



# Interim Report of the Audit Division on The Jefferson Committee

January 1, 2005 – December 31, 2006

## Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## About the Campaign (p. 2)

The Jefferson Committee (TJC) is the principal campaign committee for William J. Jefferson, Democratic candidate for the U.S. House of Representatives from the state of Louisiana, 2<sup>nd</sup> District. TJC is headquartered in New Orleans, LA. For more information, see the chart on the Campaign Organization, p.2.

## Financial Activity (p. 2)

- **Receipts**
  - From Individuals \$ 436,895
  - From Other Political Committees 578,524
  - Candidate Loans 283,500
  - Other Receipts 4,415
  - **Total Receipts** \$ 1,303,334
- **Disbursements**
  - Operating Expenditures \$ 1,309,889
  - Other Disbursements 65,163
  - **Total Disbursements** \$ 1,375,052

## Findings and Recommendations (p. 3)

- Receipt of Impermissible Candidate Loans (Finding 1)
- Receipt of Prohibited Contributions (Finding 2)
- Receipt of Contributions in Excess of the Limit (Finding 3)
- Commingled Funds (Finding 4)
- Misstatement of Financial Activity (Finding 5)
- Disclosure of Occupation/Name of Employer (Finding 6)
- Disclosure of Disbursements (Finding 7)
- Failure to File 48-Hour Notifications (Finding 8)
- Untimely Deposit of Contributions (Finding 9)

<sup>1</sup> 2 U.S.C. §438(b).

# **Interim Report of the Audit Division on The Jefferson Committee**

---

January 1, 2005 – December 31, 2006



# Table of Contents

	<b>Page</b>
<b>Part I. Background</b>	
Authority for Audit	1
Scope of Audit	1
<b>Part II. Overview of Campaign</b>	
Campaign Organization	2
Overview of Financial Activity	2
<b>Part III. Summaries</b>	
Findings and Recommendations	3
<b>Part IV. Findings and Recommendations</b>	
Finding 1. Receipt of Impermissible Candidate Loans	5
Finding 2. Receipt of Prohibited Contributions	9
Finding 3. Receipt of Contributions in Excess of the Limit	11
Finding 4. Commingled Funds	14
Finding 5. Misstatement of Financial Activity	15
Finding 6. Disclosure of Occupation/Name of Employer	17
Finding 7. Disclosure of Disbursements	19
Finding 8. Failure to File 48-Hour Notifications	20
Finding 9. Untimely Deposit of Contributions	21

# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of The Jefferson Committee (TJC), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must 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. 2 U.S.C. §438(b).

### **Scope of Audit**

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The disclosure of disbursements, debts and obligations.
5. The consistency between reported figures and bank records.
6. The completeness of records.
7. Other committee operations necessary to the review.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>The Jefferson Committee</b>
• Date of Registration	March 29, 1991
• Audit Coverage	January 1, 2005 – December 31, 2006
<b>Headquarters</b>	New Orleans, Louisiana
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	Three checking accounts
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Angela Coleman
• Treasurer During Period Covered by Audit	Jack Swetland (01/01/05 – 07/28/05) Angela Coleman (11/21/05 – 07/14/08) <sup>2</sup> Tawanda Coleman (07/14/08 – Present)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	No
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Treasurer

#### Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2005	\$ 78,099
o From Individuals	\$436,895
o From Other Political Committees	578,524
o Candidate Loans	283,500
o Other Receipts	4,415
<b>Total Receipts</b>	<b>\$1,303,334</b>
o Operating Expenditures	\$1,309,889
o Other Disbursements	65,163
<b>Total Disbursements</b>	<b>\$ 1,375,052</b>
Cash on hand @ December 31, 2006	\$6,381

<sup>2</sup> On 10/18/2005, the FEC received notification that Jack Swetland had resigned as Treasurer effective July 28, 2005. An Amended Statement of Organization naming Angela Coleman as Treasurer was filed on 11/21/2005.

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

##### **Finding 1. Receipt of Impermissible Candidate Loans**

The Candidate used the proceeds of a \$320,000 promissory note from his sister to loan at least \$150,500 to TJC. In addition, it appears that some of the funds loaned to TJC were actually from a business related to the Candidate's sister. The Candidate's use of funds from his sister resulted in TJC's receipt of an apparent excessive or prohibited contribution. The impermissible amount includes funds loaned to TJC and amounts not transferred to TJC that the Candidate may have received. Such payments to the Candidate would be considered impermissible unless TJC can show the amounts were received irrespective of his candidacy. In addition, any payments on the promissory note made by the Candidate or any third party are considered additional contributions that are required to be reported. The Audit staff recommends that TJC provide documentation to further verify the source of funds and demonstrate that the funds from the Candidate's sister did not result in the receipt of an excessive or prohibited contribution. It is further recommended that TJC amend its reports to reflect the actual source of all loans and any payments on the loans made by TJC, the Candidate, or any other person. (For more detail, see p. 5)

##### **Finding 2. Receipt of Prohibited Contributions**

TJC received 55 apparent prohibited contributions totaling \$58,585 from corporations, LLCs, and a Native American tribe. The Audit staff recommends TJC demonstrate that these contributions were made with permissible funds or refund them. (For more detail, see p. 9)

##### **Finding 3. Receipt of Contributions in Excess of the Limit**

TJC received \$17,530 in excessive contributions from fourteen individuals. Excessive contributions totaling \$15,100 were caused by TJC's failure to send individuals notification of a presumptive election redesignation and/or contributor reattribution. The remaining \$2,430 was not eligible for presumptive redesignation and/or reattribution and must be refunded. The Audit staff recommends that TJC provide documentation that the contributions were not excessive, or send notices to those contributors that were eligible for presumptive redesignations and/or reattributions, or refund the excessive amounts. (For more detail, see p. 11)

