



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

September 25, 1997

**MEMORANDUM**

**TO:** RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

**FROM:** ROBERT J. COSTA *RJC*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

**SUBJECT:** PUBLIC ISSUANCE OF THE AUDIT REPORT ON THE DEMOCRAT,  
REPUBLICAN, INDEPENDENT VOTER EDUCATION

Attached please find a copy of the audit report and related documents on the Democrat, Republican, Independent Voter Education (D.R.I.V.E.) which was approved by the Commission on September 16, 1997.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library

99-107-525-1775

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**REPORT OF THE AUDIT DIVISION  
ON THE  
Democrat, Republican, Independent  
Voter Education  
(D.R.I.V.E.)**

**Approved September 16, 1997**



**FEDERAL ELECTION COMMISSION  
999 E STREET, N.W.  
WASHINGTON, D.C.**

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(D.R.IV.E.)**

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

**REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRAT, REPUBLICAN, INDEPENDENT VOTER EDUCATION  
(D.R.I.V.E.)**

**EXECUTIVE SUMMARY**

The Democrat, Republican, Independent Voter Education (the Committee) registered with the Clerk of the House of Representatives on April 17, 1972 as the separate segregated fund of the International Brotherhood of Teamsters .

The audit was conducted pursuant to 2 U.S.C. Section 438(b), which states, that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The finding of the audit was presented to the Committee at an exit conference held at the completion of field work on June 17, 1997, and later, in an interim audit report.

The following is an overview of the finding contained in the final audit report.

**MISSTATEMENT OF FINANCIAL ACTIVITY** — 2 U.S.C. Section 434(b)(1), (2) and (4). The Committee adjusted cash on hand during the audit period by (\$152,570) and explained that cash on hand had been overstated by approximately that amount going back to 1989 and earlier. The review of subpoenaed Committee records for 1985 through 1988 indicated that cash was not overstated in these years. Documents for 1989 through 1992 were requested, provided and reviewed. The review found that, in 1989, the Committee reported receiving contributions which exceeded by approximately \$155,899 the total deposited into its receipts account for that period. The Committee, responding to the interim audit report, reviewed its records and determined that clerical errors made between January and August 1989 resulted in an cumulative overreporting of cash totaling approximately \$154,512. A comprehensive amended report for 1994 was filed by the Committee on September 5, 1997 to correct this adjustment and other reporting errors noted in the audit report.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

**REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRAT, REPUBLICAN, INDEPENDENT VOTER EDUCATION**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Democrat, Republican, Independent Voter Education (the Committee), the separate segregated fund of the International Brotherhood of Teamsters (IBT), undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended (the Act). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall 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.

**B. AUDIT COVERAGE**

The audit covered the period from January 1, 1993 through December 31, 1994. The Committee reported a beginning cash balance of \$293,449; total receipts for the period of \$9,190,624; total disbursements for the period of \$8,844,538; and an ending cash balance of \$639,535.<sup>1</sup>

**C. COMMITTEE ORGANIZATION**

The Committee registered with the Clerk of the House of Representatives on April 17, 1972. At the beginning of the audit period, Mr. David A. Sweeney was Treasurer of the Committee. On November 2, 1993, he was succeeded as Treasurer by Mr. Wallace D. Clements. Mr. William W. Hamilton, Jr. became Treasurer on May 18, 1995. Mr. Tom Sever, the present Treasurer, succeeded Mr. Hamilton on August 2, 1997.

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<sup>1</sup> All amounts presented in this report have been rounded to the nearest dollar.

To handle its federal financial activity, the Committee used four bank accounts (1 checking and 3 savings). The Committee made approximately 3,800 disbursements totaling about \$8,722,000. The Committee received approximately \$9,127,000 from more than 100,000 individuals, interest of \$53,558 and transfers from affiliated committees of approximately \$3,600.

The IBT is composed of 41 Chapters and 666 local unions. Contributions from the membership to the Committee are solicited at the local level and collected by payroll deduction. The funds withheld are then forwarded directly to the Committee by the members' employers.<sup>2</sup> With the exception of the contributions withheld from the salaries of employees of the local unions, the locals are not directly responsible for the collection and transmission of contributions to the Committee. A characteristic of the Committee's structure is that all contributor records are maintained at the national level. Testing conducted during the audit indicated that these records were materially complete and supported the amounts received from the members' employers. For this reason and the fact that the local unions have no role in the collection and transmission of the majority of the contributions to the Committee, no audits of local unions were conducted.

