



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

AUDIT REFERRAL # 12-06

August 3, 2012

MEMORANDUM

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General Counsel

Through: Alec Palmer
Staff Director

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Subject: National Council of Farmer Cooperatives Co-op/PAC (A11-26)-Referral Matters

On July 24, 2012 the Commission approved the Final Audit Report of the Commission on the National Council of Farmer Cooperatives Co-op/PAC (A11-26). This report includes the following matters that are referable:

- Misstatement of Financial Activity
- Disclosure of Occupation/Name of Employer

All work papers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Christopher Carrell or Marty Kuest at 694-1200.

- Attachments:
- Finding 1- Misstatement of Financial Activity
 - Finding 2 - Disclosure of Occupation/Name of Employer

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Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of NCFC's reported figures with its bank records indicated that in 2009, NCFC understated receipts and disbursements by \$10,770 and \$806, respectively, and overstated ending cash by \$5,134. In 2010, NCFC overstated beginning cash by \$13,001 and disbursements by \$6,500. In response to the Interim Audit Report, NCFC filed amended disclosure reports to correct the misstatements.

The Commission approved a finding that NCFC misstated its financial activity for calendar years 2009 and 2010.

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;
- the total amount of disbursements for the reporting period and for the calendar year; and
- 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) and (5).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled NCFC's reported financial activity with its bank records for calendar years 2009 and 2010. The following charts outline the discrepancies for the receipts, disbursements and ending cash balances for 2009 and 2010. Succeeding paragraphs address the reasons for the misstatements.

2009 Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2009	\$44,630	\$44,630	\$0
Receipts	\$43,485	\$54,255	\$10,770 Understated
Disbursements	\$60,887	\$61,693	\$806 Understated
Ending Cash Balance @ December 31, 2009	\$42,326 ¹	\$37,192	\$5,134 Overstated

¹ The amount in this column cannot be calculated accurately due to numerous discrepancies throughout 2009 between amounts reported for ending cash and the beginning cash in the subsequent period.

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In 2009, NCFC understated receipts by \$10,770 as a result of failing to report any of its July receipts.

The understatement of disbursements was due to the following:

• Disbursements supported by check/debit, not reported	\$ 5,601
• December 2009 disbursement, reported June 2010	1,500
• Disbursements reported, not supported by check/debit	(3,500)
• Disbursement incorrectly reported	<u>(2,795)</u>
Net Understatement of Disbursements	<u>\$ 806</u>

NCFC overstated the beginning cash balance for 2010 by \$13,001 for the above reasons and because NCFC reported an increase in the beginning cash balance of \$7,877 (\$50,193 - \$42,326) as of January 1, 2010. The difference in the 2009 ending cash and the 2010 beginning cash illustrates NCFC's failure to consistently report beginning cash balances that equaled ending cash balances from the previous period.²

2010 Activity			
	Reported	Bank Records	<i>Discrepancy</i>
Beginning Cash Balance @ January 1, 2010	\$50,193	\$37,192	\$13,001 Overstated
Receipts	\$61,292	\$62,292	\$1,000 Understated
Disbursements	\$73,728	\$67,228	\$6,500 Overstated
Ending Cash Balance @ December 31, 2010	\$32,257 ³	32,256	\$1 Overstated

The overstatement of disbursements was due to the following:

• Disbursements supported by check/debit, not reported	\$ 3,000
• December 2009 disbursement, reported June 2010	(1,500)
• Disbursements reported not supported by check/debit	<u>(8,000)</u>
Net Overstatement of Disbursements	<u>\$ (6,500)</u>

² NCFC failed to carry over the correct ending cash balance to the subsequent report for all but one of its reports filed between May 2009 and Year-End 2010. The Reports Analysis Division sent 19 Requests for Additional Information concerning this issue to NCFC during the period covered by the audit.