##### **Finding 4. Commingled Funds**

On June 24, 2005, the former TJC treasurer commingled \$25,015 from a non-campaign related business with TJC funds. Records indicate the business was associated with the Candidate's family and, according to the former TJC treasurer, "the transactions were done merely as an accommodation to expedite banking activity." The Audit staff recommends TJC provide any further comments it may have regarding this matter. (For more detail, see p. 14)

**Finding 5. Misstatement of Financial Activity**

A comparison of TJC's reported financial activity to the bank records revealed a misstatement of activity in 2006. Reported receipts and disbursements were understated by \$136,836 and \$142,230 respectively in that year. TJC's reported cash balance was misstated throughout the period with the ending cash being understated by \$3,404. TJC filed some amended reports for 2006 after notification of the audit; however, a material misstatement of activity remains. The Audit staff recommends TJC submit amended reports to correct the misstatements and amend its most recently submitted report to correct the cash balance. (For more detail, see p. 15)

**Finding 6. Disclosure of Occupation/Name of Employer**

A review of contributions from individuals disclosed on Schedule A (Itemized Receipts) revealed the entries for 149 contributions totaling \$181,550 lacked or did not adequately disclose the contributor's occupation and/or name of employer. Furthermore, TJC did not use "best efforts" to obtain, maintain, and submit the required information. The Audit staff recommends that TJC contact each contributor for whom the information is lacking, submit evidence of such contact, and disclose any information received in amended reports. (For more detail, see p. 17)

**Finding 7. Disclosure of Disbursements**

A sample review of expenditures revealed that a material amount of disbursements itemized on the disclosure reports lacked or inadequately disclosed the required information. The projected dollar value of these transactions was \$209,588. These disclosure discrepancies consisted of incorrect names, addresses, dates, missing or inadequate purposes, or missing memo entries associated with credit card transactions. The Audit staff recommends that TJC amend its reports to correct the disclosure of its disbursements. (For more detail, see p. 19)

**Finding 8. Failure to File 48-Hour Notifications**

TJC failed to file 48-hour notices for contributions totaling \$227,600. Most of the notices not filed were for contributions made prior to the run-off election and for loans reported as from the Candidate. The Audit staff recommends that TJC provide evidence that the 48-hour notices were timely filed or submit any written comments it considers relevant. (For more detail, see p. 20)

**Finding 9. Untimely Deposit of Contributions**

TJC untimely deposited contributions totaling \$315,500 from political committees. The Audit staff recommends that TJC demonstrate that the deposits were made timely. Absent such demonstration, TJC should implement changes to its procedures to achieve future compliance and provide a description of such action. (For more detail, see p. 21)

## Part IV

# Findings and Recommendations

### Finding 1. Receipt of Impermissible Candidate Loans

#### Summary

The Candidate used the proceeds of a \$320,000 promissory note from his sister to loan at least \$150,500 to TJC. In addition, it appears that some of the funds loaned to TJC were actually from a business related to the Candidate's sister. The Candidate's use of funds from his sister resulted in TJC's receipt of an apparent excessive or prohibited contribution. The impermissible amount includes funds loaned to TJC and amounts not transferred to TJC that the Candidate may have received. Such payments to the Candidate would be considered impermissible unless TJC can show the amounts were received irrespective of his candidacy. In addition, any payments on the promissory note made by the Candidate or any third party are considered additional contributions that are required to be reported. The Audit staff recommends that TJC provide documentation to further verify the source of funds and demonstrate that the funds from the Candidate's sister did not result in the receipt of an excessive or prohibited contribution. It is further recommended that TJC amend its reports to reflect the actual source of all loans and any payments on the loans made by TJC, the Candidate, or any other person.

#### Legal Standard

**A. Formal Requirements Regarding Reports and Statements:** An authorized committee shall maintain all records, including bank records, with respect to the matters required to be reported which shall provide in sufficient detail the necessary information and data from which the filed reports and statements may be verified, explained, clarified, and checked for accuracy and completeness. 11 CFR §104.14(b)(1).

**B. Expenditures by Candidates.** Candidates for Federal office may make unlimited expenditures from personal funds as defined in 11 CFR §100.33 and 110.10.

**C. Personal Funds.** Personal funds of a candidate means the sum of all of the following:

(a) *Assets.* Amounts derived from any asset that, under applicable State law, at the time the individual became a candidate, the candidate had legal right of access to or control over, and with respect to which the candidate had legal and rightful title or an equitable interest;

(b) *Income.* Income received during the current election cycle, as defined in 11 CFR §400.2, of the candidate, including:

- (1) A salary and other earned income that the candidate earns from bona fide employment;
- (2) Income from the candidate's stocks or other investments;
- (3) Bequests to the candidate;



- (4) Income from trusts established before the beginning of the election cycle as defined in 11 CFR §400.2;
- (5) Income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary;
- (6) Gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle, as defined in 11 CFR §400.2; and
- (7) Proceeds from lotteries and similar legal games of chance. 11 CFR §100.33

**D. Candidate as an Agent.** Any candidate who receives a contribution and obtains a loan or makes any disbursement, in connection with his or her campaign shall be considered as having received such contribution, obtained such loan or made such disbursement as an agent of his or authorized committee(s). 11 CFR §101.2

**E. Receipt of Prohibited Contributions – General Prohibition.** Candidates and committees may not accept contributions (in the form of money, in-kind contributions or loans):

1. In the name of another; or
2. From the treasury funds of the following prohibited sources:
  - Corporations (this means any incorporated organization, including a non-stock corporation, an incorporated membership organization, and an incorporated cooperative);
  - Labor Organizations;
  - National Banks; 2 U.S.C. §441b and 441f.

