



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 6, 2000

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE REPORT OF THE AUDIT DIVISION
ON THE MAINE DEMOCRATIC STATE COMMITTEE

Attached please find a copy of the final audit report and related documents on the Maine Democratic State Committee which was approved by the Commission on September 27, 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
MAINE DEMOCRATIC
STATE COMMITTEE**

Approved September 27, 2000



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

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MAINE DEMOCRATIC STATE COMMITTEE

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FEDERAL ELECTION COMMISSION
Washington, DC 20463

MAINE DEMOCRATIC STATE COMMITTEE

EXECUTIVE SUMMARY

The Maine Democratic State Committee (the Committee) registered with the Commission on March 19, 1984. 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 at an exit conference held at the completion of fieldwork on June 22, 2000 and later in the interim audit report. The relevant parts of the Committee's response to those findings were included in this audit report.

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

Itemization of Transfers from Affiliated Committees —2 U.S.C. §§431(13)(B), 434(b)(3)(D) and 11 CFR §102.17(c)(8)(B). The audit identified three transfers received during the 1998 Year End reporting period from the Association of State Democratic Chairs (ASDC), totaling \$9,000, and one transfer from the Democratic National Committee (DNC), in the amount of \$1,910, which were not itemized on Schedules A (Itemized Receipts) as required. According to the disclosure reports filed by the ASDC and DNC, these were transfers of joint fundraising proceeds, however, no memo Schedules A's were filed for the three ASDC transfers. The Committee filed an amended Schedule A itemizing the four transfers not previously itemized, a corrected Detailed Summary Page of Receipts and Disbursements, and a memo Schedule A which noted \$2,320 in total unitemized receipts from the ASDC, relative to its 1998 Year End Report.

Debts and Obligations —2 U.S.C. §434(b)(8), 11 CFR §§104.3(d) and 104.11. The audit identified nine debts owed by the Committee, totaling \$16,290, which were not reported on Schedules D (Debts and Obligations) as required. Also, the Committee did not file a Schedule C (Loans) relative to a \$17,562 bank loan balance at December 31, 1997. The Committee filed amended Schedules D which materially corrected the debt and obligation errors and an amended Schedule C relative to the Year End 1997 report which correctly disclosed the outstanding bank loan balance for that reporting period.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

***REPORT OF THE AUDIT DIVISION
ON THE
MAINE DEMOCRATIC STATE COMMITTEE***

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Maine Democratic State Committee (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 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. To manage its federal financial activity, the Committee used three bank accounts. During this period, the Committee reported a beginning cash balance of (\$2,419); total receipts of \$440,453; total disbursements of \$437,075; and a closing cash balance of \$959¹. Also, the Committee used three bank accounts to manage its non-federal financial activity.

C. COMMITTEE ORGANIZATION

The Committee registered with the Commission on March 19, 1984. The Committee maintains its headquarters in Augusta, Maine. The Treasurer during the audit period was James S. Bowers, who continues in the position.

¹ All figures in this report have been rounded to the nearest dollar.

D. AUDIT SCOPE AND PROCEDURES

The scope of our testing of contributions received from individuals during calendar year 1997 was limited due to the absence of third-party documentation, such as check copies, donor cards, etc. This activity comprised approximately 15% of total reported receipts.

Also, the Audit staff was unable to test the timing of transfers from the non-federal account to the federal account to determine if they were made no more than 10 days before or 60 days after the payments were made to the vendor, as required by 11 CFR 106.5(g)(2)(ii)(B), because of a lack of sufficient documentation. However, a test of the overall transfer activity during the audit period indicated that the Committee did not transfer funds in excess of its non-federal share into its federal account.

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 (see Finding II.A.);
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.B.);
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.

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 FINDINGS AND RECOMMENDATIONS

A. ITEMIZATION OF TRANSFERS FROM AFFILIATED COMMITTEES

Section 434(b)(3)(D) of Title 2 of the United States Code states, in part, that each report under this section shall disclose the identification of each affiliated committee which makes a transfer to the reporting committee during the reporting period and, where the reporting committee is a political party committee, each transfer of funds to the reporting committee from another political committee, together with the date and amount of such transfer.

Section 431(13)(B) of Title 2 of the United States Code defines "identification" to be, in the case of a person (which includes committees), the full name and address of such person.

Section 102.17 (c)(8)(B) of Title 11 of the Code of Federal Regulations states, in part, that each committee participating in a joint fundraising activity shall report its share of net proceeds received as a transfer-in from the fundraising representative and shall also file a memo Schedule A itemizing its share of gross receipts as contributions from original contributors to the extent required under 11 CFR 104.3(a).

