



# 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.<sup>1</sup> 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 candidate 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 primary 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, p. 2.

## Financial Activity (p. 3)

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

## 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)

<sup>1</sup> 26 U.S.C. §9038(a).

<sup>2</sup> 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.

<sup>3</sup> 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**

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(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 prohibited contributions;
4. the disclosure of contributions and expenses;
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 the records;
10. other campaign operations under review.

## Inventory of Campaign Records

The Audit staff reviewed the inventory of campaign records before it begins work. JSFP records were materially complete and fieldwork commenced thereafter.

## 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.<sup>4</sup>

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<sup>4</sup> 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

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

<sup>5</sup> 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.

<sup>6</sup> 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)<sup>7</sup>

<b>Cash-on-hand @ October 11, 2011</b>	<b>\$ 0</b>
<b>Receipts</b>	
○ Contributions from Individuals <sup>8</sup>	815,851
○ Matching Funds Received <sup>9</sup>	72,130
○ Loans Received from the Candidate	64,000 <sup>10</sup>
○ Contributions from Political Parties	4,235
○ Offsets to Operating Expenditures	3,368
<b>Total Receipts</b>	<b>\$ 960,000</b>
<b>Disbursements</b>	
○ Operating Expenditures	1,071
○ Fundraising Disbursements	26,803
○ Loan Repayments	20,000
○ Contribution Refunds	1,170
<b>Total Disbursements</b>	<b>\$ 1,118,006</b>
<b>Cash-on-hand @ December 31, 2012</b>	<b>\$ 141,578</b>

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

<sup>8</sup> JSFP received approximately 8,400 contributions from approximately 6,000 individuals.

<sup>9</sup> 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.

<sup>10</sup> 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 reported 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 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 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 fieldwork to materially 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 the 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 Division and Reporting Division staff, it was unable 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 on P. 1. 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 itemization of 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 recommendation, the Candidate provided no further comment.

#### Legal Standard

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

- The total of all committee assets, including cash and cash equivalents, and amounts owed to the committee and capital assets listed on the balance sheet;
- The total of all outstanding obligations, including campaign expenses; and
- An estimate of necessary winding-down costs, as defined in 11 CFR §9034.5(a).

**B. Date of Ineligibility.** 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 day on which the candidate ceases to be active in a consecutive primary in which the candidate received 10 percent or more of the popular vote;
- The end of the nomination period, which is generally the day when the candidate is nominated for the general election; or
- In the case of a candidate whose party does not make its selection at a national convention, the last day 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 the day when the matching payments are made. 11 CFR §9034.1(b).

**E. Winding Down Costs.** A primary election candidate who has 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 on or before the 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 the audit reviewed JSFP's financial activity down costs and payments appears on the next page

ty (DOI) was September 6, 2012. The Audit staff through August 31, 2014, analyzed estimated winding down costs and the amount of Net Outstanding Campaign Obligations that

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

**Assets**

Cash in Bank	\$ 57,302	
Accounts Receivable	<u>31,443</u>	
<b>Total Assets</b>		<b>\$ 88,745</b>

**Liabilities**

Accounts Payable for Qualified Campaign Expenses at	,500	
Loans Payable to Candidate		b) <sup>11</sup>
<b>Winding Down Costs:</b>		
Actual Winding Down Costs Paid (12/7/12 – 8/31/14)	40 [c]	
Estimated Winding Down Costs (9/1/14 – 3/31/15)	<u>55,940</u>	
<b>Total Liabilities</b>		<b>10,640</b>
<b>Net Outstanding Campaign Obligations (Deficit)</b>	<b>September 6, 2012</b>	<b><u>\$ (421,895)</u></b>

- [a] The latest report filed by JSFP covered as of August 31, 2014.
- [b] Loans payable at DOI.
- [c] The General election was November 6, 2012. The winding down period begins 31 days after the General election on December 6, 2012.
- [d] Estimated winding down costs are compared to actual winding down costs and adjusted accordingly.

Shown below are adjustments to the net outstanding campaign obligations after the Candidate's DOI on September 6, 2012 through December 3, 2012. JSFP received its last matching fund payment on September 6, 2012.

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
<b>Remaining Net Outstanding Campaign Obligations (Deficit) as of December 3, 2012</b>		<b>\$ (51,012)</b>

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

<sup>11</sup> 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 receipts and ending cash-on-hand by \$211,949, and \$106,128, respectively; and disbursements by \$13,850. Amendments filed subsequently 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 in-house 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 fieldwork to correct the misstatements.

**Legal Basis**

Contents of financial reports 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 <sup>12</sup>			
	Reported	Bank Records	Discrepancy
Beginning Cash-on-hand Balance @ January 1, 2012	\$19,000	<del>19,328</del>	\$328 Understated
Receipts	\$1,018,273	<del>80,222</del>	\$211,949 <sup>13</sup> Understated
Disbursements	\$1,121,000	<del>1,107,900</del>	\$13,850 <sup>14</sup> Overstated
Ending Cash-on-hand Balance @ December 31, 2012	\$35,000	<del>141,578</del>	\$106,128 <sup>16</sup> 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 contribution not reported	2,539
• Loans from the candidate not reported	40,000 <sup>17</sup>
• Offsets not reported	1,509
• Revenues not reported	4,235
• Revenues identified by a deposit/credit	(23,772)
• Revenues identified	(2,209)
<b>Total understatement of Receipts</b>	<b>\$ 211,949</b>

The overstatement of disbursements resulted from the following:

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

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

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

<sup>15</sup> 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).

