



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 25, 2015

MEMORANDUM

To: The Commission

Through: Alec Palmer
Staff Director

From: Patricia C. Orrock *PCO*
Chief Compliance Officer

for Thomas E. Hintermister *MLEF*
Assistant Staff Director
Audit Division

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Audit Manager

By: for Sheraline Thomas *MLEF*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on Jill Stein for President (JSFP)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presents its recommendations below and discusses the findings in the attached Draft Final Audit Report (DFAR). The Office of General Counsel has reviewed this memorandum and concurs with the recommendations.

Finding 1. Net Outstanding Campaign Obligations

The Audit staff's review of JSFP's financial activity through August 31, 2014, and estimated winding down costs indicated that the Candidate did not receive matching fund payments in excess of her entitlement. In response to the Preliminary Audit Report (PAR) and the DFAR, JSFP provided no further comments.

The Audit staff recommends that the Commission find that the Candidate did not receive matching funds in excess of her entitlement.

Finding 2. Misstatement of Financial Activity

The Audit staff determined that in its 2012 disclosure reports, JSFP understated its reported receipts and ending cash-on-hand by \$211,949, and \$106,128, respectively; and overstated disbursements by \$13,850. JSFP filed amended

reports subsequent to audit fieldwork to materially correct the misstatements. In response to the PAR, JSFP stated that the misstatements were a result of complications caused by its initial bookkeeper. JSFP had no additional comments in response to the DFAR.

The Audit staff recommends that the Commission find that JSFP misstated its financial activity for calendar year 2012.

Finding 3. Disclosure of Debts and Obligations

The Audit staff identified debts totaling \$78,043 not disclosed on Schedule D-P (Debts and Obligations) as required. JSFP filed amended reports subsequent to the audit notification letter and again subsequent to audit fieldwork to materially disclose these debts and obligations. In response to the PAR, JSFP stated that, during the course of audit fieldwork, it was able to identify various debts and obligations that were previously unreported due to mistakes made by the initial bookkeeper. JSFP provided no further comments in response to the DFAR.

The Audit staff recommends that the Commission find that JSFP did not disclose debts and obligations totaling \$78,043.

Finding 4. Reporting of Receipts

The Audit staff identified contributions from individuals totaling \$23,071 that JSFP did not itemize as required, and receipts totaling \$57,622 that were not adequately disclosed. The disclosure errors were mostly incorrect election cycle-to-date totals. JSFP filed amended reports subsequent to the audit notification letter materially correcting these itemization and disclosure errors. In response to the PAR, JSFP stated that it had discovered issues in its donor aggregation system which resulted in these errors and that these issues were corrected. JSFP provided no further comments in response to the DFAR.

The Audit staff recommends that the Commission find that JSFP did not itemize contributions from individuals totaling \$23,071, and did not adequately disclose receipts totaling \$57,622.

Finding 5. Reporting of Expenditures

The Audit staff identified expenditures totaling \$49,797 that JSFP did not itemize as required, and expenditures totaling \$314,673 that were not adequately disclosed. The disclosure errors were mostly a result of the purpose not being disclosed or being inadequate. JSFP filed amended reports subsequent to the audit notification letter materially correcting these itemization and disclosure errors. In response to the PAR, JSFP stated that after receiving clarification from the Audit Division and Reports Analysis Division staff, it was able to identify and correct these errors. JSFP provided no further comments in response to the DFAR.

The Audit staff recommends that the Commission find that JSFP did not itemize expenditures totaling \$49,797, and did not adequately disclose expenditures totaling \$314,673.

Finding 6. Itemization of Candidate Loans

The Audit staff identified loans from the Candidate totaling \$40,000 that had not been reported correctly by JSFP. Amended reports filed subsequent to the audit notification letter materially corrected the reporting of these loans. In response to the PAR, JSFP indicated that all issues with the itemization of candidate loans had been corrected. JSFP provided no further comments in response to the DFAR.

The Audit staff recommends that the Commission find that JSFP did not correctly report loans from the Candidate totaling \$40,000.

JSFP did not request an audit hearing.

If this memorandum is approved, a Proposed Final Audit Report will be prepared within 30 days of the Commission's vote.

In case of an objection, Directive No. 70 states that the Audit Division Recommendation Memorandum will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Sheraline Thomas or Marty Favin at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on Jill Stein for President

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on Jill Stein for President (October 11, 2011 – August 31, 2014)

Why the Audit Was Done

Federal law requires the Commission to audit every political committee established by a candidate who receives public funds for the primary campaign.¹ The audit determines whether the candidate was entitled to all of the matching funds received, whether the campaign used the matching funds in accordance with the law, whether the candidate is entitled to additional matching funds, and whether the campaign otherwise complied with the limitations, prohibitions, and disclosure requirements of the election law.