**F. Authorized Committee Limits.** An authorized committee may not receive more than a total of \$2,000 per election from any one person. The Bipartisan Campaign Reform Act of 2002 (BCRA) includes provisions that index the individual contribution limit for inflation. The limit for individuals' contributions to candidates for the 2006 election cycle was \$2,100. 2 U.S.C. §441a(a)(1)(A), 11 CFR §110.1(a) and (b)

**G. Contribution Defined.** A gift, subscription, loan (except when made in accordance with 11 CFR §100.72 and 100.73), advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office is a contribution. The term *loan* includes a guarantee, endorsement, and any other form of security. A loan is a contribution at the time it is made and is a contribution to the extent that it remains unpaid. The aggregate amount loaned to a candidate or committee by a contributor, when added to other contributions from that individual to that candidate or committee, shall not exceed the contribution limitations set forth at 11 CFR part 110. A loan, to the extent it is repaid, is no longer a contribution. 11 CFR §100.52(a).

**H. Personal Gifts and Loans.** If any person, including a relative or friend of the candidate, gives or loans the candidate money in connection with his or her campaign, the funds are not considered personal funds of the candidate. Instead, the gift or loan is considered a contribution from the donor to the campaign, subject to the limitation and prohibitions of the Act. See Advisory Opinions 1985-33, 1982-64, and 1987-1.

**I. Personal Use.** A payment made to a candidate, even if used for personal expenditures, is a contribution unless the payment would have been made irrespective of

the candidacy. Likewise, the payment of a particular expense by any person other than the candidate or campaign committee shall be a contribution unless payment would have been made irrespective of the candidacy. 11 CFR §113.1(g)(6)

**Facts and Analysis**

The Audit staff identified loans totaling \$150,500 that could not be verified as being made with the Candidate's *personal funds*. TJC bank records indicate at least \$30,500 of this amount was drawn on accounts of a company named Jeffco Services, Inc. or Jeffco Services, LLC (Jeffco), for which the Candidate's sister is a principal.<sup>3</sup> The source of a November 19, 2006 wire transfer in the amount of \$100,000 is not documented, however, according to the TJC treasurer, the wire was also from Jeffco.<sup>4</sup> The source of a \$20,000 cashier's check payable to the Candidate and deposited by TJC on November 14, 2006 is also not documented. According to TJC's treasurer and the Candidate, all of these funds were covered by a promissory note between the Candidate and his sister. The promissory note dated February 1, 2007, after the transactions had occurred, outlines the repayment schedule, interest rate, and security for a loan of \$320,000 to the Candidate from his sister. According to the Candidate, he is obligated and has made payments to his sister on this promissory note.

The Audit staff maintains the promissory note does not establish that the funds borrowed from his sister were the *personal funds* of the Candidate. Rather, it appears that the Candidate borrowed the funds as an agent of TJC. As a result, TJC appears to have accepted excessive contributions or potentially prohibited contributions from the Candidate's sister or Jeffco of at least \$150,500. It is not known how much of the remaining amount covered by the promissory note, \$169,500, was received by the Candidate or how that money was used. As noted in the legal standards above, a payment made to a candidate, even if used for personal expenditures, is a contribution unless the payment would have been made irrespective of the candidacy. The timing of the promissory note coupled with the fact that some of the funds were transferred directly to TJC indicates the Candidate may have received the funds in connection with his campaign.

The Candidate also represents that he has made payments on the promissory note. However, TJC has not provided a schedule of those payments or any payments made by any other person. These payments also constitute contributions to TLC. Absent the submission of additional information the entire \$320,000 is considered an excessive or prohibited contribution to TJC, and payments on the loan by the Candidate, or any other person, are considered additional contributions that are required to be reported.

Regarding funds reportedly loaned to TJC by the Candidate, it is necessary for the Audit staff to review, at minimum, records that identify the account from which the wire transfer originated and the source of the funds used to purchase the cashier's check. The Audit staff made numerous requests of TJC for this documentation, but none was

<sup>3</sup> Checks deposited by TJC were imprinted with the names Jeffco Services, LLC and Jeffco Services, Inc. According to the Louisiana Secretary of State, the Candidate's sister is listed as a principal for both of these entities. On July 18, 2002, Jeffco Services, Inc. was dissolved, however; on that day Jeffco Services, LLC was registered as a new entity. It is not known whether Jeffco Services, LLC is taxed as a corporation or a partnership.

<sup>4</sup> The Treasurer also held a position with Jeffco Services, Inc.

provided. In addition, on March 19, 2008, letters were sent to the Candidate and his sister requesting such documentation and noting that, if not provided, the Commission may draw an adverse inference about the source of the funds. None of the documentation requested has been provided; however, a response was received from the Candidate's sister on April 21, 2008. In that letter she stated that all inquiries should be addressed to TJC and asked that she not be contacted again. TJC also provided a copy of a letter dated April 21, 2008 that it received from the Candidate in which he states the cashier's check was part of proceeds loaned to him by his sister. The Candidate also stated that no loans existed between Jeffco and himself or TJC.<sup>5</sup>

TJC also significantly understated Candidate loans in 2006. In that year, TJC reported the receipt of only \$148,000 in Candidate loans.<sup>6</sup> However, TJC records indicate that Candidate loans totaling \$283,500 were actually received. The difference of \$135,500 is included in Finding 5 - Misstatement of Reported Activity.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC provide documentation to verify the source of the funds and demonstrate that the funds from the Candidate's sister did not result in the receipt of an excessive or prohibited contribution. The records provided should include bank statements and other documentation to identify the source of funds for the November 19, 2006, \$100,000 wire transfer and the source of the funds used to purchase the \$20,000 cashier's check deposited by TJC on November 14, 2006. TJC should also provide documentation that indicates whether Jeffco Services, LLC is taxed as a corporation or a partnership.

