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FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20543

May 24, 1977

The Honorable George C. Wallace
Suite 801, Executive Building
301 Montgomery Street
Montgomery, Alabama 36103

Dear Governor Wallace:

Please be advised that on May 19, 1977, the Commission approved the interim report of the Compliance Review (Audit) Division on The Wallace Campaign, Inc., covering the period 11/23/74 through 7/31/76. This interim report covers the post-primary audit of The Wallace Campaign, Inc. (the committee), undertaken by the Compliance Review Staff of the Federal Election Commission to determine whether there has been compliance with the provisions of the Federal Election Campaign Act, as amended (the Act). The audit was conducted pursuant to Section 9038 of Title 26, United States Code (26 U.S.C. 9038), which directs the Commission to conduct an audit of the qualified campaign expenses of every candidate and his authorized committees who received matching fund payments and to determine the amount, if any, of repayment to the matching payment account.

The findings and conclusions noted in the interim report are detailed below. Also, the Commission's determinations concerning the action to be taken are included. The interim report is divided into two subject categories - items A(1) through A(4) which address disclosure items B(1) through B(6) which address unqualified campaign expenses as defined in Title 26, Section 9032(9).

Items A(1), (2), and (4) require that disclosure report amendments be filed. Such amendments should be filed within 30 days of the receipt of this letter.

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The Commission has made a preliminary determination that absent a showing to the contrary the expenditures noted in items B(1) through B(6) are unqualified campaign expenses. The Committee is afforded 30 days from the date of receipt of this letter in which to respond demonstrating that these expenditures are campaign related.

Additional field work in Montgomery is planned to begin approximately one week prior to the close of the 30 day response period. The audit team will review the back-up material relating to the Committee's response, provide any needed assistance, and to update the audit work from 7/31/76 to present to gather actual figures for use in the final payback computation.

The remainder of this letter lists the findings, conclusions and Commission determinations included in the interim report.

A. Disclosure

(1) The Registration Form and Statement of Organization for a Committee dated 11/27/74 indicates that five depositories were utilized by the Committee. However, our review of bank records presented for inspection revealed twenty-one depositories which have not been disclosed on the Committee's Statement of Organization.

Title 2, U.S.C. Section 433(b)(9), requires a listing of all banks, safety deposit boxes, or other repositories used to be included in the Statement of Organization. The Committee should amend its Statement of Organization to include the twenty-one repositories mentioned above as not previously disclosed. (Enclosure #1)

(2) Committee records indicate the receipt of \$491.50 of in-kind contributions which were not disclosed as of 7/31/76.

Title 2, U.S.C. Section 434(b)(2), (3), (9) and (10) require the reporting of all contributions and expenditures, accordingly an amendment is requested to disclose these items.

(3) In the discussion concerning the Committee's procedures for the itemization of expenditures, it was noted by the Committee's bookkeeper that only those expenditures greater than \$100.00 were itemized on disclosure reports. Expenditures of \$100.00 or less but aggregating in excess of

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\$100.00 during the calendar year were not disclosed apparently as a result of a misinterpretation of 2 U.S.C. Section 434(b)(9) and (10).

No amendments are requested. However, in the future all expenditures must be reported in accordance with 2 U.S.C. Section 434(b)(9) and (10).

(4) As of 7/31/76, approximately \$7,600.00 in receipts and approximately \$82,000.00 in expenditures relating to activities undertaken by the Committee's state offices and agents have not been reported as required by 2 U.S.C. Section 434(b)(2), (3), (6), (7), (9) and (10). Conversations with the Committee's bookkeeper indicated that untimely and incomplete transmittal of records from the state offices contributed to this situation. As of 2/28/77, our review of your Committee's reports has identified \$-0- in receipts and \$44,161.07 in expenditures being reported, leaving a balance of approximately \$7,600.00 in receipts and approximately \$38,000.00 in expenditures still to be reported.

The Committee should continue to pursue information necessary to disclose the remaining balances noted above and file the appropriate amended reports within 30 days of the receipt of this letter. If not reported within the 30 day response period, the Commission has determined that the unreported amount of expenditures will be viewed as unqualified campaign expenses and the value repayable in full to the Treasury.