Future Action

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

About the Campaign (p. 2)

Jill Stein for President (JSFP) is the principal campaign committee for Jill Stein, a candidate for the Green Party nomination for the office of President of the United States. The Committee is headquartered in Lexington, Massachusetts. For more information, see the chart on the Campaign Organization.

Financial Activity (p. 3)

• Receipts		
○ Contributions		\$ 815,851
○ Matching Funds		372,130
○ Loans Received from Candidate		64,000 ³
○ Contributions from Political Parties		4,235
○ Other		3,368
Total Receipts		\$ 1,259,584
• Disbursements		
○ Operating Expenditures		\$ 1,070,033
○ Fundraising Disbursements		26,803
○ Loan Repayments		20,000
○ Other		1,170
Total Disbursements		\$ 1,118,006

Findings and Recommendations (p. 5)

- Non-compliance with Campaign Obligations (Finding 1)
- Misstatement of Financial Activity (Finding 2)
- Disclosure of Debts and Obligations (Finding 3)
- Reporting of Receipts (Finding 4)
- Reporting of Expenditures (Finding 5)
- Itemization of Candidate Loans (Finding 6)

¹ 26 U.S.C. §9038(a).

² These figures contain both primary and general activity. The general activity accounts for approximately \$567,994, or 45% of total receipts, and \$269,888, or 24% of total disbursements. See Committee Structure on p. 1.

³ The Candidate made loans as follows: \$44,000 for primary election activity and \$20,000 for general election activity. Therefore, the Candidate did not exceed the \$50,000 limitation on expenditures for the primary election from the Candidate's funds.. 26 U.S.C. §9035(a); 11 CFR §9035.2.

Draft Final Audit Report of the Audit Division on Jill Stein for President

(October 11, 2011 – August 31, 2014)



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Part I Background

Authority for Audit

This report is based on an audit of Jill Stein for President (JSFP), undertaken by the Audit Division of the Federal Election Commission (the Commission) as mandated by Section 9038(a) of Title 26 of the United States Code. That section states, "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received [matching] payments under section 9037." Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

Scope of Audit

This audit examined:

1. the campaign's compliance with limitations on contributions and loans;
2. the campaign's compliance with the limitations on date contributions and loans;
3. the campaign's compliance with the prohibition on making prohibited contributions;
4. the disclosure of contributions and expenditures;
5. the disclosure of disbursements, debts and obligations;
6. the consistency between reported figures and actuals;
7. the accuracy of the Statement of Net Outstanding Campaign Obligations;
8. the campaign's compliance with spending limits;
9. the completeness and accuracy of records;
10. other campaign activities relevant to the review.

Inventory of Campaign Records

The Audit staff routinely conducts an inventory of campaign records before it begins its audit work. JSFP's records were materially complete and fieldwork commenced

Committee Structure

JSFP was the only campaign committee authorized by Jill Stein (the Candidate) for the 2012 Presidential election and conducted both primary and general election activity for the Candidate. JSFP opened four bank accounts: three primary accounts and a general account. In practice, JSFP deposited nearly all contributions received before the Candidate's nomination into the primary accounts, and most contributions received after the nomination into the primary accounts, unless otherwise designated and deposited into the general account. JSFP received matching funds for its primary campaign and this

audit covered the JSFP's primary election activity to determine if expenses were qualified campaign expenses defrayed in connection with the primary election.⁴

⁴ Under Title 26, this audit includes an examination of JSFP's Statement of Net Outstanding Campaign Obligations (Finding 1) based solely on JSFP's primary election activity for the purpose of determining the extent to which the Candidate is entitled to primary matching funds. This audit also covers an examination of JSFP's reporting under Title 52 which includes general election activity. For clarification, the Audit staff has indicated in Finding 2 - Misstatement of Financial Activity and Finding 6 - Itemization of Candidate Loans those transactions related to general election activity.