#### D. AUDIT SCOPE AND PROCEDURES

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations and labor unions;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of the Committee debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to Committee bank records(see Finding II.A.);
7. adequate recordkeeping for Committee transactions; and
8. other audit procedures that were deemed necessary in the situation.

<sup>2</sup> Later, Committee returns a portion of funds collected to the local committees.

Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements was detected. It should be noted that the Commission may pursue any of the matters discussed in this report in an enforcement action.

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. MISSTATEMENT OF FINANCIAL ACTIVITY**

Sections 434(b)(1)(2) and (4) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and all disbursements for the reporting period and calendar year.

#### **Amount of Adjustment to Cash**

The Committee disclosed on an amendment to the 1994 30 Day Post General Election report that its cash on hand had been overstated since 1989. The Committee adjusted the cash on hand balance as of November 28, 1994 by making a disbursement entry and attaching a memorandum explaining that the entry was to correct an overstatement of cash which the Committee was unable to identify. The adjusting entry was \$152,570. The Audit staff reconciled all bank activity to reported activity for the audit period and determined that the "adjustment to cash" was materially correct during the audit period.

The Audit staff requested documentation to support the adjustment, and the Committee provided copies of bank reconciliations performed at year end for 1989, 1990, 1991 and 1992 which indicated that cash on hand for those periods had been overstated by approximately the amount of the Post General 1994 adjustment. Committee representatives explained that the correcting entries had not been made earlier because prior to the period when the adjustment was made, the amounts reported were not compared to the amounts on the bank reconciliations. In addition, Committee Counsel provided the corresponding year end cash on hand figures derived by an independently retained outside accountant. This accountant's cash balances materially agreed with the Committee's cash on hand figures from its year end bank reconciliations.

In the attempt to identify the source, the Audit staff requested the Office of General Counsel to prepare subpoenas requesting the Committee respond to questions regarding the adjustment and its possible cause and, seeking records that could establish when the discrepancy arose.

In response to the subpoena, the Committee explained that early in 1994, independent certified public accountants under the direction the Committee's counsel, discovered the discrepancy. The review had been conducted at the direction of D.R.I.V.E.'s Chairman and International Brotherhood of Teamsters General President. The stated purpose of the review was



**"to ensure that D.R.I.V.E.'s operations complied with the letter and spirit of federal campaign finance law and regulations."<sup>3</sup>**

With the understanding that the discrepancy had been verified to have existed to the beginning of 1989, the subpoena requested all available accounting records for periods prior to 1989. Included among the materials provided were internally generated bank reconciliations, copies of outside audit reports, microfiche copies of detailed receipts records, canceled check copies, bank statements, check registers and general ledgers for 1985, 1986, 1987 and 1988.

The review of the materials resulted in the following conclusions. Reported and Committee reconciled cash on hand at year end 1985 materially agreed. Differences for 1986, 1987 and 1988 between reported and Committee reconciled year end cash on hand which indicated an overreporting of cash ranging from \$55,116 to \$13,111 to \$79,310 respectively, were not conclusive. The consequent Audit staff reconciliations of the Committee's bank accounts to FEC reports for 1987 and 1988 indicated cash at year end was under reported by \$12,966 and \$16,902 respectively. The discrepancy did not exist prior to 1989.

All available accounting materials for the years 1989 through 1992 were subsequently requested and received. An Audit staff reconciliation of 1989 bank activity to reported activity confirmed that cash was overreported at year end by \$139,539. Receipts reported for this period exceeded the total deposited into the Committee's receipts account by \$155,899. While the records reviewed provided no explanation of how or why the Committee over reported receipts in 1989, the Committee's internally generated bank reconciliations (independently confirmed as noted above) and the Committee provided independent audit report materially agreed with the Audit findings. A review of receipts deposited for 1990 through 1992 confirmed that throughout this period receipt amounts reported materially agreed with amounts deposited. The overstatement of cash by the Committee continued until the previously noted adjustment was made in November 1994.

The records reviewed did not establish whether the Committee's reports were materially correct and the available records were incomplete, or whether the reported receipts were overstated. If the reported receipts had been overstated, the records did not establish how or why the overstatement had occurred.