B. Unqualified Campaign Expenses

(1) On February 11, 1976, the Committee purchased a 1976 Ford van for a total price of \$4,950.70. On June 7, 1976, the Committee's Chairman, Mr. Charles S. Snider, purchased the van from the Committee for \$1,500.00. Upon checking with a Montgomery bank and a Montgomery Ford dealer we established a value for the Ford van of at least \$4,200.00. In addition, on 6/4/76, the Committee incurred \$367.00 in expenses for installation of an air conditioning unit in the van, thereby changing the fair market value to at least \$4,567.00. In addition, post-sale and post-ineligibility (6/9/76) expenses in the amount of \$1,253.39 were incurred by the Committee relating to repairs and improvements to the van including new tires and chrome wheels.

The Commission has determined that an amount equaling the difference between the fair market value, as adjusted

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on the date of sale - \$4,567.00 - and the selling price - \$1,500.00 - or \$3,067.00 is an unqualified campaign expense and will be repayable in full to the Treasury. The post-ineligibility repairs and improvements to the van incurred after the date of sale will be deducted from any further matching fund eligibility based on net outstanding campaign obligations.

(2) During 1975 and 1976 the Committee purchased floral arrangements from Bruner's Southside Florist in the amount of \$1,857.00 and from Gerri's Floral Boutique in the amount of \$145.22. Of these purchases, gift cards accompanying the floral arrangements indicated that \$1306.49 of the total, were from the family of the Committee Chairman, Mr. Charles S. Snider. In addition, Mrs. Snider picked up flowers accounting for \$260.46; also \$149.99 of unidentified floral arrangements were purchased. These figures do not include any floral arrangements sent to hospitals on behalf of the Committee's staff or sent by yourself and/or Mrs. Wallace.

The Commission has determined that absent a showing to the contrary, these expenses will be viewed as unqualified and the value (\$1716.94) will be payable in full to the Treasury.

(3) Committee records indicate payment of \$19,065.32 to Reagan Brothers Auto Repair and Fowler Dozier Tire Services from 1/1/75 to 6/9/76 (candidate's date of ineligibility). These expenditures represent \$7,745.18 for gasoline, \$1,147.82 for engine tuneups, \$3,412.35 for tires, \$402.25 for brake work and \$6,357.72 for other repairs ranging from body and paint work to removal, repair and reinstallation of engines and the installation of an air conditioning system. In most cases, the receipts for the work do not indicate the vehicle worked on or the person authorizing the work. Since during the period all Committee vehicles were relatively new, and since the Committee owned no more than three vehicles this large amount seems unreasonable.

The Commission has determined that, absent a showing to the contrary, all expenses listed above will be viewed as unqualified and the value (\$18,698.32) will be repayable in full to the Treasury.

\$19,065.32 less \$367.00 for air conditioning unit included in item B(1) above = \$18,698.32.

(4) Committee records contained paid receipts totaling \$2,538.11 from Wilson's Capital Dealers and Distributors. The items purchased were:

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Group #1

Purchase Date	Item Description	Amount
5/28/75	Desk TV	233.15
11/7/75	Portable TV	211.95
10/11/75	Camera and film	175.54
Group #1 Total:		<u>620.54</u>

Group #2

3/11/75 - 4/6/76	Unidentified items	1,511.67
Group #2 Total		<u>1,511.67</u>

Group #3

6/20/75	Toaster & blender	50.78
7/24/75	Mint Julep serving set	139.80
4/18/75	Can opener	15.32
9/4/75	Engraved Water Goblets	92.56
9/10/75	Server Car Bag	44.99
10/11/75	Razor & Waffle Baker	56.55
Group #3 Total		<u>400.00</u>

With the exception of the items listed in group #1, information which would enable the staff to make a determination as to whether the remaining items were, in fact, campaign related and hence qualified campaign expenses, was not available at the conclusion of our initial field work.

The Commission has determined that, absent a showing to the contrary, that the expenses in Groups 2 and 3 will be viewed as unqualified and the value (\$1,911.67) will be repayable in full to the Treasury.

(5) Payments to American Express between 1/1/75 and 6/9/76 amounted to \$4,263.89. These payments were not supported by sufficient documentation to determine the purpose of the expenditure. Upon inquiry we were informed by the Committee bookkeeper that these were the personal credit cards of the Committee Chairman and/or Treasurer. As a result of Committee submission of documentation to clear unsupported expenditures mentioned in item 5(5), American Express billing statements were furnished which indicated that the majority of the charges were for hotel and restaurant services (meals and lodging) in Montgomery, Alabama, location of Wallace headquarters.