Part II

Overview of Campaign

Campaign Organization

Important Dates	
• Date of Registration	November 14, 2011
• Eligibility Period ⁵	August 22, 2011 - September 6, 2012
• Audit Coverage ⁶	October 11, 2011 - August 31, 2014
Headquarters	Lexington, Massachusetts
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Three by accounts at general account
Treasurer	
• Treasurer When Audit Was Conducted	James Moran
• Treasurer During Period Covered by /	James Moran October 23, 2012 - Present Andrews July 6, 2012 - October 22, 2012 November 14, 2011 - July 5, 2012
Management Information	
• Attended Commission Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Head Staff

⁵ On July 9, 2012, the Candidate submitted a signed letter to the Commission, which was amended on July 12, 2012, seeking to become eligible to receive Presidential primary matching funds and agreeing that she and her authorized committee would comply with the conditions set forth in 11 CFR §9033.1(b). A threshold submission was submitted on July 16, 2012, and the Commission certified the Candidate as eligible to receive matching funds on August 22, 2012. The period during which the Candidate was eligible for matching funds ended on September 6, 2012, the date of ineligibility.

⁶ The Audit staff conducted limited reviews of receipts and expenditures after December 31, 2012, to determine whether the Candidate was eligible to receive additional matching funds.

Overview of Financial Activity (Audited Amounts)⁷

Cash-on-hand @ October 11, 2011	\$ 0
Receipts	
o Contributions from Individuals ⁸	815,851
o Matching Funds Received ⁹	372,130
o Loans Received from the Candidate	64,000 ¹⁰
o Contributions from Political Parties	4,235
o Offsets to Operating Expenditures	3,368
Total Receipts	\$ 1,269,584
Disbursements	
o Operating Expenditures	1,
o Fundraising Disbursements	20,802
o Loan Repayments	20,000
o Contribution Refunds	1,170
Total Disbursements	\$ 1,118,006
Cash-on-hand @ December 31, 2012	\$ 141,578

⁷ These figures contain both primary and general activity. See Committee Structure on p. 1.

⁸ JSFP received approximately 8,400 contributions from approximately 6,000 individuals.

⁹ As of the Candidate's date of ineligibility, September 6, 2012, JSFP had received matching funds totaling \$100,000. JSFP received an additional \$272,130 by December 3, 2012, for a total of \$372,130.

¹⁰ See Footnote 3.

Part III Summaries

Findings and Recommendations

Finding 1. Net Outstanding Campaign Obligations

The Audit staff's review of JSFP's financial activity through August 31, 2014, and estimated winding down costs indicated that the Candidate did not receive matching fund payments in excess of her entitlement.

In its response to the Preliminary Audit Report recommendation, JSFP provided no further comment. (For more detail, see p. 7.)

Finding 2. Misstatement of Financial Activity

During audit fieldwork, a comparison of JSFP's reported financial activity with its bank records revealed that, for 2012, JSFP understated its reported receipts and ending cash-on-hand by \$211,949, and \$106,128, respectively; and overstated disbursements by \$13,850. Amendments filed subsequent to the audit notification letter did not materially correct the identified misstatements. JSFP filed amended reports subsequent to audit fieldwork to materially correct the misstatements.

In response to the Preliminary Audit Report recommendation, JSFP stated that, due to complications caused by its bookkeeper, initial filings lacked certain records and duplicated various entries. Further, JSFP stated that, during fieldwork, it was able to identify shortcomings and make necessary corrections with the assistance of the bookkeeper. JSFP filed amended reports subsequent to audit fieldwork to correct the misstatements. (For more detail, see p. 10.)

Finding 3. Disclosure of Debts and Obligations

During audit fieldwork, the Audit staff identified debts totaling \$78,043 not disclosed on Schedule D (debts and obligations) as required. Amendments filed subsequent to the audit notification letter disclosed some of these debts. JSFP filed amended reports to materially disclose all debts and obligations.

In response to the Preliminary Audit Report recommendation, a JSFP representative stated that, during the course of audit fieldwork JSFP was able to identify various debts and obligations that were previously unreported due to mistakes made by the initial bookkeeper. JSFP filed amended reports subsequent to audit fieldwork which materially corrected the disclosure of these debts and obligations. (For more detail, see p. 12.)

Finding 4. Reporting of Receipts

During audit fieldwork, the Audit staff's review identified contributions from individuals totaling \$23,071 that JSFP failed to itemize. In addition, receipts totaling \$57,622 were not

adequately disclosed. For most of these contributions, the election cycle-to-date total disclosed on Schedules A-P (Itemized Receipts) was incorrect. Amended reports filed subsequent to the audit notification letter materially corrected both the itemization and disclosure errors.

In response to the Preliminary Audit Report recommendation, JSFP stated it discovered "unspecified" issues with import functions where donor information would not be recognized as a potential duplicate, causing various donor aggregates to be inaccurate in final reports. These issues have been corrected with the amended reports previously filed. (For more detail, see p. 14.)

