

AD 03-18
AR 03-18



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

April 30, 2004

MEMORANDUM

TO: Allan Silberman
Director of Alternative Dispute Resolution

THROUGH: James A. Pehrkon
Staff Director

Robert J. Costa *RC*
Deputy Staff Director

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

Alex Boniewicz *B*
Audit Manager

Kendrick D. Smith *KDS*
Lead Auditor

SUBJECT: Tim Johnson for South Dakota, Inc. – Referral Matter

On April 19, 2004, the Commission approved the Final Audit Report on Tim Johnson for South Dakota, Inc. The report was released to the public on April 30, 2004. In accordance with the Commission approved materiality thresholds, the attached finding from the audit report is being referred to your office for alternative dispute resolution.

All work papers and related documentation are available for review in the Audit Division. Should you have any questions, please contact Ken Smith or Alex Boniewicz at 694-1200.

Attachment:

Finding from Final Audit Report – Misstatement of Financial Activity, pages 4-5.

24.19.025.421

Part IV

Finding and Recommendation

Misstatement of Financial Activity

Summary

When TJFSD's reported activity was compared to its bank records, the Audit staff found that for calendar year 2001, cash on hand and disbursements had been misstated. In response to the interim audit report, TJFSD filed amended reports, which corrected the misstatements noted above.

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

TJFSD used a commonly available campaign management software package, in conjunction with QuickBooks, to prepare its disclosure reports. The date of receipt and the date of deposit were provided for most transactions. The date of receipt was used for reporting purposes. The Audit staff's bank reconciliations for both 2001 and 2002 used date of deposit as shown on TJFSD's bank statements to determine correct reportable receipts. As a result, offsetting differences arose between years on the bank reconciliations. However, reported receipts were materially correct over the two year audit period.

The following chart details the discrepancies between TJFSD's reported activity and its bank records for 2001 not attributable to the noted timing differences. Succeeding paragraphs explain why the discrepancies occurred. TJFSD did not provide work papers detailing the derivation of its reported figures; as such, the Audit staff was not able to explain all discrepancies.

2001 Campaign Activity			
	Reported	Bank Records	Discrepancy
Cash on Hand at 1/1/01	\$595,311	\$606,482	\$11,171 Understated
Receipts	\$2,058,763	\$2,036,430	\$22,333 Overstated
Disbursements	\$932,264	\$990,626	\$58,362 Understated
Cash on Hand at 12/31/01	\$1,721,810	\$1,652,286	\$69,524 Overstated

The Audit staff was unable to determine the cause of the \$11,171 understatement of beginning cash on hand or the \$22,333 overstatement of receipts for 2001. TJFSD representatives could not explain these discrepancies either.

The understatement of disbursements resulted primarily from the failure to report disbursements totaling \$58,086. Although no specific reason was identified for some disbursements not being reported, 53% of the amount (\$30,955) was in the 4th quarter of 2001.

The overstatement of the closing cash on hand resulted from the misstatements described above.

The Audit staff discussed these matters with TJFSD representatives at the exit conference and provided them with schedules detailing the disbursements not reported. TJFSD representatives stated that any unreported disbursements will be disclosed in amended reports.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that TJFSD amend its reports to correct the misstatements noted above. In response to the interim audit report, TJFSD amended its reports to correct the misstatements noted above.

24.19.025.4213