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The Commission has determined that, absent a showing to the contrary, such as a statement from the Committee Chairman and/or Treasurer, as appropriate, showing the purpose of the charges, these expenses will be viewed as unqualified and the value (\$4,263.89) will be repayable in full to the Treasury.

(6) As of this date, there remains approximately \$219,851.00 in unsupported expenditures made by the Committee or its agents during the period 1/1/75 through 7/31/76. No independent documentation has been made available which would establish the purpose of the payments. Hence, no determination regarding qualified campaign expenses can be made. Listed below is a breakdown of the remaining unsupported amount:

Breakdown Analysis of Unsupported Expenditures

Description	Time Period	Amount
<u>Group #1</u>		
Unaccounted for advances made from Headquarters bank accounts to individuals	1/1/75-12/31/75	12,727.21
	1/1/76-6/9/76	126,957.39
	6/10/76-7/31/76	248.83*
Total unaccounted for advances		<u>139,933.43</u>

* Please see Commission determination for item B(6) for disposition of post-ineligibility expenses which are not subject to 100% repayment, but are viewed as unqualified none-the-less.

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Group #2

Unaccounted for advances made from Headquarters bank accounts to subsidiary state bank accounts.

	Amount Per Period	
	1/1/75-12/31/75	1/1/76-6/9/76
Johnstown, Pa. bank account	1,000.00	8,000.00
Illinois bank account	0	5,000.00
Amalgamated Bank, N.Y., N.Y.	8,576.00	-0-
Total by period	<u>9,576.00</u>	<u>13,000.00</u>
Total unaccounted for advances - state bank accounts	<u>22,576.00</u>	

Group #3

Unsupported expenditures made from state bank accounts during the period 1/1/76-6/9/76.

	Amount
Franklin State Bank - N.J.	3,448.81
Fulton National Bank - Ga.	2,770.64
1st National Bank & Trust - Mi.	2,076.07
S.E. 1st Bank of Jacksonville - Fl.	4,888.44
Bank of Clearwater - Fl.	8,256.00
Southern National Bank of Houston - Tx.	1,484.00
American Fletcher Bank - In.	7,969.95
North Bialeah First State Bank - Fl.	5,914.65
Total:	<u>36,803.56</u>

This total represents both expenditures to vendors and advances to individuals.

Group #4

Unsupported expenditures made from Headquarters bank accounts to vendors

Time Period	Amount
1/1/75-12/31/75	3,564.17
1/1/76-6/9/76	16,766.09
6/10/76-7/31/76	202.75**
Total	<u>20,533.01</u>

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This total represents payments made to vendors (commercial entities) for which no independent documentation has been made available for our inspection to date.

** Please see Commission determination for item B(6) for disposition of post-ineligibility expenses which are not subject to 100% repayment, but are viewed as unqualified none-the-less.

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Grand Total Groups 1 - 4

219,851.00

The Commission has determined that, absent a showing to the contrary with respect to the insufficiently supported expenditures listed in item B-6 Groups 1 through 4, the expenses incurred (1/1/75-6/9/75) will be viewed as unqualified and the value (\$219,399.42)* will be repayable in full to the Treasury. With respect to those expenses incurred (6/10-7/31/76), the amount will be deducted from any further matching fund eligibility based on net outstanding campaign obligations.

*\$219,851.00 less 451.58 (6/10-7/31/76 expenses)

Should you have any questions, please contact Joe Stoltz of the Compliance Review (Audit) Division (202)523-4155 or Dan Swillinger of the Office of General Counsel (202)523-4060.

Sincerely,

Thomas E. Harris

Thomas E. Harris
Chairman

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Enclosure

cc: Mr. F. Alton Dauphin, Jr.,
Treasurer

Mr. Charles S. Snider,
Chairman

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ENCLOSURE I

LISTING OF DEPOSITORIES NOT PREVIOUSLY DISCLOSED

1. McMillan and Company, Bankers
(Mailing address required for all depositories)
2. Alabama National Bank
3. The First National Bank & Trust Company of Michigan
4. Southeast First Bank of Jacksonville
5. The Amalgamated Bank of New York
6. Johnstown Bank & Trust Company
7. North Hialeah First State Bank
8. The First National Bank of Clearwater
9. Southern National Bank - Houston
10. The Cleveland Trust Company
11. American Fletcher National Bank
12. Fulton National Bank
13. Franklin State Bank
14. Illinois Bank
15. Bankers Trust Company - NY
16. Terre Haute National Bank
17. Security National Bank of Omaha
18. Marine Midland Bank - NY
19. M & I Northern Bank - Wis.
20. Irving Trust Co. - NY
21. First Forest Hill Bank of Palm Beach Co., Florida

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1325 K STREET N.W.
WASHINGTON, D.C. 20463

(AUDIT)

INTERIM REPORT OF THE COMPLIANCE REVIEW DIVISION
FEDERAL ELECTION COMMISSION
ON
THE WALLACE CAMPAIGN, INC.