Finding 5. Reporting of Expenditures

During audit fieldwork, the Audit staff identified expenditures totaling \$49,797 that JSFP failed to itemize as required. In addition, expenditures totaling \$34,000 were not adequately disclosed. For most of these expenditures, the purpose was not disclosed or was inadequately disclosed. Amended reports filed subsequent to the audit notification letter materially corrected both the itemization and disclosure errors.

In response to the Preliminary Audit Report recommendation, JSFP indicated that, after receiving clarification from the Audit Commission and Analysis Division staff, it was able to identify all expenditures lacking proper itemization and adequate descriptions. JSFP filed amended reports which corrected these errors. (For more detail, see p. 16.)

Finding 6. Itemization of Candidate Loans

The Audit staff identified \$40,000 from the Candidate totaling \$40,000 that had not been reported correctly by JSFP. Amended reports filed subsequent to the audit notification letter materially corrected the reporting of these loans.

In response to the Preliminary Audit Report recommendation, JSFP indicated that, to date, all issues with candidate loans have been corrected. (For more detail, see p. 18.)

Part IV

Findings and Recommendations

Finding 1. Net Outstanding Campaign Obligations

Summary

The Audit staff's review of JSFP's financial activity through August 31, 2014, and estimated winding down costs indicated that the Candidate did not receive matching fund payments in excess of her entitlement.

In its response to the Preliminary Audit Report recommendations, FP provided no further comment.

Legal Standard

A. Net Outstanding Campaign Obligation (11 CFR §9034.5). Within 15 days of the candidate's date of ineligibility (see definition of "net outstanding campaign obligation" in 11 CFR §9034.5), the candidate must submit a statement of "net outstanding campaign obligation" among other things:

- The total of all committee assets, including cash-on-hand, amounts owed to the committee and capital assets less liabilities; and
- The total of all outstanding obligations, including campaign expenses; and
- An estimate of necessary winding-down costs. 11 CFR §9034.5(a).

B. Date of Ineligibility (11 CFR §9033.5). The date of ineligibility is whichever of the following dates occurs first:

- The day on which the candidate ceases to be active in more than one state;
- The 30th day following the date of the candidate's executive primary in which the candidate receives less than 10 percent of the popular vote;
- The day of the candidate's nomination period, which is generally the day when the candidate's name is announced for the general election; or
- The date of a state whose party does not make its selection at a national convention, or the date of the last national convention held by a major party in the calendar year. 11 CFR §§9032.6 and 9033.5.

C. Qualified Campaign Expense. Each of the following expenses is a qualified campaign expense:

- An expense that is:
 - Incurred by or on behalf of the candidate (or his or her campaign) during the period beginning on the day the individual becomes a candidate and continuing through the last day of the candidate's eligibility under 11 CFR §9033.5;
 - Made in connection with the candidate's campaign for nomination; and
 - Not incurred or paid in violation of any federal law or the law of the state where the expense was incurred or paid. 11 CFR §9032.9.

- An expense incurred for the purpose of determining whether an individual should become a candidate, if that individual subsequently becomes a candidate, regardless of when that expense is paid. 11 CFR §9034.4.
- An expense associated with winding down the campaign and terminating political activity. 11 CFR §9034.4(a)(3).

D. Entitlement to Matching Payments after Date of Ineligibility. If, on the date of ineligibility (see above), a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that he or she still has net outstanding campaign debts on the day when the matching payments are made. 11 CFR §9034.1(b).

E. Winding Down Costs. A primary election candidate who does not run in the general election may receive and use matching funds after notifying the Commission in writing of the candidate's withdrawal from the campaign for nomination or a date of the party's nominating convention, if the candidate has not withdrawn before the convention. A primary election candidate who runs in the general election must wait 31 days after the general election before using any matching funds for winding down costs, regardless of whether the candidate receives matching funds for the general election. 11 CFR §9034.11(d).

Facts and Analysis

A. Facts

The Candidate's date of ineligibility (DOI) was September 6, 2012. The Audit staff reviewed JSFP's financial activity through August 31, 2014, analyzed estimated winding down costs and prepared the Statement of Net Outstanding Campaign Obligations that appears on

Jill Stein for President
Statement of Net Outstanding Campaign Obligations
As of September 6, 2012
Prepared August 31, 2014[a]

Assets

Cash in Bank	\$ 57,302	
Accounts Receivable	31,443	
Total Assets		\$ 88,745

Liabilities

Accounts Payable for Qualified Campaign Expenses at 9/6/12	\$ 307,500	
Loans Payable to Candidate	100[b]¹¹	
Winding Down Costs:		
Actual Winding Down Costs Paid (12/7/12 – 8/3/13)	140 [c]	
Estimated Winding Down Costs (9/1/14 – 3/31/15)	55,960 [d]	
Total Liabilities		640
Net Outstanding Campaign Obligations (Deficit) as of September 6, 2012		\$ (421,895)

[a] The latest report filed by JSFP covered as of August 31,

[b] Loans payable at DOI.