Except for the misstatement of cash, the 1993 reports were materially correct. In 1994, in addition to the misstatement of cash, the Committee made the following errors in its reporting of receipts and disbursements. It failed to report interest of \$2,423, two offsets totaling \$30,000 and a receipt of \$375. NSF contribution checks in the amount of \$591 were incorrectly reported. Disbursements were overreported by \$124,595. This amount was the net result of the

<sup>3</sup> The Audit staff notes that according to the subpoena response, this high level review was apparently requested prior to any indication of a problem or discrepancy.

adjustment to disbursements for the 30 Day Post General period as discussed above (\$152,570), other arithmetic discrepancies between schedule and report line totals equaling \$34,500, discrepancies in the reporting of voided checks totaling (\$5,125), the failure to report a disbursement for \$1,000 and an unreconciled adjustment of (\$2,400).

In the interim audit report, the Audit staff recommended that the Committee explain how and why receipts reported exceeded the amounts recorded by the Committee in 1989 and submit any documentation in support of the explanation. Also recommended was that the Committee file amended reports to correct the deficiencies outlined above.

On August 14, 1997, the Committee responded to the interim audit report. The Committee reviewed its work papers which supported the FEC reports for 1989 and identified the source of the discrepancy between the amounts deposited to its receipts account and the amounts reported. For the first eight months of 1989, interest earned and reported in a preceding month was included in the unitemized contribution total reported in the following month. The cumulative total for the duplicate reporting of interest was \$154,512. The Committee also made all records used in making this determination available for review.

The Audit staff reviewed the Committee's explanation, and requested that the Committee file a comprehensive amended report for 1994. To be included in this amendment were the corrections to receipts and disbursements noted above, the reversal of the \$152,570 adjustment to disbursements and the application of the \$152,570 adjustment to receipts.<sup>4</sup> The Committee filed this amendment on September 5, 1997 to correct the public record.

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<sup>4</sup> The November 1994 adjustment made to disbursements had the desired effect of correcting the cash balance but in doing so, overstated disbursements and failed to address the overstatement of receipts. Because receipts had been overstated, it was decided that it was more appropriate to make the required adjustment to receipts.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

AR#95-75

September 18, 1997

Mr. Tom Sever, Treasurer  
Democrat, Republican, Independent Voter Education  
25 Louisiana Avenue, N.W.  
Washington, D.C. 20001

Dear Mr. Sever:

Attached please find the Final Audit Report on The Democrat Republican Independent Voter Education. The Commission approved the report on September 16, 1997.

The Commission approved final audit report will be placed on the public record on September 25, 1997. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202)219-4155. Any questions you have related to the matters covered during the audit or in the report should be directed to Marty Kuest or Russ Bruner of the Audit Division at (202) 219-3720.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa".

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

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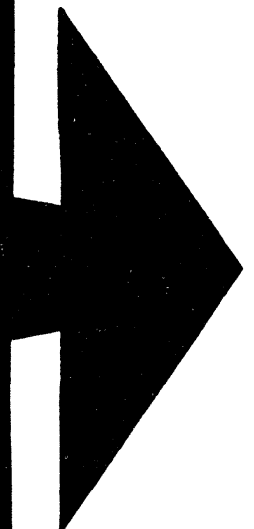
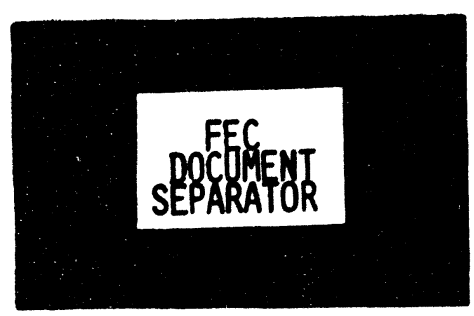
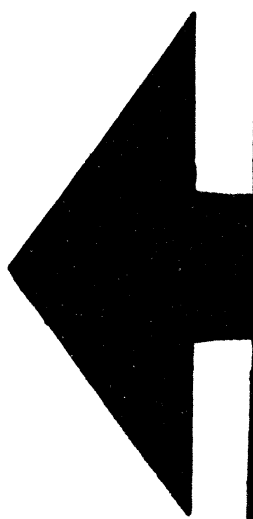
**CHRONOLOGY**

**DEMOCRAT, REPUBLICAN, INDEPENDENT  
VOTER EDUCATION  
(D.R.I.V.E.)**

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| <b>Audit Fieldwork</b>                                   | <b>4/15/96 — 6/17/97</b> |
| <b>Interim Audit Report<br/>to the Committee</b>         | <b>7/22/97</b>           |
| <b>Response Received to the<br/>Interim Audit Report</b> | <b>8/14/97</b>           |
| <b>Final Audit Report Approved</b>                       | <b>9/16/97</b>           |

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