



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

AK007986

April 26, 1996

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
WEST VIRGINIA STATE DEMOCRATIC EXECUTIVE COMMITTEE

Attached please find a copy of the final audit report and related documents on the West Virginia State Democratic Executive Committee, which was approved by the Commission on April 18, 1996.

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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**REPORT OF THE AUDIT DIVISION
ON**

**West Virginia State Democratic
Executive Committee**

Approved April 18, 1996



**FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
WASHINGTON, D.C.**

TABLE OF CONTENTS

WEST VIRGINIA STATE DEMOCRATIC EXECUTIVE COMMITTEE

	Page
Executive Summary	1
Final Audit Report	3
Background	3
Findings	5
Transmittal to Committee	9
Chronology	11

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FEDERAL ELECTION COMMISSION
 WASHINGTON, DC 20461

FINAL AUDIT REPORT
 ON
 WEST VIRGINIA STATE DEMOCRATIC EXECUTIVE COMMITTEE
 EXECUTIVE SUMMARY

West Virginia State Democratic Executive Committee (the Committee) registered with the Federal Election Commission on October 12, 1982, as the State Committee for the Democratic Party of Charleston, West Virginia.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states, that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The findings of the audit were presented to the Committee after the audit fieldwork (September 29, 1995) and later in an interim audit report. The Committee's responses have been included in the findings set forth in this summary.

The following is an overview of the findings contained in the final audit report.

Misstatement of Financial Activity - 2 U.S.C. §434(b)(1), (2) and (4). The Committee overstated its receipts by a net amount of \$43,409, overstated disbursements by a net amount of \$200, and overstated ending cash by \$43,170. The Committee responded by filing amended reports, which materially corrected the misstatements.

Reporting of Disbursements - 2 U.S.C. §434(b)(5)(A) and 11 CFR 104.10(b) (4). The Committee did not file Schedule H-4 (Joint Federal/Non-federal Activity Schedule) for the last half of 1994. The Committee reported 74 items on Schedule B's totaling \$47,672, which were all allocable expenses and should have been reported on Schedule H-4's. Furthermore, the Committee did not file one Schedule H-2 (Allocation Ratios for Individual Fundraising Events, Exempt Activities and Shared Direct Candidate Support) for this period. The Committee materially corrected these problems by filing the necessary schedules.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

REPORT OF THE AUDIT DIVISION
ON
WEST VIRGINIA STATE DEMOCRATIC EXECUTIVE COMMITTEE

I. Background

A. Audit Authority

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This report is based on an audit of the West Virginia State Democratic Executive 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 subsection, the Commission shall perform an internal review of the 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.

B. Audit Coverage

The audit covered the period from January 1, 1993 through December 31, 1994. The Committee reported a beginning cash balance at January 1, 1993 of \$73,165; total receipts for the period of \$253,365; total disbursements for the period of \$204,403; and an ending cash balance on December 31, 1994 of \$56,097.¹

C. Committee Organization

The Committee registered with the Federal Election Commission on October 12, 1982, and maintains its headquarters in Charleston, West Virginia. The Treasurer of the Committee is Ms. Marie Prezioso.

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1. All figures in this report have been rounded to the nearest dollar. The amounts do not foot due to adjustments explained in Finding II.A. of this report.

To manage its financial activity during the audit cycle, the Committee maintained five bank accounts². The Committee's reports indicated that 33% of receipts were transfers from the non-federal bank account, 49% were contributions from individuals, 18% from Party and other political committees, and the remainder from other receipts such as interest.

D. Audit Scope and Procedures

The audit included the testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitation;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. review of expenditures made on behalf of federal candidates;
6. proper disclosure of campaign debts and obligations;
7. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records (see Finding II.A.);
8. adequate recordkeeping for campaign transactions;
9. proper disclosure of the allocation of cost associated with administrative expenses and activities conducted jointly on behalf of federal and non-federal elections and candidates and (see Finding II.B.);

2. Three of the accounts were closed early in 1993.

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10. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

II. Audit Finding 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 a political committee shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and all disbursements for the reporting period and calendar year.