³ The amount in this column cannot be calculated accurately due to numerous discrepancies throughout 2010 between amounts reported for ending cash and the beginning cash in the subsequent period.

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B. Interim Audit Report & Audit Division Recommendation

At the end of audit fieldwork, Audit staff discussed this matter with NCFC representatives at the exit conference. NCFC representatives acknowledged the discrepancies in the reports and indicated that NCFC would file corrective amendments.

The Interim Audit Report recommended that NCFC amend its reports to correct the misstatements noted above.

C. Committee's Response to Interim Audit Report

NCFC filed amended reports to materially correct the misstatement of receipts, disbursements and ending cash-on-hand for 2009 and beginning cash-on-hand and disbursements for 2010.

D. Draft Final Audit Report

In the Draft Final Audit Report, the Audit Staff acknowledged that NCFC materially resolved the misstatements by filing amended disclosure reports.

NCFC did not offer any additional comments in its response to the Draft Final Audit Report.

Commission Conclusion

On June 18, 2012, the Commission considered the Audit Division Recommendation Memorandum which recommended that the Commission adopt a finding that NCFC misstated financial activity for the calendar years of 2009 and 2010.

The Commission approved the Audit staff's recommendation.

Finding 2. Disclosure of Occupation/Name of Employer

Summary

During audit fieldwork, a review of itemized contributions from individuals indicated that 57 percent of the contributions failed to include adequate disclosure for occupation and name of employer. The Audit staff found that the required information was available for 89 percent of the itemized contributions in NCFC's records. In response to the Interim Audit Report, NCFC filed amended reports to include the missing information.

The Commission approved a finding that NCFC failed to adequately disclose the occupation and name of employer for 57 percent of its itemized contributions.

Legal Standard

A. Required Information for Contributions from Individuals. For each itemized contribution from an individual, the committee must provide the following information:

- the contributor's full name and address (including zip code);
- the contributor's occupation and the name of his or her employer;
- the date of receipt (the date the committee received the contribution);

- the amount of the contribution; and
- the calendar year-to-date total of all contributions from the same individual. 2 U.S.C. § 434(b)(3)(A) and 11 CFR §§ 100.12 and 104.3(a)(4)(i).

B. Best Efforts Ensure Compliance. When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. § 432(i) and 11 CFR §104.7(a).

C. Definition of Best Efforts. The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria.

- All written solicitations for contributions included:
 - a clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - the statement that such reporting is required by Federal law. (Note that the request and statement must appear in a clear and conspicuous manner on any response material included in a solicitation.)
- Within 30 days of receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR § 104.7(b).

Facts and Analysis

A. Facts

During audit fieldwork, a review of NCFC's itemized contributions from individuals for disclosure of occupation and name of employer indicated that NCFC failed to disclose the required information for 57 percent of contributions itemized. In a review of NCFC's records, the Audit staff noted that NCFC had the required information for 89 percent of the itemized contributions reviewed. NCFC failed to include in its reports the information it had in its possession.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff presented this matter to NCFC representatives at the exit conference. The treasurer stated that NCFC would, using the contributor information already obtained, amend the reports to disclose occupation and name of employer.

The Interim Audit Report recommended that NCFC file amended reports to disclose the occupation and name of employer for contributions from individuals.

C. Committee's Response to Interim Audit Report

NCFC filed amended reports to materially correct the inadequate and/or missing disclosure information for occupation and name of employer for itemized contributions from individuals.

D. Draft Final Audit Report

In the Draft Final Audit Report, the Audit Staff acknowledged that NCFC materially resolved this matter by filing amended disclosure reports.

NCFC did not offer any additional comments in its response to the Draft Final Audit Report.

Commission Conclusion

On June 18, 2012, the Commission considered the Audit Division Recommendation Memorandum which recommended that the Commission adopt a finding that NCFC inadequately disclosed occupation and name of employer information on contributions received from individuals.

The Commission approved the Audit staff's recommendation.

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