



THE FEDERAL ELECTION COMMISSION 2018 MAY 23 AM 9:54
Washington, DC 20463

May 23, 2018

MEMORANDUM

To: The Commission

Through: Alec Palmer *AP*
Staff Director

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

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

Marty Favin *MLF*
Audit Manager

By: Scott Dotzler *SWD*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on Mike Bishop for
Congress (MBFC) (A17-04)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presented the Draft Final Audit Report (DFAR) to Mike Bishop for Congress on April 26, 2018 (see attachment). In response to the DFAR, the committee did not provide any additional comments. Mike Bishop for Congress did not request an audit hearing.

This memorandum provides the Audit staff's recommendation for each finding outlined in the DFAR. The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

Reporting of Debts and Obligations

After the exit conference, the committee filed amended reports that materially complied with the recommendation. In response to the Interim Audit Report, the Treasurer stated that she had no formal response to the Interim Audit Report recommendation. In response to the DFAR, the committee did not provide any additional comments.

The Audit staff recommends that the Commission find that MBFC failed to disclose debts and obligations to ten vendors totaling \$139,524.

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 Scott Dotzler or Marty Favin at 694-1200.

Attachment:

- **Draft Final Audit Report of the Audit Division on Mike Bishop for Congress**

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on Mike Bishop for Congress

(January 1, 2015 - December 31, 2016)

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). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.¹ 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)

Mike Bishop for Congress is the principal campaign committee for Mike Bishop, Republican candidate for the United States House of Representatives from the state of Michigan, 8th Congressional District, and is headquartered in Brighton, Michigan. For more information, see the Campaign Organization chart, p.2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 705,312
○ Contributions from Political Committees	924,834
○ Transfers from Other Authorized Committees	6,619
○ Other Receipts	3,305
Total Receipts	\$ 1,640,070
• Disbursements	
○ Operating Expenditures	\$ 1,573,276
○ Contribution Refunds	100
○ Other Disbursements	15,100
Total Disbursements	\$ 1,588,476

Finding and Recommendation (p. 3)

- Reporting of Debts and Obligations

¹ 52 U.S.C. §30111(b).

Draft Final Audit Report of the Audit Division on Mike Bishop for Congress

(January 1, 2015 - December 31, 2016)

DRAFT



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	
Reporting of Debts and Obligations	4