I. Background

This interim report covers the post-primary audit of The Wallace Campaign, Inc. (the Committee), undertaken by the Compliance Review Staff of the Federal Election Commission to determine whether there has been compliance with the provisions of the Federal Election Campaign Act, as amended (the Act). The audit was conducted pursuant to Section 9038 of Title 26, United States Code (26 U.S.C. 9038), which directs the Commission to conduct an audit of the qualified campaign expenses of every candidate and his authorized committees who received matching fund payments and to determine the amount, if any, of repayment to the matching payment account.

The audit covered the period from November 23, 1974, the day after the incorporation date of the Committee, through July 31, 1976. The Committee reported beginning cash on hand of \$ 0.00, total receipts of \$8,359,065.02, total expenditures of \$8,181,569.29^{1/} and ending cash on hand of \$168,087.73 for the period.

The principal officers of the Committee during the period covered by the audit included Mr. Charles S. Snider, Chairman, and Mr. F. Alton Dauphin, Jr., Treasurer.

This interim audit report is based on documents and working papers supporting each of its factual statements. They form part of the record upon which the Commission will base its decisions on the matters in this report, and are available to Commissioners and appropriate staff for review.

^{1/} Total reported expenditure figure understated per report due to arithmetical error.

EXP. UNDERSTATED

BY 9,403.00 S/B 8,190,977.29

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II. Findings and Conclusions

A. Disclosure

(1) The Registration Form and Statement of Organization for a Committee dated 11/27/74 indicates that five depositories were utilized by the Committee. However, our review of bank records presented for inspection revealed twenty-one depositories which have not been disclosed on the Committee's Statement of Organization.

Recommendation

Title 2, U.S.C. Section 433(b)(9), requires a listing of all banks, safety deposit boxes, or other repositories used to be included in the Statement of Organization. The Committee should amend its Statement of Organization to include the twenty-one repositories mentioned above as not previously disclosed.

(2) Committee records indicate the receipt of \$491.50 of in-kind contributions which were not disclosed as of 7/31/76.

Recommendation

Title 2, U.S.C. Section 434(b)(2), (3), (9) and (10) require the reporting of all contributions and expenditures, accordingly an amendment is requested to disclose these items.

(3) In the discussion concerning the Committee's procedures for the itemization of expenditures, it was noted by the Committee's bookkeeper that only those expenditures greater than \$100.00 were itemized on disclosure reports. Expenditures of \$100.00 or less but aggregating in excess of \$100.00 during the calendar year were not disclosed apparently as a result of a misinterpretation of 2 U.S.C. Section 434(b)(9) and (10).

Recommendation

We recommend amendments not be requested since an analysis of the reports in question revealed that only 2.3% of the total dollar value of all expenditures were classified as unitemized. However, in the future all expenditures must be reported in accordance with 2 U.S.C. Section 434(b)(9) and (10).

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(4) As of 7/31/76, approximately \$7,600.00 in receipts and approximately \$82,000.00 in expenditures relating to activities undertaken by the Committee's state offices and agents have not been reported as required by 2 U.S.C. Section 434(b)(2), (3), (6), (7), (9) and (10). Conversations with the Committee's bookkeeper indicated that untimely and incomplete transmittal of records from the state offices contributed to this situation. As of 2/28/77, our review has identified \$-0- in receipts and \$44,161.07 in expenditures being reported, leaving a balance of approximately \$7,600.00 in receipts and approximately \$38,000.00 in expenditures still to be reported.

Recommendation

The Committee should continue to pursue information necessary to disclose the remaining balances noted above and include the information in their disclosure report as soon as it becomes available. If not reported, we recommend that the unreported amount of expenditures be viewed as unqualified campaign expenses.

Recommendations A(1)(2)(3) & (4) adopted by Commission 4-0.

*Harris
Stabler
Ailms
Springer*

B. Apparent Unqualified Campaign Expenses

The following paragraphs enumerate various financial transactions made by the Committee during the period 1/1/75 through 7/31/76 which appear to be unqualified campaign expenses as defined in Title 26, Section 9032(9).

