



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

AK004481

December 15, 1993

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
UNITED CONSERVATIVES OF AMERICA

Attached please find a copy of the final audit report on United Conservatives of America which was approved by the Commission on December 7, 1993.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library



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MW004870

REPORT OF THE AUDIT DIVISION
ON
UNITED CONSERVATIVES OF AMERICA

I. Background

A. Overview

This report is based on an audit of United Conservatives Of America ("the Committee") undertaken by the Audit Division of the Federal Election Commission ("the Commission") in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. Prior to conducting any audit under this section, the Commission shall 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.

The Committee registered with the Federal Election Commission on August 4, 1988, and maintains its headquarters in McLean, Virginia. The audit covered the period from January 1, 1989, through December 31, 1990. The Audit staff could only perform certain reviews through October 31, 1990, the closing date of the last report filed by the Committee at the time of fieldwork. During the period January 1, 1989 through October 31, 1990, the Committee reported a cash balance on January 1, 1989, of \$4,678.89, total receipts of \$1,666,759.83, total disbursements of \$1,656,944.73 and a cash balance on October 31, 1990, of \$2,130.26.^{1/}

^{1/} Totals do not foot due to Committee math errors.

This audit report is based upon documents and work papers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The treasurer on file for the Committee throughout the audit period was Gregory A. Foster. On March 16, 1989, the Commission received a letter from Mr. Guy Rodgers stating that he had been hired as the Executive Director of the Committee. Mr. Rodgers signed as the treasurer all Committee reports filed in 1989. In 1990, Mr. Robert G. Mills began signing the Committee reports as the treasurer and is currently the Executive Director of the Committee. No amendment to the Statement of Organization was filed for either of the apparent changes of treasurer.

C. Scope

The audit review included such tests as verification of total reported receipts, disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances. Due to the lack of sufficient documentation for payment of rent and phone expenses and loans received from individuals, testing relative to these areas is incomplete. In addition, tests to verify adequate disclosure of receipts and disbursements was limited as a result of no reports being filed for the period November 1, 1990 through December 31, 1990.

II. Audit Findings and Recommendations

A. Failure to File Disclosure Reports

Section 434(a)(1) of Title 2 of the United States Code states, in relevant part, that the treasurer of a political committee shall file reports of receipts and disbursements in accordance with the provisions of the Act.

Section 434(a)(4)(A) and (B) of Title 2 of the United States Code state, in relevant part, that all political committees other than authorized committees of a candidate shall file quarterly reports in a calendar year in which a regularly scheduled general election is held; and file a post-general election report which shall be complete as of the 20th day after such general election and includes the requirement to file a year-end report.

The last report filed by the Committee at the time of fieldwork was received by the Commission on April 24, 1991 and covered the period of October 1, 1990, through October 31, 1990.

The Commission's Reports Analysis Division considered that report a pre-general election report. The Committee failed to file a post-general election report which would include the period from November 1, 1990, through November 26, 1990. Additionally, the Committee failed to file a Year End 1990 Report for the period November 27, 1990, through December 31, 1990.

At the exit conference, the Audit staff recommended that the Committee file the missing reports. On February 11, 1992, the Committee filed these reports.

Recommendation #1

The Audit staff recommends no further action.

B. Misstatement of Financial Activity

Section 434(b) of Title 2 of the United States Code states, in relevant part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and the total amount of all disbursements received or made during the reporting period and the calendar year.

The Audit staff performed a reconciliation of the Committee bank accounts to its disclosure reports filed through October 31, 1990, and determined that material differences existed in 1990. Reported beginning cash was overstated by \$8,587.66, reported receipts were understated by \$11,477.76, reported disbursements were overstated by \$ 8,129.14, and ending cash was understated by \$11,020.60.

The misstatement of beginning cash can be primarily attributed to a difference of \$7,792.03 between the ending cash reported by the Committee as of December 31, 1989 (\$12,556.59) and the beginning cash reported as of January 1, 1990 (\$20,348.62). The ending cash-on-hand figure for December 31, 1989 was materially correct. Committee officials provided no explanation for this reporting discrepancy.

The receipts misstatement was primarily the result of an understatement in reported receipts on the 3rd-quarter 1990 disclosure report. The Audit staff identified \$26,614.85 more in bank deposits than were included in the totals used by the Committee in determining its reported receipts for individuals. However, the Audits staff noted \$18,500 in reported loan receipts which could not be traced to identifiable bank deposits. Thus, the net result would be an understatement of \$8,114.85 in receipts on its disclosure reports with a reconciling item of \$3,362.91 for the remaining periods.

The misstatement of disbursements was the net result of 12 disbursements totaling \$14,353.12 which were reported in both the 3rd-quarter 1990 and October 1990 disclosure reports. In

addition, there was a net overstatement of \$8,324.03 for disbursements where the Committee made math errors and amounts were reported incorrectly. Finally, \$14,031.15 in disbursements were not reported by the Committee and a there was a reconciling item of \$516.86.

In the absence of Committee workpapers detailing the preparation of its disclosure reports and without documentation of loans received, which was requested by the Audit staff but not yet provided by the Committee, the Audit staff was unable to determine the composition of the reconciling items.

At the exit conference, the Committee was given photocopies of audit work papers which described the required adjustments to reported activity. The Audit staff explained the procedures used in calculating the adjusted amounts and informed the Committee that they would be required to file a comprehensive amendment covering the period January 1, 1990, through October 31, 1990. At the Committee's request the Audit staff explained the amendment process and identified which pages of the FEC forms the Committee should use. A representative of the Committee's accounting firm stated that the Committee would file the amendments as requested. On February 11, 1992, the Committee filed a comprehensive amendment to its disclosure reports that materially corrected the record.

Recommendation #2

The Audit staff recommends no further action.

C. Matters Referred to the Office of General Counsel

Other matters noted during the audit have been referred to the Commission's Office of General Counsel.