[c] The General election was November 6, 2012. The winning candidate's term begins 31 days after the general election on December 12.

[d] Estimated winding down costs compared to actual winding down costs and adjusted accordingly.

Shown below are adjustments to the net outstanding campaign obligations as of September 6, 2012 through December 3, 2012.

After the Candidate's DOI on September 6, 2012 received its last matching fund payment.

Net Outstanding Campaign Obligations (Deficit) as of September 6, 2012		(\$421,895)
Less: Contributions Received (September 7, 2012 through December 3, 2012)		98,753
Less: Matching Funds Received September 7, 2012 through December 3, 2012		272,130
Remaining Net Outstanding Campaign Obligations (Deficit) as of December 3, 2012		\$ (51,012)

As presented above, JSFP has not received matching fund payments in excess of the amount to which the Candidate was entitled.

¹¹ This total represents all loans payable at DOI. Loan repayments of \$20,000 each were paid to the Candidate on September 11, 2012, and March 20, 2013, totaling \$40,000. The outstanding balance due on the loan is \$4,000.

The Audit staff presented a preliminary NOCO statement and related work papers to the JSFP representatives at the exit conference. After the exit conference, the representatives provided additional documentation as requested to update the NOCO statement.

B. Preliminary Audit Report Recommendation

The Preliminary Audit Report recommended that JSFP demonstrate any adjustments it believed were required in connection with any part of the NOCO statement or provide any other additional comments.

C. Committee Response to Preliminary Audit Report

In its response to the Preliminary Audit Report recommendation, JSFP provided no further comment.

Finding 2. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of JSFP's financial activity with its bank records revealed that, for 2012, JSFP understated its cash receipts and ending cash-on-hand by \$211,949, and \$106,128, respectively; and understated disbursements by \$13,850. Amendments filed subsequent to the audit did not materially correct the identified misstatements. However, JSFP filed amended reports subsequent to audit fieldwork to materially correct the misstatements.

In response to the Preliminary Audit Report recommendation, JSFP stated that, due to complications caused by its initial bookkeeper, initial filings lacked certain records and duplicated various expenses. Further, JSFP stated that, during fieldwork, it was able to identify shortcomings and made necessary corrections with the assistance of the audit staff. JSFP filed amended reports subsequent to audit work to correct the misstatements.

Legal Standard

Contents of Report. 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 election cycle;
- the total amount of disbursements for the reporting period and for the election cycle; and
- certain transactions that require itemization on Schedule A-P (Itemized Receipts) or Schedule B-P (Itemized Disbursements). 52 U.S.C. § 30104 (b)(1), (2), 3), (4) and (5).

Facts and Analysis

A. Facts

The Audit staff reconciled JSFP's reported financial activity with its bank records and determined that there was a misstatement of beginning and ending cash-on-hand, receipts and disbursements. The following chart outlines the discrepancies and succeeding paragraphs explain, to the extent possible, the reasons for the misstatements.

2012 Activity ¹²			
	Reported	Bank Records	Discrepancy
Beginning Cash-on-hand Balance @ January 1, 2012	\$19,000	\$19,328	\$328 Understated
Receipts	\$1,018,273	\$1,239,272	\$211,949 ¹³ Understated
Disbursements	\$1,121,822	\$1,135,372	\$13,850 ¹⁴ Overstated
Ending Cash-on-hand Balance @ December 31, 2012	\$35,425	\$141,578	128 ¹⁶ Understated

The beginning cash-on-hand was overstated by \$328 due to prior period discrepancies.

The understatement of receipts resulted from the following:

• Matching Funds not reported	\$ 100,000
• Contributions from individuals not reported	89,647
• In-kind contributions not reported	2,539
• Loans from the Candidate not reported	40,000 ¹⁷
• Offsets not reported	1,509
• Reimbursements not reported	4,235
• Receipts not reported by a deposit/credit	(23,772)
• Unidentified receipts	(2,209)
Understatement of receipts	\$ 211,949

The overstatement of disbursements resulted from the following:

• Inter-account transfers reported as disbursements	\$ (17,000)
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¹² This activity represents both general and primary election activity. See Footnote 6.

¹³ General election activity represents \$86,083, or 41% of the understated receipts totals.

¹⁴ General election activity represents (\$7,803), or 56% of the overstated disbursements totals.