(1) On February 11, 1976, the Committee purchased a 1976 Ford van for a total price of \$4,950.70. On June 7, 1976, the Committee's Chairman, Mr. Charles S. Snider, purchased the van from the Committee for \$1,500.00. Upon checking with a Montgomery bank and a Montgomery Ford dealer we established a value for the Ford van of at least \$4,200.00. In addition, on 6/4/76, the Committee incurred \$367.00 in expenses for installation of an air conditioning unit in the van, thereby changing the fair market value to at least \$4,567.00. In addition, post-sale and post-ineligibility (6/9/76) expenses in the amount of \$1,253.39 were incurred by the Committee relating to repairs and improvements to the van including new tires and chrome wheels.

Recommendation

An amount equalling the difference between the fair market value, as adjusted, on the date of sale - \$4,567.00 - and the selling price - \$1,500.00 - or \$3,067.00 should be

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viewed as an unqualified campaign expense and be repaid in full to the Treasury. The post-ineligibility repairs and improvements to the van incurred after the date of sale should be deducted from any further matching fund eligibility based on net outstanding campaign obligations.

Recommended repayment amount - item B(1) \$3,067.00. *Adopted 4-0*

(2) During 1975 and 1976 the Committee purchased floral arrangements from Bruner's Southside Florist in the amount of \$1,857.00 and from Gerri's Floral Boutique in the amount of \$145.22. Of these purchases, gift cards accompanying the floral arrangements indicated that \$1306.49 of the total, were from the family of the Committee Chairman, Mr. Charles S. Snider. In addition, Mrs. Snider picked up flowers accounting for \$260.46; also \$149.99 of unidentified floral arrangements were purchased. These figures do not include any floral arrangements sent to hospitals on behalf of the Committee's staff or sent by Mr. and/or Mrs. Wallace.

Recommendation

Absent documentation to the contrary, we recommend that these expenses be viewed as unqualified and the value be repaid in full to the Treasury.

Recommended repayment amount item B(2) \$1,716.94. *Adopted 4-0*

(3) Committee records indicate payment of \$19,065.32 to Reagan Brothers Auto Repair and Fowler Dozier Tire Services from 1/1/75 to 6/9/76 (candidate's date of ineligibility). These expenditures represent \$7,745.18 for gasoline, \$1,147.82 for engine tuneups, \$3,412.35 for tires, \$402.25 for brake work and \$6,357.72 for other repairs ranging from body and paint work to removal, repair and reinstallation of engines and the installation of an air conditioning system. In most cases, the receipts for the work do not indicate the vehicle worked on or the person authorizing the work. The Committee Treasurer indicated that he was unaware of the amount of work paid for by the Committee and did not know the number of people with access to such services. However, the Treasurer did sign all checks. During the period in question, the Committee owned two vehicles, except for a four month period when three were owned. All of the Committee vehicles were 1976 models. Thus, the large amount seems unreasonable considering the number and age of Committee-owned vehicles.

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Recommendation

Absent documentation to the contrary, we recommend that all expenses listed above be viewed as unqualified and the value be repaid in full to the Treasury.

Recommended repayment amount item B(3) \$19,065.32 less \$367.00 for air conditioning unit included in item B(1) above = \$18,698.32.

adopted 4-0

(4) Committee records contained paid receipts totaling \$2,532.11 from Wilson's Capital Jewelers and Distributors. The items purchased were:

Group #1

Purchase Date	Item Description	Amount
5/28/75	Desk TV	233.15
11/7/75	Portable TV	211.95
10/11/75	Camera and film	175.54
Group #1 Total:		<u>620.54</u>

Group #2

3/11/75 - 4/6/76	Unidentified items	1,511.67
Group #2 Total		<u>1,511.67</u>

Group #3

6/20/75	Toaster & blender	50.78
7/24/75	Mint Julep serving set	139.80
4/18/75	Can opener	15.32
9/4/75	Engraved Water Goblets	92.56
9/10/75	Server Car Bag	44.99
10/11/75	Razor & Waffle Baker	56.55

Group #3 Total 400.00

With the exception of the items listed in group #1, information which would enable the staff to make a determination as to whether the remaining items were, in fact, campaign related and hence qualified campaign expenses, was not available at the conclusion of our initial field work.

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Recommendation

Absent documentation to the contrary, we recommend that the expenses in Groups 2 and 3 be viewed as unqualified and the value be repaid in full to the Treasury.

