



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

FEC  
ALTERNATE DISPUTE  
RESOLUTION OFFICE

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August 4, 2005

**MEMORANDUM**

**AUDIT REFERRAL # 05-07**

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

Thomas J. Nurthen  
Audit Manager

Justin Schenck  
Lead Auditor

SUBJECT: Hostetler for Congress (A04-01) – Referral Matter

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OFFICE OF GENERAL  
COUNSEL

On July 14, 2005, the Commission approved the final audit report on Hostetler for Congress (HFC). The final audit report was released to the public on July 28, 2005 and included a finding on Omission of Disclosure Information that, based on the Materiality Thresholds, meets the criteria for referral to your office. Specifically, HFC was required to file amended reports to disclose a purpose for 21 disbursements, totaling \$42,243. Whereas, certain amended reports were filed, HFC failed to amend its October Quarterly report for calendar year 2003, which contained 12 (of the 21) disclosure errors relating to purpose. Several attempts were made to contact the Treasurer in order to resolve this matter. He neither responded to telephone messages nor electronic mail messages.

Due to the nature of the above, we recommend that this matter be sent to the Office of Alternate Dispute Resolution.

It should be noted that at the start of fieldwork, HFC failed to file two disclosure reports. These reports were filed on January 11, 2005. The late filing of these reports is currently being handled by the Office of Administrative Review.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions, please contact Tom Nurthen at 694-1200

Attachment: FAR – Omission of Disclosure Information

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## Part IV

# Finding and Recommendation

### Omission of Disclosure Information

#### Summary

For the disclosure reports filed, the Audit staff reviewed all disbursements and noted that HFC failed to properly disclose 27 disbursements totaling \$45,243. Although HFC filed amended reports, they did not materially correct the disclosure errors.

#### 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).<sup>2</sup> U.S.C. §434(b)(5)(A) and 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

For the disclosure reports that were filed, the Audit staff reviewed all disbursements. Our testing revealed that HFC failed to provide a purpose for 21 disbursements totaling \$42,243. HFC also disclosed six disbursements totaling \$3,000 to the wrong payee. Documentation reviewed by the Audit staff contained sufficient information for HFC to disclose a purpose and the correct payee for these transactions.

During the exit conference, the Audit staff provided HFC’s treasurer with workpapers detailing those disbursements which were improperly disclosed. The treasurer indicated that HFC would file amendments to correct the public records.

#### Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that HFC amend its reports to correct the disclosure errors noted above. In response to the interim audit report HFC filed amended reports. However, HFC failed to amend its October Quarterly report for the calendar year 2003, which contained 12 (of the 21) disclosure errors relating purpose.<sup>2</sup>

<sup>2</sup> Several attempts were made to contact the Treasurer in order to resolve this matter. He neither responded to telephone messages nor electronic mail messages.