



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20541

March 31, 1992

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT
ON ENRON POLITICAL ACTION COMMITTEE

Attached please find a copy of the Final Audit Report on Enron Political Action Committee, which was approved by the Commission on March 18, 1992.

~~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



FEDERAL ELECTION COMMISSION
WASHINGTON D C 20463

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FINAL REPORT OF THE AUDIT DIVISION
ON
ENRON POLITICAL ACTION COMMITTEE

I. Background

A. Overview

This report is based on an audit of Enron Political Action Committee, ("the Committee"), undertaken by the Audit Division of the Federal Election 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 October 20, 1978 under the name Northern Political Action Committee (NORPAC) and was originally headquartered in Omaha, Nebraska. The Committee filed an amended Statement of Organization on January 16, 1987, changing its name to Enron Political Action Committee.^{1/} Its headquarters is in Houston, Texas.

The audit covered the period from January 1, 1989 to December 31, 1990. The Committee reported a cash balance on January 1, 1989 of \$324.53; total receipts of \$335,796.37; total disbursements of \$336,246.00; and a cash balance on December 31, 1990 of \$125.10.^{2/}

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- ^{1/} Prior to the amendment, the Committee's name was changed from Northern Political Action Committee to InterNorth Political Action Committee to ENG/InterNorth PAC.
- ^{2/} The Committee's reported cash balances were understated. See Finding II. A.-

This report is based on documents and workpapers supporting each of its factual statements. The documents and workpapers form part of the record upon which the Commission based its decisions on the matters in this report, and were available to Commissioners and appropriate staff for review.

B. Key Personnel

During the period covered by the audit, the treasurer of the Committee was Robbie Leaver.

C. Scope

The audit included such tests as verification of total reported receipts and 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.

II. Audit Findings and Recommendations

A. Misstatement of Financial Activity

Sections 434(b)(1), (2) and (4) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash on hand at the beginning of each reporting period, the total amount of all receipts, and the total amount of all disbursements for the reporting period and calendar year.

The Audit staff reconciled the Committee's reported activity to its bank activity for the period January 1, 1989 to December 31, 1990. The reconciliation revealed that the reported cash balances were understated. An understatement of \$12,981.86 existed at the beginning of the audit period (January 1, 1989), and was carried forward through to the reported cash on hand at December 31, 1990.

In addition, reported disbursements for the calendar year 1990 were understated by a net amount of \$6,057.97. The understatement was a result of the Committee failing to report disbursements totaling \$1,257.97; reporting disbursements totaling \$200, subsequently voided without making an adjustment to the reports; and adjusting the 1990 reports for voided 1987-1989 disbursements totaling \$5,000. These disbursements consisted of outstanding checks written in 1987 (\$300), 1988 (\$2,800), and 1989 (\$1,900) which were voided by the Committee in calendar year 1990. Instead of amending its 1987, 1988, and 1989 reports, the Committee erroneously reduced the amount of reported 1990 disbursements by \$5,000.

With respect to the understatement of cash on hand, the treasurer explained that the understatement in beginning cash on hand (\$12,981.86) was due to checks, issued by the Committee that

were lost, returned, or never cashed and not adjusted on the Committee's reports. She added that these errors may be an accumulation of errors dating as far back as 1980.^{3/}

The interim audit report recommended the Committee amend its next report to correct the misstatement in the cash on hand balance.

In response to the interim audit report, the Committee filed an amended disclosure report for the period January 1 to January 31, 1991 in which the misstatement in the beginning cash on hand was materially corrected.

Recommendation #1

The Audit staff recommends no further action on this matter.

B. Disclosure of Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report under this section should disclose the identification of each person who contributes an amount in excess of \$200 or an aggregated amount in excess of \$200 within the calendar year, together with the date and amount of any such contribution.

In addition, Section 104.3(a)(4) of Title 11 of the Code of Federal Regulations requires that the identification and the aggregate year-to-date total for each contributor be reported.

Our review revealed that Committee reports contained entries for contributions required to be itemized on Schedule A; however, a material number of errors were noted in the reported aggregate year-to-date amounts.

The majority of the Committee's contributions were received via payroll deduction. Each pay period, a computerized list detailing each employee's contribution was forwarded to the treasurer. The treasurer indicated that the aggregate year-to-date amounts were calculated manually since the computerized list did not contain any aggregate amounts.

At the exit conference, the treasurer stated that in calculating the aggregate year-to-date amounts, she attributed the errors to her manual system of preparing the reports.

Given that the required contributions were itemized, albeit in some instances with an incorrect aggregate year-to-date

^{3/} The Audit staff was unable to verify the treasurer's statement since the activity occurred outside of the audit period and the records were unavailable for our review.

total, the Audit staff does not feel that an amending action is warranted in this case. However, the Committee should revise its procedures in this area to insure proper disclosure on future reports.

The interim audit report recommended that the Committee either devise a system to calculate correctly the aggregate year-to-date contribution amounts, or introduce adequate internal controls to its present procedure to insure proper disclosure in the future.

Recommendation #2

The Audit staff recommends no further action on this matter.



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