



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 20, 2011

MEMORANDUM

To: The Commission

Through: Alec Palmer
Acting Staff Director

From: Patricia Carmoaa *PC*
Chief Compliance Officer

Joseph F. Stoltz *JFS*
Assistant Staff Director
Audit Division

Thomas Hintermister *TH*
Audit Manager

By: Henry Miller *HM*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the Indiana Democratic
Congressional Victory Committee (A08-04)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit Division recommends the Commission approve the findings as presented in the attached Draft Final Audit Report (DFAR). The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

The Committee did not request an audit hearing.

If this memorandum is approved, a Proposed Final Audit Report will be prepared in the recently approved format within 30 days of the Commission's vote.

Should an objection be received, Directive No. 70 states that the Audit Division Recommendation Memorandum will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed on Voting Ballot Matters. Should you have any questions, please contact Henry Miller or Thomas Hintermister at 694-1200.

Attachment as stated

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Indiana Democratic Congressional Victory Committee

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. 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 Committee (p. 2)

The Indiana Democratic Congressional Victory Committee (IDCVC) is a state party committee headquartered in Indianapolis, Indiana. For more information, see chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 760,749
○ Contributions from Other Political Committees	1,653,323
○ Transfers from Affiliated and Other Party Committees	5,050,457
○ Transfers from Non-federal Accounts	1,327,158
○ Offsets to Operating Expenditures	1,043,844
○ Other Receipts	41,222
○ Total Receipts	\$ 9,876,753
• Disbursements	
○ Operating Expenditures	\$ 2,500,539
○ Contributions to Federal Candidates	60,000
○ Coordinated Expenditures	151,023
○ Shared Federal/Non-Federal Activity	1,785,831
○ Federal Election Activity (FEA)	5,285,993
○ Other Disbursements	22,380
○ Total Disbursements	\$ 9,805,766

Finding and Recommendation (p. 3)

- Misstatement of Financial Activity (Finding 1)

¹ 2 U.S.C. §438(b).

Draft Final Audit Report of the Audit Division on the Indiana Democratic Congressional Victory Committee

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 Indiana Democratic Congressional Victory Committee (IDCVC), 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 receipt of excessive or prohibited contributions from other political committees;
2. The disclosure of contributions received from other political committees;
3. The disclosure of individual contributors' occupation and name of employer;
4. The disclosure of disbursements, debts and obligations;
5. The disclosure of expenses allocated between federal and non-federal accounts;
6. The consistency between reported figures and bank records;
7. The completeness of records;
8. Other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	IDCVC
• Date of Registration	March 26, 1979
• Audit Coverage	January 1, 2007 – December 31, 2008
Headquarters	Indianapolis, Indiana
Bank Information	
• Bank Depositories	One
• Bank Accounts	Seven federal and three non-federal
Treasurer	
• Treasurer When Audit Was Conducted	Sherianne Standley
• Treasurer During Period Covered by Audit	Linda Buzinec
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2007	\$ 42,921
Receipts	
o Contributions from Individuals	\$760,749
o Contributions from Political Committees	1,653,323
o Transfers from Affiliated and Other Party Committees	5,050,457
o Transfers from Non-federal Accounts	1,327,158
o Offsets to Operating Expenditures	1,043,844
o Other Receipts	41,222
Total Receipts	\$ 9,876,753
Disbursements	
o Operating Expenditures	\$2,500,539
o Contributions to Federal Candidates	60,000
o Coordinated Expenditures	151,023
o Shared Federal/Non Federal Activity	1,785,831
o Federal Election Activity (FEA)	5,285,993
o Other Disbursements	22,380
Total Disbursements	\$ 9,805,766
Cash on hand @ December 31, 2008	\$ 113,908

Part III

Summary

Finding and Recommendation

Finding 1. Misstatement of Financial Activity

A comparison of IDCVC's reported financial activity to the bank records revealed a misstatement of the opening cash balance, receipts, disbursements and the ending cash balance for 2007. IDCVC overstated the opening cash balance by \$109,731, understated receipts by \$134,368, understated disbursements by \$149,502 and overstated the ending cash balance by \$124,866. The interim audit report recommended that IDCVC amend its disclosure reports to correct the misstated amounts noted above. In response to the interim audit report recommendation, IDCVC amended its reports to materially correct the misstatements. (For more detail, see p. 5)

Part IV

Finding and Recommendation

Finding 1. Misstatement of Financial Activity

Summary

A comparison of IDCVC's reported financial activity to the bank records revealed a misstatement of the opening cash balance, receipts, disbursements and the ending cash balance for 2007. IDCVC overstated the opening cash balance by \$109,731, understated receipts by \$134,368, understated disbursements by \$149,502 and overstated the ending cash balance by \$124,866. The interim audit report recommended that IDCVC amend its disclosure reports to correct the misstated amounts noted above. In response to the interim audit report recommendation, IDCVC amended its reports to materially correct 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 calendar year; and
- The total amount of disbursements for the reporting period and for the calendar year;
- 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), (5).

Facts and Analysis

The Audit staff reconciled the reported financial activity to the bank records and determined there was a misstatement of opening cash balance, receipts, disbursements and ending cash balance in 2007. The following chart outlines the discrepancies.

2007 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2007	\$152,652	\$42,921	\$(109,731) Overstated
Receipts	\$1,167,818	\$1,302,186	\$134,368 Understated
Disbursements	\$1,184,853	\$1,334,355	\$149,502 Understated
Ending Cash Balance @ December 31, 2007	\$135,617	\$10,752	\$(124,866) Overstated

Opening Cash Balance 2007

The \$109,731 overstatement of beginning cash on hand is likely the result of prior period discrepancies.

Receipts 2007

The understatement of receipts in 2007 was a result of the following:

• Net transfers from non-federal account not reported	+	\$121,447
• Unexplained Difference	+	<u>12,921</u>
Net Understatement of Receipts		<u>\$134,368</u>

Disbursements 2007

The understatement of disbursements in 2007 was a result of the following:

• Payroll related expenses and bank fees not reported	+	\$145,953
• In-kind contributions to the DNC for use of mailing list not reported	+	6,200
• Unexplained Difference	-	<u>2,651</u>
Net Understatement of Receipts		<u>\$149,502</u>

Ending Cash Balance 2007

IDCVC overstated its ending cash balance by \$124,866 on December 31, 2007. This misstatement was due to the adjustments described above.

The matter was presented to IDCVC during the exit conference. IDCVC representatives acknowledged the discrepancies in the 2007 reports and indicated that the corrections would be made if necessary.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that, within 30 calendar days of service of this report, IDCVC:

- Amend its 2007 reports to correct the misstatements detailed above, including appropriate Schedules A, B, H3 and H4;
- Amend their most recently filed report to correct the cash on hand balance with an explanation that the change was the result of prior period audit adjustments; and
- Reconcile the cash balance on its most recent report to identify any subsequent discrepancies that may impact adjustments recommended by the Audit staff.

In response to the interim audit report recommendation, IDCVC amended its reports to materially correct the misstatements noted above.