



# **Final Audit Report of the Commission 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 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, 14<sup>th</sup> District, and is headquartered in Southfield, Michigan. For more information, see the Campaign Organization Chart, p. 2.

## **Financial Activity** (p. 2)

• <b>Receipts</b>	
○ 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>

## **Commission Finding** (p. 3)

- Misstatement of Financial Activity

---

<sup>1</sup> 52 U.S.C §30111(b)

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

---

**(November 7, 2013 - December 31, 2014)**



# **Table of Contents**

## **Page**

### **Part I. Background**

Authority for Audit	1
Scope of Audit	1
Audit Hearing	1

### **Part II. Overview of Campaign**

Campaign Organization	2
Overview of Financial Activity	2

### **Part III. Summary**

Commission Finding	3
--------------------	---

### **Part IV. Commission Finding**

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.

### **Audit Hearing**

BLFC declined the opportunity for a hearing before the Commission on the matter presented in this report.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	
• Date of Registration	November 27, 2013
• Audit Coverage	November 7, 2013 – December 31, 2014
<b>Headquarters</b>	Southfield, Michigan
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Two checking, one savings
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Joe Livioti (3/17/15 - 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)
<b>Management Information</b>	
• Attended Commission Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

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

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

## **Part III Summary**

### **Commission Finding**

#### **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 and had no additional comments in response to the Draft Final Audit Report.

The Commission approved a finding that BLFC misstated its financial activity for calendar year 2014. (For more detail, see p. 4.)

## Part IV

# Commission Finding

### 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 and had no additional comments in response to the Draft Final Audit Report.

The Commission approved a finding that BLFC misstated its financial activity for calendar year 2014.

#### 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.

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

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, 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.

#### **D. Draft Final Audit Report**

The Draft Final Audit Report acknowledged that BLFC amended its disclosure reports to materially correct its disclosure reports. Further BLFC made organizational changes to better handle accounting and reporting functions in the future.

#### **E. Committee Response to the Draft Final Audit Report**

BLFC's response to the Draft Final Audit Report provided no additional comments.

#### **Commission Conclusion**

On August 3, 2016, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that BLFC misstated its financial activity for calendar year 2014.

The Commission approved the Audit staff's recommendation.