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adopted 4-0

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Recommended repayment amount - item B(4) - \$1,911.67.

(5) Payments to American Express between 1/1/75 and 6/9/76 amounted to \$4,263.89. These payments were not supported by sufficient documentation to determine the purpose of the expenditure. Upon inquiry we were informed by the Committee bookkeeper that these were the personal credit cards of the Committee Chairman and/or Treasurer. As a result of Committee submission of documentation to clear unsupported expenditures mentioned in item B(6), American Express billing statements were furnished which indicated that the majority of the charges were for hotel and restaurant services (meals and lodging) in Montgomery, Alabama, location of Wallace headquarters.

Recommendation

Absent any documentation to the contrary, such as a statement from the Committee Chairman and/or Treasurer, as appropriate, showing the purpose of the charges, we recommend that these expenses be viewed as unqualified and the value be repaid in full to the Treasury.

Adopted 4-0

Recommended repayment amount item B(5) \$4,263.89

(6) As of this date, there remains approximately \$240,000.00 in unsupported expenditures made by the Committee or its agents during the period 1/1/75 through 7/31/76. No independent documentation has been made available which would establish the purpose of the payments. Hence, no determination regarding qualified campaign expenses can be made. Listed below is a breakdown of the remaining unsupported amount:

2/11/80 - 1/1/81 - changed per page 7

Breakdown Analysis of Unsupported Expenditures

Description	Time Period	Amount
<u>Group #1</u>		
Unaccounted for advances made from Headquarters bank accounts to individuals	12,727.21	
	1/1/75-12/31/75	17,937.21
	1/1/76-6/9/76	141,630.24
	6/10/76-7/31/76	1,398.83 *248.83
Total unaccounted for advances	126,957.39	160,966.28
		139,933.43

* Please see Recommendation for item B(6) for disposition of post-ineligibility expenses which are not subject to 100% repayment, but are recommended to be viewed as unqualified none-the-less.

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deleted per Commission Vote 4-0 against Staff recommendation. These statements are acceptable.

Included in this total are \$21,032.85 in advances supported by a cancelled check and a notarized statement signed by the Treasurer of the Committee stating the "intended purpose" for which the advance was made. For example, "This is to certify that the following named person was under contract to The Wallace Campaign for \$1,000.00 per month plus expenses for organizational work in the states of Mississippi, Missouri and South Carolina." The name is listed along with check numbers and respective amounts. In our opinion, such statements lack the independent characteristic (countersigned by payee), time frame reference and detailed breakdown of associated expenses to conform with the definition of "contemporaneous memorandum" per Section 102.9 (c)(4)(ii) of the Commission's Regulations.

Group #2

Unaccounted for advances made from Headquarters bank accounts to subsidiary state bank accounts

	Amount Per Period	
	1/1/75-12/31/75	1/1/76-6/9/76
Johnstown, Pa. bank account	1,000.00	8,000.00
Illinois bank account	0	5,000.00
Amalgamated Bank, N.Y., N.Y.	8,576.00	-0-
Total by period	<u>9,576.00</u>	<u>13,000.00</u>
Total unaccounted for advances - state bank accounts	<u>22,576.00</u>	

Adopted 4-0

The bank records and associated receipted bills/ invoices were not available for our inspection at the close of field work 8/27/76. The Committee was advised and is attempting to obtain the records mentioned above.

Group #3

Unsupported expenditures made from state bank accounts during the period 1/1/76-6/9/76.

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Amount

Franklin State Bank - N.J.	3,448.81
Fulton National Bank - Ga.	2,770.64
1st National Bank & Trust - Mi.	2,076.07
S.E. 1st Bank of Jacksonville - Fl.	4,888.44
Bank of Clearwater - Fl.	8,256.00
Southern National Bank of Houston - Tx.	1,484.00
American Fletcher Bank - In.	7,969.95
North Hialeah First State Bank - Fl.	5,914.65
Total:	<u>36,808.56</u>

This total represents both expenditures to vendors and advances to individuals. In some instances cancelled checks and bank statements are available while in other cases not.

adopted 4-0

Group #4

Unsupported expenditures made from Headquarters bank accounts to vendors

Time Period	Amount
1/1/75-12/31/75	3,564.17
1/1/76-6/9/76	16,766.09
6/10/76-7/31/76	202.75**
Total	<u>20,533.01</u>

adopted 4-0

This total represents payments made to vendors (commercial entities) for which no independent documentation has been made available for our inspection to date. However, Committee records do contain cancelled checks for the expenditures.

