



FEDERAL ELECTION COMMISSION  
WASHINGTON, D C 20463

August 3, 2000

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON THE DEMOCRATIC  
STATE CENTRAL COMMITTEE OF MARYLAND

Attached please find a copy of the audit report and related documents on the Democratic State Central Committee of Maryland, which was approved by the Commission on July 26, 2000.

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 STATE CENTRAL  
COMMITTEE OF MARYLAND**

Approved July 26, 2000



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

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REPORT OF THE AUDIT DIVISION  
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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRATIC STATE CENTRAL COMMITTEE OF MARYLAND  
EXECUTIVE SUMMARY**

The Democratic State Central Committee of Maryland (DSCCM) registered with the Federal Election Commission (the Commission) on May 11, 1981, and maintains its headquarters in Annapolis, Maryland. The Treasurer during the period covered by the audit, and currently, is Kenneth O. Wilson.

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 one finding arising from the audit was presented to representatives of DSCCM at the completion of fieldwork on April 7, 2000 and later in the interim audit report. DSCCM's response to the finding is contained in the audit report.

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

Debts and Obligations - 2 U.S.C. Section 434(b)(8); 11CFR Section 104.11(a) and (b). The DSCCM failed to itemize obligations totaling \$33,927. The DSCCM complied with the interim audit report recommendation by filing debt schedules to correctly disclose outstanding obligations.

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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

***REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRATIC STATE CENTRAL COMMITTEE OF MARYLAND***

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of the Democratic State Central Committee of Maryland (DSCCM), 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 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, 1997, through December 31, 1998. During this period, DSCCM reported a beginning cash balance of \$11,162; total receipts of \$2,230,335; total disbursements of \$2,230,834; and a closing cash balance of \$10,663<sup>1</sup>.

**C. COMMITTEE ORGANIZATION**

DSCCM registered with the Commission on May 11, 1981, and maintains its headquarters in Annapolis, Maryland. The Treasurer during the period covered by the audit, and currently, is Kenneth O. Wilson.

To manage its federal financial activity, DSCCM used four bank accounts. From these accounts, DSCCM made approximately 1,280 disbursements. Receipts were

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

composed of contributions from individuals (\$267,389); contributions from other political committees and transfers from affiliated and other party committees (\$355,252); offsets to operating expenditures received (\$28,717); interest income (\$737); and transfers from its non-federal accounts (\$1,569,557).

During the audit period, the DSCCM maintained six non-federal bank accounts, with total receipts of \$2,083,879, disbursements of \$2,140,024, and one certificate of deposit (\$10,000).

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

Although the DSCCM's contributions met the minimum recordkeeping requirements of 11 CFR §102.9, the testing of receipts from individuals with respect to limitations, and occupation and name of employer information was limited due to a lack of external source documentation. With the above limitation considered, the audit included testing of the following general 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;
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 debts and obligations (see Finding II.A.);
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
7. adequate recordkeeping for transactions;
8. proper disclosure of the allocation of costs associated with administrative expenses and activities conducted jointly on behalf of federal and non-federal elections and candidates; and
9. other audit procedures that were deemed necessary in the situation.

2025 RELEASE UNDER E.O. 14176



Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements 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 RECOMMENDATION

### A. DEBTS AND OBLIGATIONS

Section 434(b)(8) of Title 2 of the United States Code states, in part, that each report filed under this section shall disclose the amount and nature of outstanding debts and obligations owed by a political committee.

Sections 104.11(a) and (b) of Title 11 of the Code of Federal Regulations state, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. These debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. A debt or obligation, the amount of which is \$500 or less, shall be reported as of the time payment is made or not later than 60 days after such obligation is incurred, whichever comes first. A debt or obligation which is over \$500 shall be reported as of the date on which the debt or obligation is incurred, except that any obligation incurred for rent, salary or other regularly reoccurring administrative expense shall not be reported as a debt before the payment due date.

The DSCCM did not file any Schedules D during the period covered by the audit. Its disbursements were reviewed to determine if it had incurred any obligations that required reporting. In order to derive the total obligations, each outstanding obligation was counted only once, even if it was outstanding for several periods. The review identified obligations totaling \$33,927.

At the exit conference, the Audit staff discussed this issue with the DSCCM and stated that a detailed schedule would be forthcoming. The DSCCM did not comment during the conference.

The Interim Audit Report recommended that, within 30 calendar days of service of this report, the DSCCM file amended Schedules D for the Mid Year 1997 Report through the Year End 1998 Report to disclose outstanding obligations.

In response to the recommendation, the DSCCM filed the required schedules. These amended schedules materially corrected the disclosure problems noted above.

MEMORANDUM FOR THE RECORD



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

July 27, 2000

Mr. Kenneth O. Wilson, Treasurer  
Democratic State Central Committee of Maryland  
188 Main Street, Suite 1  
Annapolis, MD 21401

Dear Mr. Wilson:

Attached please find the Final Audit Report on the Democratic State Central Committee of Maryland. The Commission approved the report on July 26, 2000.

The Commission approved Final Audit Report will be placed on the public record on August 3, 2000. 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 Ms. Nicole Clay or Mr. Russ Bruner 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

cc: Ms. Delphine Hall-Anderson, Assistant Treasurer

Attachment as Stated

EE.D7.DES.2090

## CHRONOLOGY

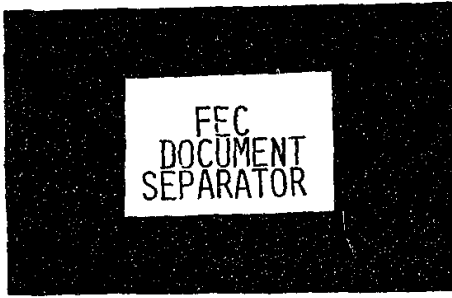
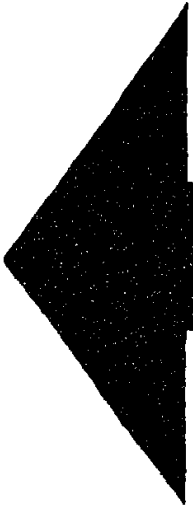
### DEMOCRATIC STATE CENTRAL COMMITTEE OF MARYLAND

Audit Fieldwork	February 28 - April 7, 2000
Interim Audit Report to the Committee	June 16, 2000
Response Received to the Interim Audit Report	July 13, 2000
Final Audit Report Approved	July 26, 2000

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