts</b>	<b>\$ 1,031,214</b>
<b>Disbursements</b>	
○ Operating Expenditures	967,005
○ Refunds to Individuals	60,000
<b>Total Disbursements</b>	<b>\$ 1,027,005</b>
<b>Cash-on-hand @ December 31, 2010</b>	<b>\$ 4,209</b>

## **Part III Summary**

### **Finding and Recommendation**

#### **Disclosure of Disbursements**

The Audit staff identified 84 disbursements, totaling \$261,999, with missing or inadequately disclosed purposes. Subsequent to the exit conference, SMFC filed amended reports that materially corrected the disclosure of these disbursements. In its response to the Interim Audit Report, SMFC stated it had satisfactorily amended the affected reports and offered no additional comments on this matter. (For more detail, see p. 4)

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## Part IV Finding and Recommendation

### Disclosure of Disbursements

#### Summary

The Audit staff identified 84 disbursements, totaling \$261,999, with missing or inadequately disclosed purposes. Subsequent to the exit conference, SMFC filed amended reports that materially corrected the disclosure of these disbursements. In its response to the Interim Audit Report, SMFC stated it had satisfactorily amended the affected reports and offered no additional comments on this matter.

#### Legal Standard

**A. Reporting Operating Expenditures.** When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the:

- Amount;
- Date when the expenditures were made;
- Name and address of the payee; and
- Purpose (a brief description of why the disbursement was made—see below).
- 11 CFR §104.3(b)(4)(i).

#### B. Examples of Purpose

- **Adequate Descriptions.** Examples of adequate descriptions of “purpose” include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursement, catering costs, loan repayment, or contribution refund. 11 CFR §104.3 (b)(4)(i)(A).
- **Inadequate Descriptions.** The following descriptions do not meet the requirement for reporting purpose: advance, election-day expenses, other expenses, expense reimbursement, miscellaneous, outside services, get-out-the-vote and voter registration. 11 CFR §104.3 (b)(4)(i)(A).

#### Facts and Analysis

##### A. Facts

During audit fieldwork, the Audit staff identified 84 disbursements for salary payments and payments to media vendors for television ads totaling \$261,999 with either missing or inadequately disclosed purposes. SMFC disclosed 55 of these disbursements totaling \$213,696 without purposes in its reports filed with the Commission. SMFC reported the remainder of these disbursements using inadequate purposes such as “reimbursement” or “collateral.” When the Audit staff presented this matter during fieldwork, SMFC representatives responded that they had attempted to amend their reports prior to fieldwork, but were unable to do so due to technical difficulties.

**B. Interim Audit Report & Audit Division Recommendation**

During the exit conference held at the conclusion of fieldwork, the Audit staff provided SMFC representatives with a schedule detailing items reported with inadequate or undisclosed purposes. The Audit staff recommended that SMFC file amended Schedules B (Itemized Disbursements) to correct the disclosure of these transactions. SMFC representatives agreed that amended reports should be filed to fully disclose the purposes of the disbursements in question.

Subsequent to the exit conference, SMFC filed amended reports that materially corrected the disclosure of the disbursements noted above.

The Interim Audit Report recommended that SMFC provide any additional comments it felt were relevant to this matter.

**C. Committee Response to Interim Audit Report**

In its response to the Interim Audit Report, SMFC noted that the report stated it had satisfactorily amended the affected reports and offered no additional comments on this matter.

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