



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).¹ 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 determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to 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, 14th District, and is headquartered in Southfield, Michigan. For more information, see the Campaign Organization Chart, p. 2.

Financial Activity (p. 2)

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

Finding and Recommendation (p. 3)

- Misstatement of Financial Activity

¹ 52 U.S.C §30111(b)

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Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Part II. Overview of Campaign	
Campaign Organization	2
Overview of Financial Activity	2
Part III. Summary	
Finding and Recommendation	3
Part IV. Finding and Recommendation	
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 any political committee that is 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, debts and obligations;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other campaign operations necessary to the review.

Part II

Overview of Campaign

Campaign Organization

Important Dates	
• Date of Registration	November 27, 2013
• Audit Coverage	November 7, 2013 – December 31, 2014
Headquarters	
Southfield, Michigan	
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Two checking, one savings
Treasurer	
• Treasurer When Audit Was Conducted	Joe Livioti (3/17/15 - 4/29/2015) Robert S. Dziurda (4/30/15 – 10/13/15) Lindsay Angerholzer (10/14/15 – Present)
• Treasurer During Period Covered by Audit	Sharon Baseman (11/27/13 – 3/16/15)
Management Information	
• Attended Commission Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ November 7, 2013	\$ 121
Receipts	
○ Contributions from Individuals	528,753
○ Contributions from Other Political Committees	249,900
Total Receipts	\$ 778,653
Disbursements	
○ Operating Expenditures	673,351
○ Contribution Refunds	1,000
○ Other Disbursements	12,000
Total Disbursements	\$ 686,351
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 materially 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 on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 52 U.S.C. §30104(b)(1), (2), (3), (4) and (5).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled BLFC's reported activity with its bank records for 2013 and 2014. The following chart outlines the discrepancies between BLFC's 2014 disclosure reports and its bank records. The succeeding 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	-	<u>225</u>
Net Understatement of Disbursements	+	<u>\$25,608</u>

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, ending cash-on-hand remained materially misstated by \$8,022.

The Interim Audit Report recommended that BLFC reconcile the 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-on hand 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.