<u>Grand Total Groups 1 - 4</u>	<u>219,851 -</u> <u>240,833.85</u>
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On 8/27/76, the Committee was advised that unsupported expenditures totaling approximately \$877,000.00 were identified as a result of our review of Committee expenditure records. To date the Committee has supplied additional documentation which reduced the unsupported amount to approximately \$240,000.00. The Committee is still in the process of obtaining additional documentation to clear the remainder.

Recommendation

Absent documentation to the contrary with respect to the insufficiently supported expenditures listed in item B-6 Groups 1 through 4, we recommend that the expenses incurred (1/1/75-6/9/75) be viewed as unqualified and the value be repaid in full to the Treasury. With respect to those expenses incurred (6/10-7/31/76), we recommend that the amount should be deducted from any further matching fund eligibility based on net outstanding campaign obligations.

FEDERAL RESERVE SYSTEM
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Recommended repayment amount - item (B)(6) - 219,399.42
\$239,232.27*

*\$240,833.85 less 1,601.58 (6/10-7/31/76 expenses)

219,851 - 451.58

** Please see Recommendation for item B(6) for disposition of post-ineligibility expenses which are not subject to 100% repayment, but are recommended to be viewed as unqualified none-the-less.

219,851

Summary Recommendation

In addition to allowing the Committee 30 days after receipt of the proposed letter (Enclosure #1) in which to resolve the matters contained therein (items A-1 through 4 and items B-1 through 6), it is suggested that an audit team be dispatched to Wallace Headquarters, Montgomery, Alabama, approximately one week prior to the close of the 30 day period. The audit team would review the back-up material relating to the Committee's response, provide any needed assistance, and to update the audit work from 7/31/76 to present to gather actual figures for use in the final payback computation. Upon completion of additional fieldwork, a final audit report will be submitted to the Commission.

*adopted
4-0*

77040033413

FEDERAL ELECTION COMMISSION
CENTRAL FILE COPY
U.S. GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

APR 29 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Honorable George C. Wallace
P. O. Box 1976
Montgomery, Alabama 36103

Attention: Mr. F. Alton Dauphin, Jr.

Dear Governor Wallace:

On behalf of the Commission, I wrote you on March 30, 1977, received by you on April 7, 1977, regarding the Commission's preliminary determination of June 9, 1976 as your date of ineligibility to receive Primary Matching Funds. That letter gave you 10 working days from the date of receipt (until April 21) to inform us that you wished a hearing to dispute the Commission's decision.

Having received no communication from you, the Commission's preliminary determination becomes final. The audit staff will use June 9, 1976 as your date of ineligibility for all computations under Chapter 96 of Title 26 U.S.C.

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL





FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

April 6, 1977

Mr. F. Alton Dauphin, Jr.
Finance Director
The Wallace Campaign, Inc.
c/o Snider/Dauphin, Inc.
2600 East South Boulevard
350 Governors Park
Montgomery, Alabama 36116

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dear Mr. Dauphin:

This is in reference to the post-primary audit of your Committee conducted by the staff of the Commission's Compliance Review Section under authority of Section 9038(a) of Title 26, United States Code (26 U.S.C. 9038(a)).

This letter enumerates the oral requests for additional information/documentation made by the audit staff at the time of our exit conference. In addition, comments pertaining to additional information/documentation submitted and reviewed since the time of our fieldwork are included for your information.

77040011421

Review of the additional expenditure documentation submitted on 9/21/76, 10/5/76, 10/19/76, 11/1/76, 12/8/76, 2/9/77 and 2/19/77 has been completed. These documents resulted in the clearing of \$631,740.98 in unsupported or insufficiently supported expenditures identified during the audit. There remains \$186,518.16 in expenditures to be further documented per the schedules relating to your headquarter's bank accounts. This amount (\$186,518.16) does not include unsupported amounts from state bank accounts representing approximately \$59,000.00.

Enclosure #1 contains copies of documents submitted as back-up which are not acceptable in their present form with the reason indicated on the copy being returned.

Regarding unsupported expenditures made from state bank accounts, enclosure #2 itemizes expenditures from accounts maintained by Mr. Dick Stump in Indiana which are not suffi-



ciently documented. This enclosure is in addition to the state bank account schedules provided during the field audit.

