




FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

July 30, 2001

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: ROBERT J. COSTA   
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
THE DEMOCRATIC PARTY OF ARKANSAS FEDERAL ACCOUNT

Attached please find a copy of the final audit report and related documents on the Democratic Party of Arkansas Federal Account, which was approved by the Commission on July 19, 2001.

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  
**The Democratic Party of Arkansas  
Federal Account**

Approved July 19, 2001



FEDERAL ELECTION COMMISSION

999 E STREET, N.W.

WASHINGTON, D.C.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

**REPORT OF THE AUDIT DIVISION  
ON  
THE DEMOCRATIC PARTY OF ARKANSAS  
FEDERAL ACCOUNT**

**EXECUTIVE SUMMARY**

The Democratic Party of Arkansas Federal Account (the Committee) registered with the Comptroller General of the United States on October 16, 1972 as the Arkansas State Democratic Party. The Committee changed its name to the current name on April 12, 1984.

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 of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The period covered by the audit was January 1, 1997 through December 31, 1998. The audit finding summarized below was presented to the Committee at the completion of fieldwork on September 29, 2000 and later in the interim audit report. The Committee's response to the finding is contained in the audit report.

The Committee expended \$105,755 on broadcast media that criticized the Republican candidate for U.S. Senator in the 1998 election. These expenditures were paid using federal funds. The Commission did not consider in the context of the audit whether the costs were contributions to or coordinated expenditures on behalf of the Democratic candidate.

**DISCLOSURE OF OCCUPATION/NAME OF EMPLOYER** —2 U.S.C. §§434(b)(3)(A); 431(13)(A); 432(i); and 11 CFR §104.7(b). A sample review of contributions itemized on the Committee's reports identified a material error with respect to disclosure of the contributors' occupation and name of employer. Evidence to demonstrate that the Committee made best efforts to obtain and submit this information was not provided during the audit. In response to the interim audit report, the Committee filed amended Schedules A (Itemized Receipts) to correct the reports. Nonetheless, a material number of errors remained and evidence of the Committee's efforts to obtain the information was not provided.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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***REPORT OF THE AUDIT DIVISION  
ON  
THE DEMOCRATIC PARTY OF ARKANSAS FEDERAL ACCOUNT***

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of The Democratic Party of Arkansas Federal Account (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 subsection, the Commission shall perform an internal review of reports filed by the selected committees to determine if reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

**B. AUDIT COVERAGE**

The audit covered the period January 1, 1997 through December 31, 1998. During this period, the Committee reported a beginning cash balance of \$22,191; total receipts for the period of \$2,167,755; total disbursements for the period of \$2,162,555; and an ending cash balance of \$27,392<sup>1</sup>.

Based on a cursory review of bank statements for the Committee's non-federal accounts, the Audit staff calculated that during the audit period, the Committee deposited \$1,253,917 and made disbursements totaling \$1,467,108 from its non-federal accounts.

**C. CAMPAIGN ORGANIZATION**

The Committee registered with the Comptroller General of the United States on October 16, 1972 as the Arkansas State Democratic Committee. On April 12, 1984, the Committee filed an amended Statement of Organization and changed the name to the current name, the Democratic Party of Arkansas Federal Account. The Treasurer for the

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<sup>1</sup> All figures in the report have been rounded to the nearest dollar.

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Committee at the beginning of the audit period was Mr. Jim Pledger. On September 28, 1998, Mr. Ron Oliver, the current Treasurer, succeeded him. The Committee maintains its headquarters in Little Rock, Arkansas.

To manage its financial activity, the Committee maintained 18 bank accounts during the audit period: 8 federal and 10 non-federal. The Committee did not maintain a separate allocation account to pay for shared federal/non-federal expenses. The Committee's receipts were composed of contributions from individuals, political party committees, other political committees (such as PACs), transfers from affiliated/other party committees, offsets to operating expenditures (such as refunds and rebates), and transfers from non-federal accounts for joint activity.

#### **D. AUDIT SCOPE AND PROCEDURES**

The audit included testing of the following categories:

1. the receipt of contributions or loans in excess of the statutory limitations;
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 (see Finding II.B.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations, including loans;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
7. adequate recordkeeping of committee transactions;
8. proper reporting and funding of allocable expenses;
9. review of coordinated expenditures on behalf of general election candidates (see Finding II.A.);
10. other audit procedures that were deemed necessary in the situation.

The Committee expended \$105,755 on broadcast media that criticized the Republican candidate for U.S. Senator in the 1998 election. These expenditures were paid using federal funds. The Commission did not consider in the context of the audit whether the costs were contributions to or coordinated expenditures on behalf of the Democratic candidate.

A matter noted during the audit is pending before the Commission in another context. When the Commission concludes its consideration of this matter, information will be made public in accordance with Commission procedures.