Regarding the \$320,000 promissory note from the Candidate's sister, TJC should provide evidence that any payments to the Candidate or to a third party for his personal expenditures were made irrespective of his candidacy. TJC should also provide documentation for any payments made on this promissory note including those made by the Candidate or a third party. Failure to provide the necessary records may lead the Commission to draw an adverse inference concerning the permissibility of \$320,000 covered by the promissory note between the Candidate and his sister.

Regarding the disclosure of the loans totaling \$283,000, TJC should amend Schedules C on its reports accurately disclosing the source of the loans as either the Candidate's sister or Jeffco. In addition, TJC should report any payments on these loans as contributions from the Candidate or other persons making those payments.

---

<sup>5</sup> In conjunction with this audit report, the Audit staff has recommended the Commission issue subpoenas to obtain the information not provided in response to the letters sent to the Candidate and his sister on March 19, 2008.

<sup>6</sup> TJC did not have adequate records to support the reported figure for Candidate loans of \$148,000. As such, the Audit staff could not identify the specific loans that were not reported.

## **Finding 2. Receipt of Prohibited Contributions**

### **Summary**

TJC received 55 apparent prohibited contributions totaling \$58,585 from corporations, LLCs, and a Native American tribe. The Audit staff recommends TJC demonstrate that these contributions were made with permissible funds or refund them.

### **Legal Standard**

**A. Receipt of Prohibited Contributions – General Prohibition.** Candidates and committees may not accept contributions (in the form of money, in-kind contributions or loans):

1. In the name of another; or
2. From the treasury funds of the following prohibited sources:
  - Corporations (this means any incorporated organization, including a non-stock corporation, an incorporated membership organization, and an incorporated cooperative);
  - Labor Organizations;
  - National Banks; 2 U.S.C. §441b and 441f.

**B. Definition of Limited Liability Company.** A limited liability company (LLC) is a business entity recognized as an LLC under the laws of the State in which it was established. 11 CFR §110.1(g)(1).

**C. Application of Limits and Prohibitions to LLC Contributions.** A contribution from an LLC is subject to contribution limits and prohibitions, depending on several factors, as explained below:

1. **LLC as Partnership.** The contribution is considered a contribution from a partnership if the LLC chooses to be treated as a partnership under Internal Revenue Service (IRS) tax rules, or if it makes no choice at all about its tax status. A partnership contribution may not exceed \$2,100 per candidate, per election, and it must be attributed to each lawful partner. 11 CFR §110.1(a), (b), (e) and (g)(2).
2. **LLC as Corporation.** The contribution is considered a corporate contribution—and is barred under the Act—if the LLC chooses to be treated as a corporation under IRS rules, or if its shares are traded publicly. 11 CFR §110.1(g)(3).
3. **LLC with Single Member.** The contribution is considered a contribution from a single individual if the LLC is a single-member LLC that has not chosen to be treated as a corporation under IRS rules. 11 CFR §110.1(g)(4).
4. At the time it makes the contribution, an LLC shall provide to the recipient committee information on how the contribution is to be attributed and affirm that it is eligible to make the contribution. 11 CFR §110.1(g)(5).

**D. Questionable Contributions.** If a contribution that presents genuine questions about its permissibility is received and deposited, the treasurer shall make his or her best efforts to determine whether it is from a prohibited source. If the legality of the contribution cannot be verified within 30 days of the treasurer's receipt it shall be refunded to the contributor. 11 CFR §103.3(b)(1).

**E. Application of Limits and Prohibitions to Native American Tribe Contributions.** A contribution from a Native American tribe is subject to the contribution limitations and prohibitions. 2 U.S.C. §431(1) and 441a(a)(1)(A).

**F. Authorized Committee Limits:** An authorized committee may not receive more than a total of \$2,000 per election from any one person as adjusted by the Consumer Price Index. 2 U.S.C. §441a(a)(1)(A) and 11 CFR §110.1(a) and (b). Based on the respective CPIs, the contribution limit for any one person for the 2006 election cycle was \$2,100 and \$2,300 for the 2008 election cycle.

### **Facts and Analysis**

TJC received apparent prohibited contributions totaling \$58,585. This amount includes contributions from twenty-four corporations totaling \$18,710, twenty-two LLCs totaling \$24,875 and one Native American tribe totaling \$15,000.

For the contributions from corporations, the Audit staff verified the corporate status of the entities at the time the contributions were made with the Louisiana Secretary of State. For contributions from LLCs, TJC provided no documentation that stated whether the companies elected to be treated as a partnership or corporation by the Internal Revenue Service (IRS). Absent documentation explaining how each entity is taxed, these contributions present genuine questions about having come from prohibited sources.

