



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

June 30, 2016

**MEMORANDUM**

**To:** The Commission

**Through:** Alec Palmer  
Staff Director

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

Thomas E. Hintermister *TH*  
Assistant Staff Director  
Audit Division

Nicole Burgess *NB*  
Audit Manager

**By:** Tesfai Asmamaw *TA*  
Lead Auditor

**Subject:** Audit Division Recommendation Memorandum on Brenda Lawrence for Congress (BLFC) (A15-03)

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

**Misstatement of Financial Activity**

The Audit staff determined that BLFC misstated its financial activity for calendar year 2014. The disbursements were understated by \$25,608 and ending cash-on-hand was overstated by \$23,810. Subsequent to the exit conference, BLFC filed amended disclosure reports and materially corrected the disbursements. However, ending cash-on-hand remained materially misstated by \$8,022. In response to the Interim Audit Report recommendation, BLFC filed amended disclosure reports that materially corrected the 2014 ending cash-on-hand. As such, BLFC has corrected the public record and had no additional comments in response to the DFAR.

The Audit staff recommends that the Commission find that BLFC misstated its financial activity for calendar year 2014, as stated above.

**BLFC 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 Tesfal Asmamaw or Nicole Burgess at 694-1200.**

**Attachment:**

- Draft Final Audit Report of the Audit Division on Brenda Lawrence for Congress**

**cc: Office of General Counsel**



**Draft Final Audit Report of the  
Audit Division on  
Brenda Lawrence for Congress  
(November 7, 2013 – December 31, 2014)**

**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).<sup>1</sup> The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act. The audit determined 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 the matter discussed in this report.

**About the Campaign (p. 2)**

Brenda Lawrence for Congress is the principal campaign committee for Brenda Lawrence, Democratic candidate for the United States House of Representatives from the state of Michigan, 14<sup>th</sup> District, and is headquartered in Southfield, Michigan. For more information see the Campaign Organization Chart, p.

**Financial Activity (p. 2)**

• Contributions from Individuals	\$ 528,753
• Contributions from Other Political Committees	249,900
<b>Total Receipts</b>	<b>\$ 778,653</b>
<b>Disbursements</b>	
• Operating Expenditures	\$ 673,351
• Contribution Refunds	1,000
• Other Disbursements	12,000
<b>Total Disbursements</b>	<b>\$ 686,351</b>

**Finding and Recommendation (p. 3)**

- Misstatement of Financial Activity

<sup>1</sup> 52 U.S.C §30111(b)

# **Draft Final Audit Report of the Audit Division on Brenda Lawrence for Congress**

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(November 7, 2013 - December 31, 2014)



**DRAFT**

# 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. Summary</b>	
Finding and Recommendation	3
<b>Part IV. Finding and Recommendation</b>	
Misstatement of Financial Activity	4

## Part I Background

### Authority for Audit

This report is based on an audit of Brenda Lawrence for Congress (BLFC), 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 52 U.S.C. §30111(b), which permits the Commission to conduct audits and field investigations of political committees that are required to file a report under 52 U.S.C. §30104. 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. 52 U.S.C. §30111(b).

### Scope of Audit

Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:

1. the disclosure of individual contributors' occupation and name of employer;
2. the disclosure of disbursements and obligations;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other campaign operations necessary to the conduct of the campaign.

## Part II Overview of Campaign

### Campaign Organization

<b>Important Dates</b>	
• Date of Registration	November 27, 2013
• Audit Coverage	November 2013 – December 31, 2014
<b>Headquarters</b>	
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Two checking, one savings
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Joe Livioti (3/17/14 – 3/16/15) Robert S. Burda (4/30/14 – 10/13/15) Linda Singerholzer (10/14/14 – Present)
• Treasurer During Period Covered by Audit	Sharon Bowman (11/27/13 – 3/16/15)
<b>Management Information</b>	
• Attended Commission Campaign Finance Seminar	
• Who Handled Accounting and Recordkeeping Tasks	

### Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ November 7, 2013	\$ 121
<b>Receipts</b>	
o Contributions from Individuals	528,753
o Contributions from Other Political Committees	249,900
<b>Total Receipts</b>	<b>\$ 778,653</b>
<b>Disbursements</b>	
o Operating Expenditures	673,351
o Contribution Refunds	1,000
o Other Disbursements	12,000
<b>Total Disbursements</b>	<b>\$ 686,351</b>
Cash-on-hand @ December 31, 2014	\$ 92,423

## **Part III Summary**

### **Finding and Recommendation**

#### **Misstatement of Financial Activity**

During audit fieldwork, a comparison of BLFC's reported activity with its bank records identified a misstatement in 2014. In 2014, disbursements were understated by \$25,608 and ending cash-on-hand was overstated by \$23,810. Subsequent to the exit conference, BLFC filed amended disclosure reports and materially corrected the disbursements. However, ending cash-on-hand remained materially misstated by \$8,022. In response to the Interim Audit Report recommendations, BLFC filed amended disclosure reports which fully corrected the ending cash-on-hand. As such, BLFC has corrected the public record.  
(For more detail, see p. 4.)

## Part IV

# Finding and Recommendation

### Misstatement of Financial Activity

#### Summary

During audit fieldwork, a comparison of BLFC's reported activity with its bank records identified a misstatement in 2014. In 2014, disbursements were understated by \$25,608 and ending cash-on-hand was overstated by \$23,810. Subsequent to the exit conference, BLFC filed amended disclosure reports and materially corrected the disbursements. However, ending cash-on-hand remained materially misstated by \$8,022. In response to the Interim Audit Report recommendations, BLFC filed amended disclosure reports which materially corrected the ending cash-on-hand. As such, BLFC has corrected the public record.

#### 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 election cycle;
- The total amount of disbursements for the reporting period and for the election cycle; and
- Certain transactions that require itemization (e.g., Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements) 52 U.S.C. § 30104(f)(7), (3), (4) and (5).

#### Facts and Analysis

##### A. Facts

During audit fieldwork, the auditor reconciled BLFC's reported activity with its bank records for 2014. The following chart compares the discrepancies between BLFC's 2014 disclosure reports and its bank records. The subsequent paragraphs explain why the discrepancies occurred.

2014 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2014	\$92,871	\$90,036	\$2,835 Overstated
Receipts	\$673,212	\$677,845	\$4,633 Understated
Disbursements	\$649,850	\$675,458	\$25,608 Understated
Ending Cash Balance @ December 31, 2014	\$116,233	\$92,423	\$23,810 Overstated

The beginning cash-on-hand balance was overstated by \$2,835 and resulted from prior-period discrepancies.

The understatement of disbursements resulted from the following:

• Unreported disbursements	+ 28,816
• Disbursement reported twice	- 2,983
• Reported, disbursements that did not clear the bank	- 225
<b>Net Understatement of Disbursements</b>	<b>+ \$25,608</b>

The misstatements described above resulted in the overstatement of the ending cash-on-hand balance by \$23,810.

#### **B. Interim Audit Report & Audit Division Recommendation**

The Audit staff discussed this matter during the exit conference and provided BLFC representatives with the 2014 bank reconciliation. The BLFC representatives concurred with the misstatement finding. Subsequent to the exit conference, BLFC filed amended disclosure reports which materially corrected the disbursements misstatement. However, the ending cash-on-hand remained materially misstated by \$8,022.

The Interim Audit Report recommended that BLFC reconcile the ending cash balance on its most recent report to identify any subsequent discrepancies that could affect the recommended remaining \$8,022 adjustment. The Interim Audit Report further recommended that BLFC adjust the cash balance, as necessary, on its most recent report, noting that the adjustment is the result of prior-period audit adjustments.

#### **C. Committee Response to Interim Audit Report**

In response to the Interim Audit Report recommendations, BLFC filed amended disclosure reports which materially corrected the ending cash balance misstatement identified by the Audit staff. BLFC stated that it has taken steps to bolster its compliance operations and engaged a new compliance firm to handle its accounting and report preparation functions. As such, BLFC complied with the Interim Audit Report recommendations and corrected the public record.