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

## **II. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. DISCLOSURE OF OCCUPATION/NAME OF EMPLOYER**

Section 434(b)(3)(A) of Title 2 of the United States Code requires, in part, a political committee to report the identification of each person who makes a contribution to the committee in an aggregate amount or value in excess of \$200 per calendar year, together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code defines the term "identification" to be, in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 432(i) of Title 2 of the United States Code states, in part, that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain, and submit the information required by this Act for the political committee, any report or any records of such committee shall be considered in compliance with this Act.

Section 104.7(b) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer will only be deemed to have exercised best efforts to obtain, maintain and report the required information if for each contribution received aggregating in excess of \$200 per calendar year which lacks required contributor information, the treasurer makes at least one effort after the receipt of the contribution to obtain the missing information. Such effort shall consist of either a written request sent to the contributor or an oral request to the contributor documented in writing. The written or oral request must be made no later than thirty days after receipt of the contribution. The written or oral request shall not include material on any other subject or any additional solicitation, except that it may include language solely thanking the contributor for the contribution.

The Audit staff conducted a sample review of contributions received from individuals to determine if the required information, relative to receipts required to be



itemized, was adequately disclosed. The testing revealed that the Committee did not meet the minimum requirements for reporting occupation and/or name of employer in 46% of the items tested. This information was not maintained in the Committee's files and the Committee was not able to demonstrate that it had exercised best efforts to obtain, maintain and submit the missing information.

Although requested, the Committee did not provide any documentation such as copies of letters, to demonstrate that it had made a follow-up request to those contributors for which occupation and/or name of employer was incomplete. The Audit staff examined four types of solicitation devices in the Committee's receipts records. Each device correctly requested the required information; however, no information was identified which indicated to whom the solicitation devices were sent. Further, there was no evidence of any follow-up pursuant to 11 CFR §104.7(b).

At the exit conference, the Audit staff presented this matter to the Committee. The Committee officials did not provide any relevant information on this matter.

In the interim audit report the Audit staff recommended that the Committee take the following action:

- Provide solicitation materials and materials which demonstrate that best efforts were used to obtain, maintain, and submit the required disclosure information; or
- Absent such a demonstration, make an effort to contact those individuals for whom the required information is missing or incomplete, in accordance with 11 CFR 104.7; and
- Provide documentation of such effort, such as copies of letters to the contributors and/or phone logs of oral requests; and
- File amended Schedules A (Itemized Receipts) to disclose any information obtained from those contacts.

In response to the interim audit report, the Committee filed amended Schedules A for each report filed for the audit period. A review of these schedules revealed that the Committee made some attempt albeit untimely, to correct the disclosure of occupation and name of employer. This was evidenced by handwritten additions and revisions to the previously reported information. However, a material number of errors remained. Materials, such as letters to the contributors or phone logs of oral requests, to document the Committee's efforts made within the 30 day window provided at 11 CFR §104.7(b) to obtain the required information were not presented. Therefore the Committee has not demonstrated that best efforts were used.



FEDERAL ELECTION COMMISSION  
WASHINGTON D.C. 20463

July 20, 2001

Mr. Ron Oliver, Treasurer  
The Democratic Party of Arkansas Federal Account  
1300 West Capital Street  
Little Rock, AR 72201

Dear Mr. Oliver:

Attached please find the Final Audit Report on The Democratic Party of Arkansas Federal Account. The Commission approved the report on July 19, 2001.

The Commission approved Final Audit Report will be placed on the public record on July 30, 2001. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220. Any questions you have related to matters covered during the audit or in the report should be directed to Wanda Thomas of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa".

Robert J. Costa  
Assistant Staff Director  
Audit Division

Attachment as stated

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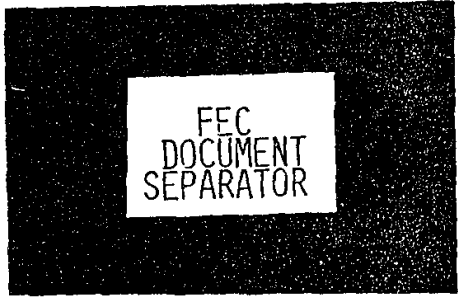
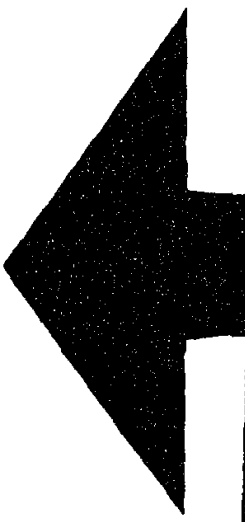


## CHRONOLOGY

### THE DEMOCRATIC PARTY OF ARKANSAS FEDERAL ACCOUNT

Audit Fieldwork	September 5, 2000 – September 19, 2000
Interim Audit Report to the Committee	May 1, 2001
Response Received to the Interim Audit Report	June 19, 2001
Final Audit Report Approved	July 19, 2001

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