The Audit staff's reconciliation of the Committee's reported activity to its bank activity for calendar years 1993 and 1994 revealed the following misstatement:

1. Beginning Cash on Hand

The Committee reported a beginning cash on hand balance of \$73,165 for January 1, 1993. The Audit staff's review of the Committee's bank records indicated the correct amount to be \$7,173. According to the Committee's legal counsel, Steven White, the difference was due in large part to 1992 expenditures made from a separate federal transfer account which were inadvertently not reported. The Committee provided check copies totaling \$39,009 to substantiate this claim. In addition, Mr. White maintained that most of the remaining errors appeared to be attributable to mathematical errors from the 1992 reporting cycle.

The Committee made two adjustments to beginning cash in an attempt to correct the error in its cash on hand balance. The first, in the amount of \$62,038 was made on the July Quarterly (4/1/94-6/30/94) report, and the second for \$3,964 was made on the October Quarterly (7/1/94-9/30/94) report.

2. Receipts

The Committee reported total receipts of \$253,365 for the 1993 and 1994 audit period. Utilizing Committee records, the Audit staff determined that the Committee should have reported total receipts of \$209,956. Therefore, the Committee's reported receipts were overstated by \$43,409. This overstatement resulted from the following:

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In the interim audit report the Audit staff recommended that the Committee file amended disclosure reports for 1993 and 1994 to correct the misstatements noted above and to properly reflect aggregate year to date totals.

In response to the interim audit report the Committee file amended disclosure reports for 1993 and 1994 which corrected the misstatements noted. In addition these amendments included correct aggregate year to date totals.

B. Reporting of Disbursements

Section 434(b)(5)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee, together with the date, amount, and purpose of such expenditure.

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations requires a political committee that pays allocable expenses in accordance with 11 CFR 106.5(g) to also report each disbursement from its allocation account in payment for a joint federal and non-federal expense or activity. In the report covering the period in which the disbursement occurred, the committee shall state the full name and address of each person to whom the disbursement was made, and the date, amount and purpose of each such disbursement. If the disbursement includes payment for allocable costs of more than one activity, the committee shall itemize the disbursement, showing the amounts designated for payment of administrative expenses and generic voter drives, and for each fundraising program or exempt activity, as described in 11 CFR 106.5(a)(2). The committee shall also report the total amount expended by the committee that year, to date, for each category of activity.

The Committee did not file allocation schedules (Schedule H-4) for the last half of 1994. The Committee reported 74 items on Schedule B's totaling \$47,672 which were all allocable expenses and should have been reported on Schedule H-4's. Further, the Committee did not file one Schedule H-2 for this time period.

To facilitate preparation of amending H-4 schedules, the Audit staff met with a Committee representative prior to the end of fieldwork. Disbursements were reviewed and categorized as fundraising or administration. The Schedule B's for the period were marked accordingly and the Committee was provided with a copy. The Committee agreed to file H-4 schedules to correct the problems noted.

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In the interim audit report the Audit staff recommended that the Committee file amended disclosure reports to correctly itemize the allocable expenses on H-4 schedules and Schedule H-2 for the report periods covering 7/1/94 - 12/31/94.

In response to the interim audit report the Committee filed amendments which materially corrected the problems noted above.

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FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20543

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April 19, 1996

Ms. Marie L. Prezioso
West Virginia State Democratic
Executive Committee
405 Capitol Street, Suite 501
Charleston, WV 25301

Dear Ms. Prezioso

Attached please find the Final Audit Report on West Virginia State Democratic Executive Committee. The Commission approved the report on April 18, 1996.

The Commission approved Final Audit Report will be placed on the public record on April 26, 1996. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 219-4155. Any questions you have related to matters covered during the audit or in the report should be directed to Rhonda Simmons or Russ Bruner of the Audit Division at (202) 219-3720 or toll free at (800) 424-9530.

Sincerely,

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

cc: Larry LaCorte

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CHRONOLOGY

WEST VIRGINIA STATE DEMOCRATIC EXECUTIVE COMMITTEE

Audit Fieldwork	9/19/95 - 9/27/95
Interim Audit Report to the Committee	2/1/96
Response Received to the Interim Audit Report	4/5/96
Final Audit Report Approved	4/18/96

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