The Audit staff reviewed all transfers the Committee received in 1998 from affiliated committees and determined that the Committee did not itemize on Schedule A (Itemized Receipts) four transfers, totaling \$10,910. These items, received during the 1998 Year End reporting period, were comprised of three transfers from the Association of State Democratic Chairs (ASDC), totaling \$9,000, and one transfer from the Democratic National Committee (DNC), in the amount of \$1,910. According to the disclosure reports filed by the ASDC and DNC, these transfers were proceeds of joint fundraising activities. As required by the regulations, the Committee filed a memo Schedule A to itemize its share of the gross proceeds for the transfer from the DNC but did not do so for the three transfers from the ASDC.

At the exit conference, the Audit staff discussed this issue with the Committee and provided them with a detailed schedule of the errors. The Committee agreed to file amended reports to correct the discrepancies.

In the interim audit report, the Audit staff recommended that the Committee file an amendment to its 1998 Year End report, which included a Schedule A and memo Schedule A, as well as a Detailed Summary Page of Receipts and Disbursements (Page 2, FEC Form 3) correcting these discrepancies.

In response to the interim audit report, the Committee filed an amended Schedule A itemizing the four transfers not previously itemized, along with a corrected

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Detailed Summary Page of Receipts and Disbursements, relative to its 1998 Year End report. In addition, the Committee filed a memo Schedule A which noted \$2,320 in total unitemized receipts from the ASDC for the period covered by the 1998 Year End report.

B. 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.

Section 104.3(d) of Title 11 of the Code of Federal Regulations states, in part, that each report filed under 11 CFR 104.1 shall, on Schedule C or D, as appropriate, disclose the amount and nature of outstanding debts and obligations owed by the reporting 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 Audit staff reviewed the Committee's disbursements to determine if debts and obligations were reported as required by the Act and identified nine debts, totaling \$16,290, which were not reported. Five of these items, comprising 86% of the dollar total of the nine items omitted, were related to payroll taxes owed to the Internal Revenue Service and the State of Maine for 1996, 1997, and 1998. Also, the Committee reported an outstanding December 31, 1997 bank loan balance of \$17,562 on Schedule D (Debts and Obligations), but did not file a Schedule C (Loans), as required.² The Committee did not respond to the Requests for Additional Information sent by the Commission's Reports Analysis Division regarding this matter.

At the exit conference, the Audit staff discussed these issues with the Committee and provided them with a detailed schedule which included a listing of the debts not disclosed as required, along with the reporting period in which the debts should

² The Committee initially disclosed the \$20,000 loan, received April 25, 1997, on Schedule C and filed a Schedule C-1 (Loans and Lines of Credit from Lending Institutions) as required. Schedules C were filed as required for subsequent reports, except as noted above. The loan was repaid on June 7, 1999.

have been disclosed. The Committee agreed to file amended reports to correct the discrepancies.

In the interim audit report, the Audit staff recommended that the Committee file amended Schedules D correcting the above noted debt and obligation errors and an amended Schedule C for the Year End 1997 report correctly disclosing the outstanding bank loan balance as noted above.

In response to the interim audit report, the Committee filed amended Schedules D which materially corrected the debt and obligation errors, as well as an amended Schedule C of the Year End 1997 report which correctly disclosed the outstanding bank loan balance for that reporting period.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

September 29, 2000

Mr. James S. Bowers, Treasurer
Maine Democratic State Committee
P.O. Box 5258
Augusta, ME 04332

Dear Mr. Bowers:

Attached please find the Report of the Audit Division on the Maine Democratic State Committee. The Commission approved the report on September 27, 2000.

The Commission approved Final Audit Report will be placed on the public record on October 6, 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 Gary Hache or Marty Favin 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 "R. J. Costa".

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

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CHRONOLOGY

MAINE DEMOCRATIC STATE COMMITTEE

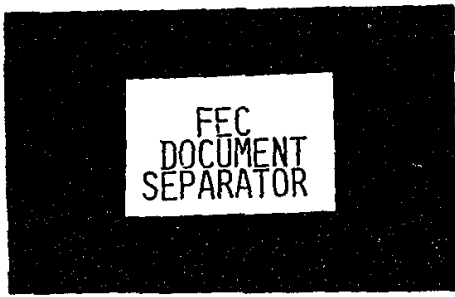
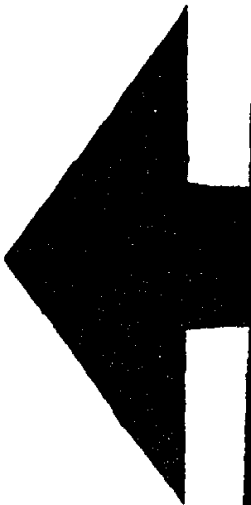
Audit Fieldwork	3/28/00--6/22/00
Interim Audit Report to the Committee	8/17/00
Response Received to the Interim Audit Report	9/15/00
Final Audit Report Approved	9/27/00

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