DRAFT

Part I

Background

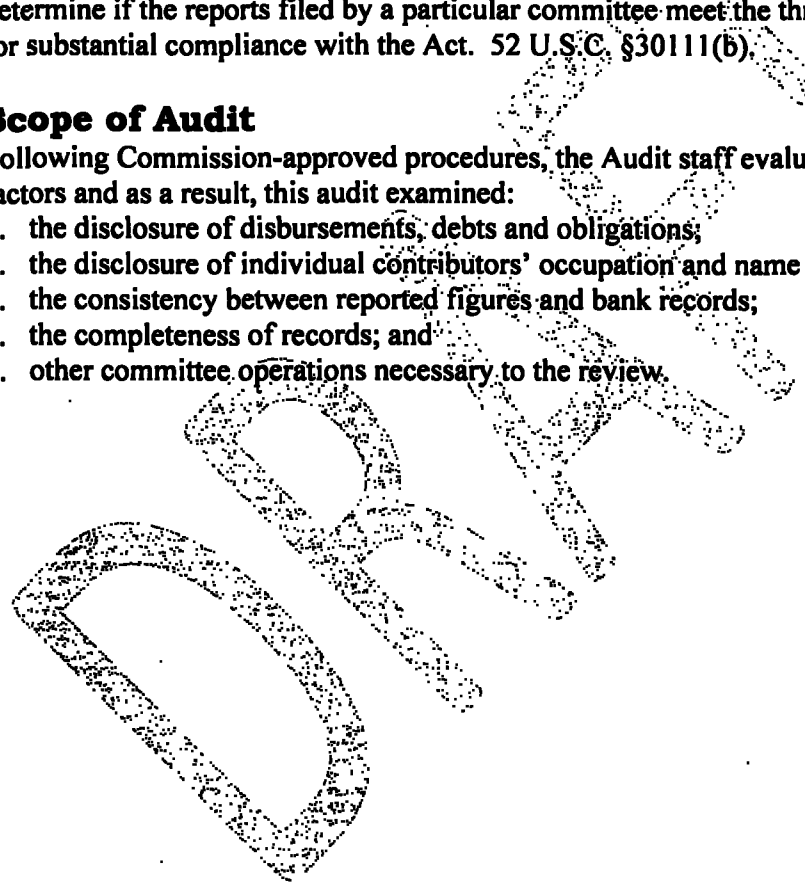
Authority for Audit

This report is based on an audit of Mike Bishop for Congress (MBFC), 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 disbursements, debts and obligations;
2. the disclosure of individual contributors' occupation and name of employer;
3. the consistency between reported figures and bank records;
4. the completeness of records; and
5. other committee operations necessary to the review.



Part II

Overview of Campaign

Campaign Organization

Important Dates	
• Date of Registration	April 4, 2014
• Audit Coverage	January 1, 2015 - December 31, 2016
Headquarters	
Brighton, Michigan	
Bank Information	
• Bank Depositories	One
• Bank Accounts	One checking
Treasurer	
• Treasurer When Audit Was Conducted	Valerie Tillstrom
• Treasurer During Period Covered by Audit	Valerie Tillstrom
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ January 1, 2015	\$ 40,589
Receipts	
o Contributions from Individuals	705,312
o Contributions from Political Committees	924,834
o Transfers from Other Authorized Committees	6,619
o Other Receipts	3,305
Total Receipts	\$ 1,640,070
Disbursements	
o Operating Expenditures	1,573,276
o Contribution Refunds	100
o Other Disbursements	15,100
Total Disbursements	\$ 1,588,476
Cash-on-hand @ December 31, 2016	\$ 92,183

Part III Summary

Finding and Recommendation

Reporting of Debts and Obligations

During audit fieldwork, the Audit staff noted that MBFC failed to disclose debts and obligations to ten vendors totaling \$139,524. Subsequent to the exit conference, MBFC amended its disclosure reports to include these debts and obligations on Schedule D (Debts and Obligations) which materially corrected the public record. The Treasurer stated that she had no formal response to the Interim Audit Report recommendation. (For more detail, see p. 4.)

DRAFT

Part IV

Finding and Recommendation

Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that MBFC failed to disclose debts and obligations to ten vendors totaling \$139,524. Subsequent to the exit conference, MBFC amended its disclosure reports to include these debts and obligations on Schedule D (Debts and Obligations) which materially corrected the public record. The Treasurer stated that she had no formal response to the Interim Audit Report recommendation.

Legal Standard

- A. Continuous Reporting Required.** A political 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.** A political committee must file separate schedules for debts owed by the committee and debts owed to the committee, together 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.**
- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it 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. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed MBFC's disbursement records and disclosure reports for proper reporting of debts and obligations. This review identified debts owed to ten vendors totaling \$139,524² that MBFC failed to report on Schedule D during the audit period. Based on a review of the records, these vendors mainly provided advertising, solicitation/fundraising and consulting services. The Audit staff calculated the debts owed to the vendors based on the invoice date and the subsequent payment date. Debts were outstanding for periods ranging from 23³ to 186 days.

B. Interim Audit Report & Audit Division Recommendation

² Each debt in this amount was counted only once even if it was required to be disclosed over multiple periods.

³ Three debts were outstanding for 23, 24, and 29 days, respectively. Each of these items were outstanding at the end of reporting periods and therefore reportable.

The Audit staff discussed the reporting of debts and obligations with MBFC representatives at the exit conference and provided a schedule detailing the transactions requiring disclosure on Schedule D. MBFC representatives acknowledged they understood the schedule and would submit corrective amended disclosure reports. Subsequent to the exit conference, MBFC amended its disclosure reports to include these debts and obligations on Schedule D which materially corrected the public record.

The Interim Audit Report recommended that MBFC provide any additional comments it may have with respect to this matter.

C. Committee Response to Interim Audit Report

The Treasurer stated that she had no formal response to the Interim Audit Report recommendation.

DRAFT