

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of AC2020's reported financial activity with its bank records revealed a misstatement of receipts, disbursements, and the ending cash balance for calendar year 2020. AC2020 overstated its receipts and disbursements by \$44,455 and \$16,195, respectively, and understated its ending cash balance by \$12,640. In response to the Interim Audit Report recommendation, the AC2020 representatives explained that they experienced problems with their third-party filing software and attributed the misstatements to their "limited knowledge in dealing with computer softwares." However, the representatives stated that adequate accounting records were maintained, and provided the summary of AC2020's financial activity for calendar year 2020. The AC2020 representatives advised the Audit staff of their intent to file a Form 99 (Miscellaneous Electronic Submission) to correct the misstatements. In response to the Draft Final Audit Report, the AC2020 representatives reiterated its earlier response and stated that they experienced software problems. Subsequently, AC2020 filed Form 99s that materially corrected the public record for its misstated disbursements. However, AC2020 did not file a Form 99 to correct the public record for its misstated receipts. Lastly, AC2020 corrected its ending cash on hand balance when it filed the 2021 April Quarterly Report.

The Commission approved a finding that AC2020 overstated its reported receipts and disbursements by \$44,455 and \$16,195, respectively, and understated its ending cash on hand by \$12,640 in calendar year 2020.

Legal Standard

Contents of Reports. Each report must disclose:

- the amount of cash on hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the election cycle;
- the total amount of disbursements for the reporting period and for the election cycle; and
- transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 52 U.S.C. §30104(b)(1), (2), (3), (4), and (5).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled AC2020's reported financial activity with its bank records for calendar year 2020. The reconciliation determined that AC2020 misstated receipts, disbursements, and the ending cash balance for 2020. The following chart details the discrepancies between AC2020's disclosure reports and its bank activity. The succeeding paragraphs explains why the discrepancies occurred.

2020 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2020	\$0	\$0	\$0
Receipts	\$804,501	\$760,046	\$44,455 Overstated
Disbursements	\$775,920	\$759,725	\$16,195 Overstated
Ending Cash on hand @ December 31, 2020	(\$12,319) ¹	\$321	(\$12,640) Understated

The overstatement of receipts resulted from the following differences:

• Returned contributions, not reported or incorrectly reported	-	4,540
• Receipts reported, but did not clear the bank	-	55,960
• Unexplained differences	+	16,045
Net Overstatement of Receipts		<u>\$ 44,455</u>

The overstatement of disbursements resulted from the following differences:

• Disbursements that cleared the bank, not reported	+	322,070
• Disbursements reported, but did not clear the bank	-	336,859
• Disbursements reported with incorrect amount	-	154
• Unexplained differences	-	1,252
Net Overstatement of Disbursements		<u>\$ 16,195</u>

The \$12,640 understatement of the ending cash balance was a result of the reporting discrepancies noted above, as well as mathematical reporting errors.

Regarding the overstatement for disbursements, the Audit staff identified seven disbursements, to three vendors, totaling \$336,859 that were reported by AC2020, however, they did not clear AC2020's bank account. Additionally, the Audit staff identified 276 disbursements, totaling \$322,070, that cleared AC2020's bank account but were not reported.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter during the exit conference with the AC2020 representatives and provided the relevant schedules. The AC2020 representatives stated that they believed the misstatements were the result of duplicate and reverse entry errors caused by its third-party filing software.²

¹ The reported ending cash on hand does not equal \$28,581, calculated as the reported beginning cash on hand (\$0) plus reported receipts (\$804,501) minus reported disbursements (\$775,920). This was due to mathematical discrepancies between the reported beginning cash on hand of reporting periods not equaling the ending cash on hand of prior reporting periods.

² AC2020 purchased and used third-party software to prepare and file its disclosure reports.

In response to the exit conference, the AC2020 representatives stated that they would analyze the difference between bank records and the information included in the reports in order to reconcile the differences for receipts, disbursements and cash. They explained that the “principal reason for the differences is attributable to duplication of receipts and disbursements in the reports filed by the committee” due to “problems with the software.” The AC2020 representatives further stated that they were preparing a detailed analysis of transactions to determine the exact amounts of deposits and disbursements in order to correct the reported amounts and, if necessary, would file a Form 99 to disclose the missing information. AC2020 has not amended its reports or filed a Form 99 (Miscellaneous Electronic Submission) to correct these misstatements.

The Interim Audit Report recommended that AC2020 amend its disclosure reports or file a Form 99 (Miscellaneous Electronic Submission)³ to correct the misstatements noted above. In addition, the Interim Audit Report recommended that AC2020 reconcile the cash balance on its most recently filed report and correct any subsequent discrepancies.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, the AC2020 representatives explained that they experienced problems with the recording of transactions in their third-party filing software and, in most reports, they were unable to reconcile the amounts reflected on the disclosure reports with the bank amounts. The AC2020 representatives further stated that they maintained adequate accounting records for their receipts and disbursements, and provided an internally prepared schedule of cash flow, reflecting the beginning cash balance at inception; the amounts of contributions received; the amounts paid for various expenses; and the ending cash on hand balance as of December 31, 2020. Additionally, they provided bank statements, which were also provided prior to audit fieldwork, reflecting the beginning and ending cash on hand balances for calendar year 2020.

The AC2020 representatives advised of their intent to file a Form 99 (Miscellaneous Electronic Submission) to correct the misstatements, however, they did not do so in response to the Interim Audit Report recommendation.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged AC2020’s response and noted that AC2020 had not amended its disclosure reports or filed Form 99 (Miscellaneous Electronic Submission), to correct the public record. The Draft Final Audit Report concluded that AC2020’s disclosure reports remained misstated for calendar year 2020.

E. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, AC2020 reiterated its earlier response and stated that it experienced software problems. The misstated activity, according to AC2020, was not due to “negligence or intentional disregard of FEC’s requirements.” AC2020 subsequently filed Form 99s that materially corrected the

³ AC2020 was advised by the Audit staff that if it chose to file a Form 99, instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.

public record for its misstated disbursements. However, AC2020 did not file a Form 99 to correct the public record for its misstated receipts. Lastly, AC2020 corrected the public record by disclosing the correct beginning cash on hand balance on its 2021 April Quarterly Report.

Commission Conclusion

On September 29, 2022, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that AC2020 overstated its reported receipts and disbursements by \$44,455 and \$16,195, respectively, and understated its ending cash on hand balance by \$12,640 in calendar year 2020.

The Commission approved the Audit staff's recommendation.