TJC also accepted three \$5,000 contributions from the Tunica-Biloxi Tribe of LA between March 14, 2006 and December 11, 2006. Based on available documentation and disclosure reports filed with the Commission, it does not appear that these contributions were from the federally registered political action committee (TBIPAC) associated with this tribe. Further, these contributions do not appear on non-federal reports filed with the State of Louisiana. The contribution checks were all imprinted with Tunica-Biloxi Tribe of LA as the account holder and "consolidated account" as the account name. According to the Secretary of State of Louisiana, the Tunica-Biloxie Indians of Louisiana, Inc. is a non-profit corporation. Absent evidence that these contributions were not drawn on corporate accounts, it appears that the \$15,000 is prohibited.<sup>7</sup> If it is established that the funds are not corporate or from the federally registered political action committee, the contributions exceed the individual contribution limitations by \$8,500 (\$5,800 for 2006 election cycle and \$2,700 for 2008 election cycle).

A list that included the contributions above was presented to the treasurer of TJC. In response, TJC sent letters to contributors asking for their filing status with the IRS. On January 13, 2008, the treasurer submitted letters from several of the contributors noting that they were treated as a partnership for contribution purposes. The contributions discussed above exclude those clarified by the January 13 submission.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC:

<sup>7</sup> Should TJC demonstrate that these contributions are from TBIPAC, an excessive contribution of \$2,500 to the primary election would result since TBIPAC already contributed \$2,500 to TJC for the primary election.

- Provide evidence demonstrating that the contributions in question were made with permissible funds. For contributions in question from LLCs, TJC should provide a statement from each entity explaining its tax treatment or a copy of IRS Form 8832; or
- Refund \$58,585 to the contributors or disgorge the funds to the U.S. Treasury. TJC should provide evidence of any refunds (copies of the front and back of negotiated refund checks); or
- For any amounts determined to be excessive from the Native American tribe, TJC must refund the excessive portion and provide evidence of such refund (copy of the front and back of negotiated refund check) or pay the amount to the U.S. Treasury; or
- If funds are not available to make the necessary refunds, disclose the contributions requiring refunds on Schedule D (Debt and Obligations) until funds become available to make such refunds.

### **Finding 3. Receipt of Contributions in Excess of the Limit**

#### **Summary**

TJC received \$17,530 in excessive contributions from fourteen individuals. Excessive contributions totaling \$15,100 were caused by TJC's failure to send individuals notification of a presumptive election redesignation and/or contributor reattribution. The remaining \$2,430 was not eligible for presumptive redesignation and/or reattribution and must be refunded. The Audit staff recommends that TJC provide documentation that the contributions were not excessive, or send notices to those contributors that were eligible for presumptive redesignations and/or reattributions, or refund the excessive amounts.

#### **Legal Standard**

**A. Authorized Committee Limits:** An authorized committee may not receive more than a total of \$2,000 per election from any one person as adjusted by the Consumer Price Index. 2 U.S.C. §441a(a)(1)(A) and 11 CFR §110.1(a) and (b).

Based on the respective CPIs, the contribution limit for any one person for the 2006 election cycle was \$2,100 and \$2,300 for the 2008 election cycle.

**B. Handling Contributions That Appear Excessive.** If a committee receives a contribution that appears to be excessive, the committee must either:

- Return the questionable contribution to the donor; or
- Deposit the contribution into its federal account and keep enough money on account to cover all potential refunds until the legality of the contribution is established. 11 CFR §103.3(b)(3) and (4).
- The excessive portion may also be redesignated to another election or reattributed to another contributor as explained below.

**C. Redesignation of Excessive Contributions.** The committee may ask the contributor to redesignate the excess portion of the contribution for use in another election.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a signed redesignation letter which informs the contributor that a refund of the excessive portion may be requested; or

- Refund the excessive amount. 11 CFR §§110.1(b)(5), 110.1(l)(2) and 103.3(b)(3).

Notwithstanding the above, when an authorized political committee receives an excessive contribution from an individual or a non-multi-candidate committee, the committee may presumptively redesignate the excessive portion to the next election if the contribution:

- Is made before that candidate's primary or general election;
- Is not designated in writing for a particular election;
- Would be excessive if treated as a primary or general election contribution; and
- As redesignated, does not cause the contributor to exceed any other contribution limit.

Also, the committee may presumptively redesignate the excessive portion of a general election contribution back to the primary election and runoff election contribution back to the general election if the amount redesignated does not exceed the committee's primary or general net debt position.

The committee is required to notify the contributor in writing of the redesignation within 60 days of the treasurer's receipt of the contribution and must offer the contributor the option to receive a refund instead. For this action to be valid, the committee must retain copies of the notices sent. Presumptive redesignations apply only within the same election cycle. 11 CFR §110.1(b)(5)(ii)(B) & (C) and (l)(4)(ii).

**D. Reattribution of Excessive Contributions.** When an authorized committee receives an excessive contribution, the committee may ask the contributor if the contribution was intended to be a joint contribution from more than one person.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a reattribution letter signed by each contributor; or
- Refund the excessive contribution. 11 CFR §110.1(k)(3), 110.1(l)(3) and 103.3(b)(3).

Notwithstanding the above, any excessive contribution that was made on a written instrument that is imprinted with the names of more than one individual may be attributed among the individuals listed unless instructed otherwise by the contributor(s). The committee must inform each contributor:

- How the contribution was attributed; and
- That the contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3)(ii)(B).

### **Facts and Analysis**

TJC received fifteen excessive contributions totaling \$17,530 from thirteen individuals. Of these excessive contributions, eight totaling \$13,400 were excessive for the primary election, four totaling \$2,930 were excessive for the general election and one totaling \$300 was excessive for the runoff election. TJC also received two undesignated contributions after the runoff election that exceeded the 2008 primary election limit (\$2,300) by a total of \$900.

