



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

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MEMORANDUM

TO: Lawrence H. Norton
General Counsel

THROUGH: James A. Pehrkon
Staff Director
Robert J. Costa
Deputy Staff Director

FROM: Joseph F. Stoltz
Assistant Staff Director
Audit Division
Wanda J. Thomas
Audit Manager
Zuzana Parrish
Lead Auditor

SUBJECT: Women's Campaign Fund, Inc. (A01-46) – Referral Matter

AUDIT REFERRAL # 03-07

On October 2, 2003, the Commission approved the final audit report on Women's Campaign Fund, Inc. The final audit report includes a matter that meets the criteria for referral to your office: Finding 1— Misstatement of Financial Activity (see attachment). We recommend that the Alternate Dispute Resolution Office consider this matter.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Zuzana Parrish or Wanda Thomas at 694-1200.

Attachment: Finding 1— Misstatement of Financial Activity

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of the WCF's reported figures to its bank records revealed that the receipts, disbursements, and ending cash-on-hand had been misstated for calendar year 2000. In response to the interim audit report, the WCF amended its reports to materially correct the misstatement noted above. A comparison of the WCF's reported figures to its bank records revealed that the receipts, disbursements, and cash-on-hand had been misstated for calendar year 2000. The Audit staff recommends that the WCF amend its disclosure reports.

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.
- 2 U.S.C. §434(b)(1), (2) and (4).

Facts and Analysis

The WCF used Gordon Schwenkmeyer, Inc. (GSI), a California based telemarketing firm, to handle some of its fundraising. GSI worked from phone lists and solicited contributions for the WCF. All contributions received were deposited into a checking account maintained by GSI. At the end of each month, GSI provided the WCF with a Detailed Contributions Report and the corresponding monthly bank statement. Fundraising proceeds were forwarded to the WCF by check from this account upon WCF's request. Periodically, GSI withdrew funds from the account to pay its fees.

To account for the telemarketing receipts, the WCF used GSI's Detailed Contributions Reports to update its internal receipts files. However, the update process involved the manual input of data and, as discussed below, errors and omissions occurred.

The following chart details the discrepancies between the totals on the WCF disclosure reports and bank records for calendar year 2000. Succeeding paragraphs explain why the discrepancies occurred. The WCF did not provide records to explain how the amounts shown on its disclosure reports were calculated; as such not all discrepancies could be explained.

Page Break

Comparison of Disclosure Reports and Bank Records

2000 Activity			
	Reported	Bank Records	Discrepancy
Receipts	\$768,775	\$918,942	\$150,167

			Understated
Disbursements	\$699,959	\$831,781	\$131,822 Understated
Ending Cash Balance	\$105,997	\$124,034	\$18,037 Understated

Explanation of Discrepancies

Receipts – 2000

The understatement of receipts resulted from the following:

- Individual contributions not reported. These were primarily telemarketing contributions collected by GSI. \$ +115,945
- Net unreported transfers from the non-federal account for shared expenses. + 24,148
- Net unreported miscellaneous vendor refunds. + 435
- Unexplained difference + 9,639
- Total net understatement of receipts \$+ 150,167

Disbursements – 2000

The understatement of disbursements resulted from the following:

- Payments to GSI not reported. \$+ 68,305
- Unreported operating expenditures made from the Allocation account. This amount consisted of unreported vendor payments totaling \$53,826 and net unreported payroll totaling \$11,551. + 65,378
- Unreported transfer to the non-federal account. + 10,000
- Unreported bank service charges and credit card fees. + 3,747
- Reported disbursements not clearing the bank - 3,124
- Unexplained difference - 12,484
- Total net understatement of disbursements \$+ 131,822

Closing Cash on Hand – 2000

The \$18,037 understatement of the closing cash on hand resulted primarily from the misstatements described above.

The majority of the reporting problems occurred between July and December 2000. The Audit staff determined that the reporting irregularities were likely caused by the following factors:

- The WCF purchased new computer software in June 2000 and subsequently converted the receipts data files from the previously used system. WCF suspected, and the Audit staff confirmed that some of the data was lost or inadvertently deleted during the conversion process. As a result, the newly created receipts database was incomplete;
- The committee staff responsible for recordkeeping and reporting performed essentially all accounting functions manually which significantly increased the risk of error; and
- The WCF experienced high personnel turnover primarily during the second half of calendar year 2000.

At the exit conference, the Audit staff provided the WCF representatives with schedules explaining the misstatements. The representatives agreed to file amended reports for calendar year 2000.

Interim Audit Report Recommendations and Committee Response

The Audit staff recommended that within 30 calendar days of service of this report, the WCF file amended reports, by reporting period, for calendar year 2000. The amended reports should consist of. The amended reports were to include::

- Corrected Summary and Detailed Summary Pages for each reporting period to accurately disclose the committee's financial activity; and
- Amended Schedules A (Itemized Receipts) and B (Itemized Disbursements), by reporting period, to support the corrected Summary and Detailed Summary pages.

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