<sup>16</sup> See Footnote 10.

<sup>17</sup> 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>
<b>Net Overstatement of Disbursements</b>	<b><u>(\$ 13,850)</u></b>

The understatement of ending cash-on-hand in the amount 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 identified 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 amendments. Amendments filed subsequent to the audit notification letter had not materially corrected these 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 documentation that it considered relevant to this matter.

**C. Committee Response to Preliminary Audit Report**

In response to the Preliminary Audit Report recommendation, JSFP stated that, due to bookkeeping, initial filings lacked certain records and duplicate various expenses. In addition, JSFP stated that, during fieldwork, it was able to identify shortcomings related to this finding and made necessary corrections with the 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 instances and conditions under which each debt and obligation was incurred or discharged. 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 disclosed in the report that covers the date on which the debt was incurred, or the report covering administrative expenses (such as rent) shall not be reported as a separate item until the date of payment. 11 CFR §104.11(b).

### Facts and Analysis

#### A. Facts

During audit fieldwork, the accounts and disbursement records to reconcile the accounts of vendors provided JSFP mainly with services for ballot access petitioning, legal services, printing, television advertising, and party convention services. The Audit staff identified debts totaling \$78,043<sup>18</sup> that were not disclosed on Schedule D-P, as required.

#### B. Preliminary Report Recommendation

The Audit staff presented 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

<sup>18</sup> 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 522 were not adequately disclosed. For most of these contributions, the election cycle is total 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 where information would not be recognized as a potential issue, causing various aggregates to be inaccurate in final reports. These issues were corrected with the amended reports previously filed.

### Legal Standard

- A. Itemization of Contributions from Individuals.** An authorized committee may not accept a contribution from an individual if it exceeds \$200 per election cycle, either as a contribution or as a contribution combined with other contributions from the contributor. 52 CFR §301.100-3(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 \$23,071<sup>19</sup> that JSFP failed to itemize on Schedule A-P (Itemized Receipts), as required.
2. **Contributions Not Adequately Disclosed** - There were contributions from individuals totaling \$57,622, for which the election cycle-to-date amounts and/or contributor names were either incorrectly disclosed or missing.

These itemization and disclosure errors resulted in the following:

- Multiple contributor identification numbers were entered in JSFP's database for the same individual mainly resulting from incorrect entry of contributor information. For example, the contributor's last name had 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 1,780<sup>20</sup> 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 misstate election-to-date amounts on Schedule A-P and other contributions from the same individuals to be incorrect.

### B. Final Audit Report Recommendation

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 also provided 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.

<sup>19</sup> 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.

<sup>20</sup> 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 a 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 these expenditures, the purpose was not disclosed or inadequately disclosed. JSFP filed reports filed subsequent to the audit notification that 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. JSFP indicated that, after reports Analysis Division staff, it was inadequate descriptions.

### Legal Standards

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

- A
  - the date when the expenditures were made;
  - the name and address of the payee; and
  - a brief description of why the disbursement was made—see below).
- 52 U.S.C. § 3042(b)(5)(B) and 11 CFR §104.3(b)(4)(i).

### B. Examples of Expenditures

- 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 ~~166~~ expenditures totaling \$49,797<sup>21</sup> that JSFP failed to itemize on Schedule ~~1~~ (Itemized Disbursements).
2. **Operating Expenditures Not Adequately Disclosed** - JSFP ~~did not~~ not adequately disclose 166 expenditures totaling \$314,673 on Schedule ~~1~~ e majority of the disclosure errors were caused ~~by~~ not disclosing a purpose ~~and~~ disclosing inadequate purposes, such as "consulting ~~and~~ 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~~ to individuals.

### B. Preliminary Audit Report

At the exit conference held at the end of audit ~~the~~ the Audit staff explained the expenditure reporting errors and subsequently provided JSFP representatives with schedules detailing ~~the~~ discrepancies. In response, the JSFP representatives agreed to amend its reports ~~and~~ representatives offered ~~additional~~ additional comments during the exit conference.

Subsequent ~~to~~ the Audit staff reviewed amended reports filed after the audit notification ~~and~~ identified that the amendments materially corrected both the itemization and disclosure ~~errors~~ noted above.

The Preliminary Audit Report recommended that JSFP provide any additional information or ~~clarification~~ 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.

<sup>21</sup> 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 repaid. Repayments made on a loan must also be itemized. 11 CFR §§104.3(a)(4)(i), (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 bank loan, credit card, charge account, credit card, or home equity line of credit, either with or without guarantors and for endorsers and guarantors with a notation for loan type or in the "Loan Source" after the candidate's name. 11 CFR §§104.3(d) and §104.11.
- C. Schedule C-1.** If a candidate obtains a loan from an advance on the candidate's brokerage account, credit card, or other 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 on Schedule C-1 or C-P-1, covering the period when the loan was obtained, the following information 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 type 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 the

**C. Committee Response to Preliminary Audit Report**

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