¹⁵ JSFP's reported ending cash-on-hand balance does not calculate correctly due to a failure to carry forward the ending cash-on-hand balance of (\$75,680) from its 2012 September Monthly report as the beginning cash-on-hand on its 2012 October Monthly report. Absent this error, the correct ending cash balance as of December 31, 2012 should have been (\$84,549).

¹⁶ See Footnote 10.

¹⁷ The unreported loans from the Candidate, totaling \$40,000, were comprised of \$20,000 loaned for the primary election and \$20,000 loaned for the general election (see Finding 6).

• Reported voided checks	(3,765)
• Over-reported payroll disbursements	(2,585)
• Double reporting of Candidate loan repayment	(20,000)
• Disbursements reported not supported by a check/debit	(9,399)
• Operating expenditures reported twice	(23,108)
• Bank reversing entries reported as disbursements	(285)
• Operating expenditures not reported	61,082
• In-kinds not reported	2,539
• Refund not reported and other reporting errors	825
• Unidentified Difference	<u>(2,154)</u>
Net Overstatement of Disbursements	<u>(\$ 13,850)</u>

The understatement of ending cash-on-hand in the amount of \$13,850 resulted from the misstatements described above.

B. Preliminary Audit Report Recommendation

At the exit conference held at the end of audit fieldwork, the Audit staff explained the misstatements and subsequently provided JSFP representatives with schedules detailing these discrepancies. In response, the representatives agreed to amend JSFP's reports. The representatives offered no additional comments. Amendments filed subsequent to the audit notification letter had not materially corrected identified misstatements. However, additional amended reports filed subsequent to the exit conference materially corrected these misstatements.

The Preliminary Audit Report recommended that JSFP provide any additional information or write-in comments that it considered relevant to this matter.

C. Comments on Management's Response to the Audit Report

In response to the audit recommendation, JSFP stated that, due to complications caused by the bookkeeper, initial filings lacked certain records and duplicate entries. Further, JSFP stated that, during fieldwork, it was able to identify shortcomings related to this finding and made necessary corrections with the assistance of the audit staff. As noted above, JSFP filed amended reports subsequent to audit fieldwork to correct the misstatements.

Finding 3. Disclosure of Debts and Obligations

Summary

During audit fieldwork, the Audit staff identified debts totaling \$78,043 not disclosed on Schedule D-P (Debts and Obligations), as required. Amendments filed subsequent to the audit notification letter disclosed some of these debts. JSFP filed amended reports to materially disclose these debts and obligations.

In response to the Preliminary Audit Report recommendation, a JSFP representative stated that, during the course of audit fieldwork, JSFP was able to identify various debts and obligations that were previously unreported due to mistakes made by the initial bookkeeper. JSFP filed amended reports subsequent to audit fieldwork which materially corrected the disclosure of these debts and obligations.

Legal Standard

A. Continuous Reporting Required. An authorized committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 52 U.S.C. §30104(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. An authorized committee must file separate schedules for debts owed by and to the committee with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.

- Once it has been outstanding 60 days from the date incurred, a debt of \$500 or less must be reported on the next regularly scheduled report.
- A debt exceeding \$500 must be closed in the report that covers the date on which the debt was incurred, including accrued interest and administrative expenses (such as rent) shall not be reported as a separate debt. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the audit staff reviewed the accounts receivable and disbursement records to reconcile the accounts. Vendors provided JSFP mainly with services such as ballot access petitioning, legal services, printing, television advertising, and other convention services. The Audit staff identified debts of these vendors totaling \$178,043¹⁸ that were not disclosed on Schedule D-P, as

B. Preliminary Audit Report Recommendation

The Audit staff discussed this matter to JSFP representatives at the exit conference and provided schedules detailing the unreported debts for each reporting period. The representatives agreed to file amendments, but offered no additional comments during the exit conference. The Audit staff reviewed amended reports filed after the audit notification letter and concluded that debts totaling \$4,501 have not yet been disclosed.

The Preliminary Audit Report recommended that JSFP provide documentation demonstrating that the remaining \$4,501 in expenditures did not require reporting on

¹⁸ Each debt amount was counted once, even if it required disclosure over multiple reporting periods.

Schedule D-P. Absent such documentation, it was further recommended that JSFP amend its reports to disclose the remaining outstanding debts.

C. Committee Response to Preliminary Audit Report

In response to the Preliminary Audit Report recommendation, a JSFP representative stated that, during the course of audit fieldwork, JSFP was able to identify various debts and obligations that were previously unreported due to mistakes made by the initial bookkeeper. JSFP filed amended reports subsequent to audit fieldwork which materially corrected the disclosure of these debts and obligations.