Of the excessive contributions, \$15,100 (86%) would have been resolved had TJC sent contributor notifications under the presumptive redesignation and/or reattribution rules. It should be noted that TJC did maintain a sufficient balance in its bank accounts to refund the excessive contributions.

The Audit staff presented this matter to TJC's treasurer at the exit conference and provided a schedule of the excessive contributions. In response, TJC's treasurer provided a copy of a presumptive reattribution or redesignation letter that was being sent to contributors who made excessive contributions. TJC also indicated that for certain excessive contributions, a letter was being sent to the contributor to presumptively redesignate the contribution to the 2008 primary election. However, the Audit staff did not recognize TJC's efforts with respect to the 2008 election because the presumptive redesignation procedure can only be applied to contributions within an election cycle.

In summary, TJC received excessive contributions totaling \$17,530 and provided a copy of a letter that was being sent to contributors who made excessive contributions totaling \$15,100. Absent further evidence, the remaining excessive contributions totaling \$2,430 should be refunded.

#### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC:

- Provide evidence demonstrating that the contributions were not excessive. Evidence could include documentation that was not available during the audit including copies of solicitation cards completed by the contributors at the time of their contribution that clearly inform the contributors of the limitations; timely notifications sent to contributors eligible for presumptive redesignation and/or reattribution; or, timely refunds, redesignations, or reattributions made for excessive contributions (copies of the front and back of negotiated refund checks) or;
- Absent such evidence, TJC should provide a copy of each presumptive redesignation and/or reattribution letter that was sent for excessive contributions totaling \$15,100. Such notice must demonstrate that both the contributor and the individual to whom the contribution was reattributed were notified. TJC must also demonstrate that the notices were actually sent and offers the contributors the option of receiving a refund of the excessive amount. Absent the contributor's request for a refund, these notices obviate the need to refund the contributions or make a payment to the U.S. Treasury.
- For the remaining excessive contributions (\$2,430), TJC must refund the excessive portion to the contributors and provide evidence of such refunds (copies of the front and back of negotiated refund checks) or pay the amount to the U.S. Treasury; or
- If funds are not available to make the necessary refunds, disclose the contributions requiring refunds on Schedule D (Debts and Obligations) until funds become available to make such refunds.



## **Finding 4. Commingled Funds**

### **Summary**

On June 24, 2005, the former TJC treasurer commingled \$25,015 from a non-campaign related business with TJC funds. Records indicate the business was associated with the Candidate's family and, according to the former TJC treasurer, "the transactions were done merely as an accommodation to expedite banking activity." The Audit staff recommends TJC provide any further comments it may have regarding this matter.

### **Legal Standard**

**Commingled funds-** All funds of a political committee shall be segregated from, and may not be commingled with, any personal funds of officers, members or associates of that committee, or with the personal funds of any other individual.<sup>8</sup> 11 CFR §102.15

### **Facts and Analysis**

On June 24, 2005, the former TJC treasurer commingled funds from a business with a TJC campaign account. These transactions involved the deposit of a check in the amount of \$25,015 from The ANJ Group, LLC and a wire transfer to iGate, Inc of \$25,000.<sup>9</sup> Each of the documents associated with these transactions were signed by TJC's former treasurer who had check writing authority for The ANJ Group, LLC and TJC.

Since these transactions were not reported and limited documentation was available, the Audit staff requested that TJC provide further documentation or an explanation of the circumstances surrounding these transactions. In response, the current TJC treasurer wrote a letter to the former TJC treasurer in which he was asked to confirm whether the transactions were simply an error resulting from a payment made from the wrong account or to provide a proper explanation for the transactions.

In response, the former TJC treasurer stated, "... the funds in question which were wired<sup>10</sup> from the Jefferson Committee account were not campaign funds. An amount of \$25,000 from another business account was deposited into the Jefferson Committee campaign account and simultaneously wired from the campaign account to an [i]Gate account at a bank in Kentucky. This amount was not reported as a campaign transaction since it did not involve campaign funds. As these entities have different banking institutions, this was done merely as an accommodation to me to expedite my performing these banking activities."

No further explanation was provided as to why payment was not made directly from The ANJ Group, LLC to iGate, Inc. or the reason(s) for the payment. The Audit staff has no

<sup>8</sup> It is implied that this regulation is applicable to any business funds of an individual.

<sup>9</sup> The Louisiana Secretary of State records the Candidate's wife, Andrea G. Jefferson, as a manager for The ANJ Group, LLC. It is also noted that, Vernon L. Jackson, the former Chairman and Chief Executive Officer of iGate, Inc, has entered into a plea agreement in which he pled guilty to a charge of bribery of a public official. The plea agreement states that Vernon L. Jackson caused the transfer of \$367,500 from iGate, Inc. to The ANJ Group, LLC between 2001 and 2004 in return for official acts performed by the Congressmen.

<sup>10</sup> The transaction was accomplished using a check that was signed by TJC's former treasurer but included an annotation on the back that it was a wire transfer. Since the transaction cleared TJC's account on the same day the check was written and the two entities used different banks, it appears that the check was used to authorize the wire transfer.

knowledge of how or if the transactions above relate to other transactions between The ANJ Group, LLC and iGate, Inc.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC provide any further comments it may have regarding this matter.

## **Finding 5. Misstatement of Financial Activity**

### **Summary**

A comparison of TJC's reported financial activity to the bank records revealed a misstatement of activity in 2006. Reported receipts and disbursements were understated by \$136,836 and \$142,230 respectively in that year. TJC's reported cash balance was misstated throughout the period with the ending cash being understated by \$3,404. TJC filed some amended reports for 2006 after notification of the audit; however, a material misstatement of activity remains. The Audit staff recommends TJC submit amended reports to correct the misstatements and amend its most recently submitted report to correct the cash balance.

