



## Interim Audit Report of the Audit Division on the Friends of Sharron Angle (February 17, 2009 - 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 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 Offsets		23,531
<b>Total Receipts</b>		<b>\$ 28,269,149</b>
• Disbursements		
○ Operating Disbursements		\$ 27,948,259
○ Contribution Refunds		206,202
○ Other Disbursements		22,675
<b>Total Disbursements</b>		<b>\$ 28,177,136</b>

### Findings and Recommendations (p. 3)

- Filing of 48-Hour Notices (Finding 1)
- Reporting of Debts and Obligations (Finding 2)

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<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 the 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.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	
• Date of Registration	April 9, 2009
• Audit Coverage	February 17, 2009 - December 31, 2010
<b>Headquarters</b>	
Reno, Nevada	
<b>Bank Information</b>	
• Bank Depositories	Three
• Bank Accounts	Five
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	William E. Rasavage (March 7, 2011 - October 24, 2011) Robert Fee (October 25, 2011 – Present)
• Treasurer During Period Covered by Audit	Alan Mills
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

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

<b>Cash-on-hand @ February 17, 2009</b>	<b>\$ 0</b>
<b>Receipts</b>	
○ Contributions from Individuals	27,790,037
○ Contributions from Other Political Committees	399,037
○ Contributions from Other Authorized Committees	56,544
○ Refunds and Other Offsets	23,531
<b>Total Receipts</b>	<b>\$ 28,269,149</b>
<b>Disbursements</b>	
○ Operating Disbursements	27,948,259
○ Contribution Refunds	206,202
○ Other Disbursements	22,675
<b>Total Disbursements</b>	<b>\$ 28,177,136</b>
<b>Cash-on-hand @ December 31, 2010</b>	<b>\$ 92,013</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **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. This included 65 earmarked contributions totaling \$107,200. The Audit staff recommends that FOSA provide evidence that these notices were not required, provide evidence that these notices were filed in a timely manner or provide any further comments it considers relevant. (For more detail, see p. 4.)

##### **Finding 2. Reporting of Debts and Obligations**

The Audit staff identified debts totaling \$2,287,080 that were not itemized on Schedule D (Debts and Obligations). The Audit staff recommends that FOSA amend its reports to disclose these debts and obligations on the appropriate Schedule D and provide any further comments it considers relevant. (For more detail, see p. 5.)

## Part IV

# Findings and Recommendations

### 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. This included 65 earmarked contributions totaling \$107,200. The Audit staff recommends that FOSA provide evidence that these notices were not required, provide evidence that these notices were filed in a timely manner or provide any further comments it considers relevant.

#### Legal Standard

**A. Last-Minute Contributions (48-Hour Notice).** 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 PACs, 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 the contribution was received by the candidate committee 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 were 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.

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

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 48-hour notices were not filed or were filed 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 in 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 will attempt to determine the reasons why the required notices were not filed.

The Audit staff recommends 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 considers relevant.

### **Finding 2. Reporting of Debts and Obligations**

#### **Summary**

The Audit staff identified debts totaling \$2,287,080 that were not itemized on Schedule D (Debts and Obligations). The Audit staff recommends that FOSA amend its reports to disclose these debts and obligations on the appropriate Schedule D and provide any further comments it considers relevant.

**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 \$1,413,719 that were reported on Schedule D. However, debts totaling \$2,287,080 were not reported on Schedule D as required.<sup>2</sup> 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 recommends that absent evidence that the debts did not require disclosure, FOSA amend its reports to itemize these debts and obligations on the appropriate Schedule D and provide any further comments it considers relevant.

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<sup>2</sup> This is the highest unreported debt balance for the 19 vendors during the period covered by the audit.