Finding 4. Reporting of Receipts

Summary

During audit fieldwork, the Audit staff's review identified contributions from individuals totaling \$23,071 that JSFP failed to itemize. In addition, receipts totaling \$2 were not adequately disclosed. For most of these contributions, the election cycle total was not disclosed on Schedules A-P (Itemized Receipts). Amended reports filed subsequent to the audit notification letter materially corrected both the itemization and disclosure errors.

In response to the Preliminary Audit Report recommendation, JSFP stated it discovered "unspecified" issues with import functions which information would not be recognized as a potential liability, causing various aggregates to be inaccurate in final reports. These errors have been corrected with the amended reports previously filed.

Legal Standard

- A. Itemization Requirements from Individuals.** An authorized committee must disclose any contribution from an individual if it exceeds \$200 per election cycle, or if it is combined with other contributions from the same contributor. 52 U.S.C. §30404(b)(3)(A).
- B. Election Cycle.** The election cycle begins on the first day following the date of the previous general election and ends on the date of the next general election. If contributions or expenditures are designated for another election cycle, then the election cycle begins when the first contribution is received or expenditure is made. 11 CFR §100.3(b).
- C. 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 mailing address;
 - 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 52 U.S.C§30104(b)(3)(A).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed all contributions from individuals whose contributions aggregated in excess of \$200. These reviews identified the following:

1. **Contributions Not Itemized** - There were 268 contributions from individuals totaling \$23,071¹⁹ that JSFP failed to itemize on Schedule A-P (Itemized Receipts), as required.
2. **Contributions Not Adequately Disclosed** - There were 250 contributions from individuals totaling \$57,622, for which the election cycle-to-date amounts and/or contributor names were either incorrectly reported or missing.

These itemization and disclosure errors resulted mainly from:

- Multiple contributor identification numbers were created in JSFP's database for the same individual mainly resulting from an incorrect data entry of contributor information. For example, the name has been entered incorrectly for contributions that were apparently from the same individual;
- The Audit staff's review of the receipts database provided by JSFP resulted in the determination that approximately 1,780²⁰ receipts had been omitted from the database. JSFP representatives could not explain why these receipts had been omitted. Although these items did not require itemization, the omission of these items could aggregate election-to-date amounts on contributions from the same individuals to be incorrect.

B. Findings and Recommendations

At the exit conference held at the end of audit fieldwork, the Audit staff explained the errors and subsequently provided JSFP representatives with schedules detailing these discrepancies. In response, the representatives agreed to amend JSFP's reports. The representatives offered additional comments during the exit conference.

Subsequent to the exit conference, the Audit staff reviewed amended reports filed after the audit notification letter and concluded that the amendments materially corrected both the itemization and disclosure errors noted above.

¹⁹ Of this amount, \$6,272 is included in Finding 2, Misstatement of Financial Activity, as part of the receipts adjustment of \$89,647 for contributions from individuals not reported.

²⁰ These items are included in the adjustments for receipts presented at Finding 2, Misstatement of Financial Activity.

The Preliminary Audit Report recommended that JSFP provide any additional information or written comments that it considered relevant to this matter.

C. Committee Response to Preliminary Audit Report

In response to the Preliminary Audit Report recommendation, JSFP stated it discovered "unspecified" issues with its FECFile import functions where donor information was not recognized as a potential duplicate, causing various donor aggregates to be inaccurately reported. JSFP filed amended reports which corrected these errors.

Finding 5. Reporting of Expenditures

Summary

During audit fieldwork, the Audit staff identified expenditures for primary election totaling \$49,797 that JSFP failed to itemize as required. In addition, expenditures for the primary election totaling \$314,673 were not adequately disclosed. For many of these expenditures, the purpose was not disclosed or inadequately disclosed. Amended reports filed subsequent to the audit notification letter partially corrected both the itemization and disclosure errors.

In response to the Preliminary Audit Report recommendation, JSFP indicated that, after receiving clarification from the Audit Division staff, it was able to identify all expenditures lacking proper descriptions. JSFP filed amended reports which corrected these errors.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200, the committee must report the:

- when the expenditures were made;
 - the purpose, and
 - a brief description of why the disbursement was made—see below).
- 52 U.S.C. § 30414(b)(5)(B) and 11 CFR §104.3(b)(4)(i).

B. Examples of Adequate and Inadequate Descriptions.

- 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).

C. Election Cycle. The election cycle begins on the first day following the date of the previous general election and ends on the date of the next general election. If

contributions and expenditures are designated for another election cycle, then the election cycle begins when the first contribution is received or expenditure is made. 11 CFR §100.3(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff's review of all itemizable operating expenditures for the primary election identified the following.