### **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;
- 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**

The Audit staff reconciled TJC's reported financial activity to its bank records and determined there were misstatements of activity for 2006<sup>11</sup>. The following charts outline the discrepancies 2006 and explain the misstatements identified during the audit.

<b>2006 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Opening Cash Balance @ January 1, 2006	\$305,461	\$314,260	\$8,799 Understated
Receipts	\$618,015	\$754,851	\$136,836 Understated
Disbursements	\$920,485	\$1,062,715	\$142,230 Understated
Ending Cash Balance @ December 31, 2006	\$2,992	\$6,396	\$3,404 Understated

<sup>11</sup> The reconciliation was based on reports filed prior to notification of the audit on May 1, 2007.

**Receipts – 2006**

The understatement of receipts was the net result of the following:

• <b>Luans Not Reported</b>	+ \$133,500
In 2006, TJC reported \$148,000 in loans from the Candidate. However, TJC actually received \$283,500 it considered Candidate loans. See Finding 1.	
• <b>Receipts Overstated</b>	- 28,400
TJC reported several contributions that could not be associated with any bank deposit. TJC also reported the receipt of an inter-account transfer of \$8,100 that should not have been reported.	
• <b>Receipts Not Reported</b>	+ 21,330
TJC did not report contributions received from several individuals, LLCs and corporations.	
• <b>Receipts Reported with the Incorrect Amount</b>	+ 3,750
TJC reported contributions with amounts that were different from the amount on the checks.	
• <b>Unitemized Receipts Not Reported</b>	+ 2,940
TJC reported the sum of \$14,625 in unitemized contributions, however, the correct total of unitemized contributions was calculated to be \$17,565.	
• <b>Other Receipts Not Reported</b>	+ 2,350
• <b>Bank Interest Not Reported</b>	+ 806
• <b>Unexplained Difference.</b>	+ 560
<b>Total Net Understatement of Receipts</b>	<u>\$136,836</u>

**Disbursements – 2006**

The understatement of disbursements was the net result of the following:

• <b>Disbursements Not Reported</b>	+ 168,462
TJC did not report disbursements including \$28,500 for payroll, \$24,100 to a consultant, \$21,619 for printing, and \$11,522 in credit card payments. Most of the disbursements not reported were made between October and December.	
• <b>Disbursements Overstated</b>	- 91,589
This amount includes a \$25,360 disbursement that TJC reported twice. Of the amount overstated, the Audit staff identified only one disbursement of \$3,248 that could be associated with a check number. The remaining \$88,341 in reported disbursements were not supported by any available accounting records.	
• <b>Canvassing Expenses Not Reported (Net)</b>	+ 48,836
TJC made more than 2,600 payments (mostly under \$200) for canvassing expenses totaling \$234,714. However, TJC's disclosure reports include only \$185,878 of such expenses.	
• <b>Disbursements Reported with Incorrect Amounts</b>	+ 2,176
TJC reported expenditures with amounts that were different from the amounts that cleared the bank.	
• <b>Unexplained Difference</b>	+ 14,346
<b>Total Net Understatement of Disbursements</b>	<u>142,230</u>

### **Cash Balance**

On December 31, 2006 the cash balance was understated by \$3,404; as a result of the misstatements detailed above.

TJC filed amendments to the 12 Day Pre-General and 12 Day Pre-Runoff reports after notification of the audit that corrected some but not all of the misstatements noted above.

The Audit staff discussed this matter with the TJC's treasurer at the exit conference. The treasurer stated that any remaining misstated activity would be corrected in amended reports.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC amend its disclosure reports for 2006 to correct the misstatements. TJC should also reconcile all reported activity to bank records for periods subsequent to the audit period and, if necessary, amend its most recently filed report to correct any discrepancy in the cash balance. The adjustment to the cash balance should include a notation that the change is due to audit adjustments from a prior period.

## **Finding 6. Disclosure of Occupation/Name of Employer**

### **Summary**

A review of contributions from individuals disclosed on Schedule A (Itemized Receipts) revealed the entries for 149 contributions totaling \$181,550 lacked or did not adequately disclose the contributor's occupation and/or name of employer. Furthermore, TJC did not use "best efforts" to obtain, maintain, and submit the required information. The Audit staff recommends that TJC contact each contributor for whom the information is lacking, submit evidence of such contact, and disclose any information received in amended reports.

### **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 election cycle-to-date total of all contributions from the same individual. 11 CFR §100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

**B. Preserving Documents.** Committees must preserve these records for 3 years after a report is filed. 2 U.S.C. §432(d).

**C. Best Efforts Ensures 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(h)(2)(i).

**D. Definition of Best Efforts.** The treasurer and the committee will be considered to have used "best efforts" with respect to contributions 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.
- Within 30 days after the 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 review of contributions from individuals disclosed on Schedule A (Itemized Receipts) revealed that 149 contributions totaling \$181,550 lacked or did not adequately disclose the contributor's occupation and/or name of employer. In most cases, the required information was either missing or disclosed as "Information Requested." The records provided to the Audit staff did not contain any follow-up request for the information. Also, amended reports filed after notification of the audit that did not correct the disclosure of contributor information.

The Audit staff discussed this matter at the exit conference. In response, TJC's treasurer stated they were reviewing records for the required information and would be sending letters to contributors and that any information received would be included in amended reports. She also commented that TJC has always endeavored to get the proper disclosure information from contributors, but it has not always been forwarded by the contributor.

The Audit staff concludes that TJC did not exercise "best efforts" to obtain, maintain, and submit the information during the period covered by the audit nor has TJC provided documentation to support any recent action taken.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC take the following action:

- Provide documentation that it exercised best efforts to obtain, maintain and submit the required contributor information; or
- Make an effort to contact each contributor for whom the required information was not in TJC files and submit evidence of such contact (such as copies of letters to the contributors and/or phone logs); and,
- Submit amended reports to disclose any information TJC obtains in response to this recommendation.

## **Finding 7. Disclosure of Disbursements**

### **Summary**

A sample review of expenditures revealed that a material amount of disbursements itemized on the disclosure reports lacked or inadequately disclosed the required information. The projected dollar value of these transactions was \$209,588. These disclosure discrepancies consisted of incorrect names, addresses, dates, missing or inadequate purposes, or missing memo entries associated with credit card transactions. The Audit staff recommends that TJC amend its reports to correct the disclosure of its disbursements.

### **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). 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**

A sample review of disbursements itemized on Schedules B (Itemized Disbursements) revealed that a material amount of those disbursements lacked or inadequately disclosed the required information. The projected dollar value of these transactions was \$209,588. These disclosure discrepancies consisted of incorrect names, addresses, dates, missing or inadequate purposes (such as campaign worker or consultant), or missing memo entries to disclose the original vendor for transactions associated with payments to credit card companies.

TJC filed amended reports after notification of the audit, but those amended reports did not materially correct these errors and omissions.

This matter was discussed with TJC's treasurer at the exit conference. TJC's treasurer stated that the disclosure problems would be corrected in amended reports.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC amend its reports to correct the disclosure of disbursements on Schedules B.

## **Finding 8. Failure to File 48-Hour Notifications**

### **Summary**

TJC failed to file 48-hour notices for contributions totaling \$227,600. Most of the notices not filed were for contributions made prior to the run-off election and for loans reported as from the Candidate. The Audit staff recommends that TJC provide evidence that the 48-hour notices were timely filed or submit any written comments it considers relevant.

### **Legal Standard**

**Last-Minute Contributions (48-Hour Notice).** Campaign committees must file special notices regarding contributions of \$1,000 or more received less than 20 days but more than 48 hours before any election in which the candidate is running. This rule applies to all types of contributions to any authorized committee of the candidate, including:

- Contributions from the candidate;
- Loans from the candidate and other non-bank sources; and
- Endorsements or guarantees of loans from banks. 11 CFR §104.5(f).

### **Facts and Analysis**

The Audit staff reviewed those contributions of \$1,000 or more that were received during the 48-hour notice filing period for the primary (07/23/2006-08/08/2006), general (10/19/2006-11/04/2006, and run-off (11/20/2006-12/04/2006) elections. TJC failed to file 48-hour notices for 50 contributions totaling \$227,600 as summarized below.

	<b>Primary</b>	<b>General</b>	<b>Run-off</b>	<b>Total</b>
<b>48 Hour Notices Not Filed</b>	\$4,000 (2)	\$57,100 (14)	\$166,500 (34)	\$227,600 (50)

Among the contributions that required 48-hour notices are loans reported as from the Candidate. The other contributions for which 48-hour notices were not filed were from twenty-nine (29) individuals, fourteen (14) political committees, and four (4) LLCs.

This matter was discussed with TJC's treasurer at the exit conference and the Audit staff subsequently provided schedules of the contributions for which 48-hour notices were not filed. In response, the TJC's treasurer stated she misunderstood the filing requirement.

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC provide evidence that these 48-hour notices were timely filed or provide any further comments it considers relevant.

## **Finding 9. Untimely Deposit of Contributions**

### **Summary**

TJC ~~untimely~~ deposited contributions totaling \$315,500 from political committees. The Audit staff recommends that TJC demonstrate that the deposits were made timely. Absent such demonstration, TJC should implement changes to its procedures to achieve future compliance and provide a description of such action.

### **Legal Standard**

**A. Deposit of Receipts.** The treasurer of a political committee must deposit contributions (or return them to the contributors without being deposited) within 10 days of the treasurer's receipt. 11 CFR §103.3(a).

**B. Receipt of Contributions.** Every person who receives a contribution for an authorized political committee shall, no later than 10 days after receipt, forward such contribution to the treasurer. 11 CFR §102.8(a).

### **Facts and Analysis**

TJC ~~untimely~~ deposited contributions totaling \$315,500 from political committees. This amount represents approximately 24% of deposits made during the period covered by the audit. The Audit staff identified contributions from political committees that were deposited an average of 18 days late and in one instance, 184 days late. TJC did not record the receipt date for contributions. Therefore, in calculating the number of days late, the Audit staff used the check date plus an allowance for delivery and compared that to the deposit date<sup>12</sup>. In accordance with 11 CFR §102.8(a), the Audit staff allowed 10 days for deposit of the contribution.

This matter was discussed with TJC's treasurer at the exit conference. In response, TJC's treasurer noted that although there were gaps in the receipt and deposit of some checks, it is likely that no checks were held because all receipts were quickly spent. It is her belief that the donors wrote checks on a certain date and then had them delivered to the TJC at a "much later date."

### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of service of this report, TJC demonstrate that the deposits were made timely. Absent such demonstration, TJC should implement changes to its procedures to achieve future compliance and provide a description of such changes.

---

<sup>12</sup> The Audit staff calculated the date of receipt as three days from the date on the contributors check to allow for delivery of the contribution.