1. Operating Expenditures Not Itemized - There were expenditures totaling \$49,797²¹ that JSFP failed to itemize on Schedule (Itemized Disbursements).
2. Operating Expenditures Not Adequately Disclosed - JSFP did not adequately disclose 166 expenditures totaling \$314,673 on Schedule 1. A majority of the disclosure errors were caused by not disclosing a purpose or disclosing inadequate purposes, such as "consulting contract labor" and "professional fees", for operating expenditures. Other errors included incorrectly reporting payroll expenditures, along with the failure to disclose memo entries relating to expenditures for reimbursements to individuals.

B. Preliminary Audit Report

At the exit conference held at the end of audit fieldwork, the Audit staff explained the expenditure reporting issues and subsequently provided JSFP representatives with schedules detailing these issues. In response, the JSFP representatives agreed to amend its reports. The representatives offered no additional comments during the exit conference.

Subsequently, the Audit staff reviewed amended reports filed after the notification and determined that the amendments materially corrected both the errors and disclosures identified above.

The Preliminary Audit Report recommended that JSFP provide any additional information or comments that it considered relevant to this matter.

C. Committee Response to Preliminary Audit Report

In response to the Preliminary Audit Report recommendation, JSFP indicated that, after receiving clarification from the Audit staff, it was able to identify and correct all expenditures lacking proper itemization or inadequate descriptions with the amended reports previously filed.

²¹ Of this amount, \$45,200 is included in Finding 2, Misstatement of Financial Activity, as part of the adjustments for disbursements not reported.

Finding 6. Itemization of Candidate Loans

Summary

The Audit staff identified loans from the Candidate totaling \$40,000 that had not been reported correctly by JSFP. Amended reports filed subsequent to the audit notification letter materially corrected the reporting of these loans.

In response to the Preliminary Audit Report recommendation, JSFP indicated that all issues with the itemization of these Candidate loans have been corrected.

Legal Standard

- A. Reporting Loans.** All loans received by a committee must be itemized on Schedule A-P (Itemized Receipts) and continuously reported until repayments made on a loan must also be itemized. 11 CFR §§104.3(a)(4)(iv) (iii) and §104.11.
- B. Schedule C-P.** Both the original loan and payments to reduce principal must be reported each reporting period until the loan is repaid. The committee must report the following:
- The source of the loan; and
 - The type of loan the candidate received, such as a bank loan, mortgage account, credit card, or home equity line of credit, and the name of the lender, guarantors with the loan, and the date of the loan, for loan types or in accordance with §104.3(d) and §104.11. For "Loan Source" after the
- C. Schedule C-1.** A committee must obtain a loan from an advance on the candidate's line of credit or other line of credit for use in the candidate's campaign, the candidate's principal campaign committee must report the loan, covering the period when the loan was made, on Schedule C-1 or C-P-1:
- The date, amount, and interest rate of the loan, advance, or line of credit;
 - The name and address of the lending institution; and
 - The name and value of collateral or other sources of repayment that secure the loan, advance, or line of credit, if any. 11 CFR §104.3(d)(4).

Facts and Analysis

A. Facts

The Audit staff identified loans from the Candidate totaling \$40,000 that were not itemized correctly by JSFP. On June 22, 2012, JSFP received loans from the Candidate for the primary election in the amounts of \$14,000 and \$6,000 that were disclosed correctly on Schedule C-P but not itemized on Schedule A-P. In addition, on September 11, 2012, the Candidate made a loan for the general election in the amount of \$20,000 which was not itemized on either Schedules A-P or C-P.

It should be noted that the Audit staff's bank reconciliation for 2012 determined that the Candidate loans totaling \$40,000 discussed here were also not included in reported activity totals on the Detailed Summary Page of their respective reports (see Finding 2).

B. Preliminary Audit Report Recommendation

At the exit conference, the Audit staff provided JSFP representatives with schedules detailing these discrepancies. In response, the representatives agreed to amend JSFP's reports. The representatives offered no additional comments during the exit conference.

Subsequent to the exit conference, the Audit staff reviewed amended reports filed after the audit notification letter and concluded that the loans from ~~Candidate~~ were properly itemized on these amendments.

The Preliminary Audit Report recommended that JSFP provide additional information or written comments that it considered relevant to this:

C. Committee Response to Preliminary Audit Report
 In response to the Preliminary Audit Report recommendation, JSFP indicated that all issues with the itemization of these Candidate loans have been corrected.