Enclosures #3 and #4 contain listings of post 6/9/76 expenditures and payables reviewed during the audit for which no documentation was available. Availability of adequate documentation for these items will allow them to be added to the amount of net campaign debt as of 6/9/76.

As was outlined during the exit conference, certain information was not available for our review during the field audit. You are requested to obtain the items listed below:

(a) Copy of Committee memorandum relating to per diem usage during the campaign for those individuals receiving \$50.00 and \$100.00 per diem.

(b) Statement concerning contract payments to Mr. Norman Jones.

(c) Statement indicating the fair market value as of 6/9/76 of the sound system and the 16 mm projector owned by the Committee.

(d) Statement indicating the fair market value of 1,000 shares of Molybdenite Corporation of Canada, Ltd. as of 6/9/76.

(e) Statement indicating the fair market value of office space rented from the St. Louis Metropolitan Area Citizens Council, Inc. during the months of March and April, 1976, along with a copy of the rental agreement.

() A comparison between selected individuals listed on the Committee's 6th submission for matching funds (4/17/76 - 5/31/76) as having contributed in excess of \$100.00 during calendar year 1976, and the May 10, 1976 report (4/1/76 - 4/30/76) indicated that 24 contributors were not disclosed as required by 2 U.S.C. Section 434(b)(2). (Enclosure #5) It is our understanding that the same contributor data base is used to generate both the disclosure reports and the matching submissions regarding individual contributors. No amendments are requested at this time; however, an explanation of the apparent inconsistency in the Committee's reporting system is requested.

In addition, bank records and supporting documentation were not available for several accounts maintained in several states. Please obtain copies of records noted below:

(a) Johnstown Bank and Trust Company, Pa.

Account: 005 9715 0, all records

(b) The Amalgamated Bank of New York

Account: 3100 3832, all records

LEGAL COUNSEL

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TT

- 777417:3421
- (c) Frank Fox Account at Marine Midland Bank, N.Y.
Account: 01513 0967, all records
 - (d) Bank account maintained in Illinois
All records
 - (e) M & I Northern Bank - Wisconsin
Account: 1002 5782, all records
 - (f) Bankers Trust Company, Jamaica, N.Y.
Account: 42 239 378, all records for period
3/11/76 - 7/31/76
 - (g) North Hialeah First State Bank, North Hialeah, Fl.
Account: 016 4 454, bank records for period
4/1/76 - 7/31/76
committee records for period 2/5/76 - 7/31/76
 - (h) First National Bank of Clearwater, Clearwater, Fl.
Account: 1 063 650, all bank records, committee
records in addition to those on hand as of 8/27/76
 - (i) Southern National Bank, Houston, Texas
Account: 058 065, bank statement for period 2/1/76 -
2/27/76, bank records for period 6/1/76 - 7/31/76,
committee records for period 6/1/76 - 7/31/76
 - (j) Fulton National Bank, Atlanta, GA.
Account: 0610 0007, bank records and committee
records for period 7/1/76 - 7/31/76
 - (k) Franklin State Bank, Somerset, N.J.
Account: 102 36450 8, bank records and committee
records for period 4/21/76 - 7/31/76
 - (l) First Forest Hill Bank of Palm Beach County, Fl.
Account: 10 357 8, bank records and committee
records for period 2/28/76 - 7/31/76
 - (m) Inventory of the contents of a safe, as of 7/31/76,
rented at the Irving Trust Company, New York,
New York, for the period 10/30/75 to 10/30/76.
The safe was rented by Mr. John Howard Sheppard,
1601 Metropolitan Avenue, Bronx, N.Y. In addition,
a statement outlining the items deposited therein
for the period of usage.
 - (n) Inventory of the contents of a safety deposit box,
as of 7/31/76, rented at the First National Bank &
Trust Company of Michigan by Mr. Art Cullers. In
addition, a statement outlining the items deposited
therein for the period of usage.

It is requested that the Committee retain all additional information/documentation requested above at headquarters in Montgomery. Additional on site audit work is anticipated. The audit team will review the back-up material which you have assembled and in addition, will provide any necessary assistance in resolving the matters noted herein.

FEDERAL BUREAU OF INVESTIGATION
CENTRAL FILE ROOM
MONTGOMERY, ALABAMA

Should you have any questions, please contact Joe Stoltz or Rick Halter at (202)523-4155.

Sincerely,



Robert J. Costa
Chief
Compliance Review Section

5 Enclosures

CERTIFIED MAIL:
RETURN RECEIPT REQUESTED

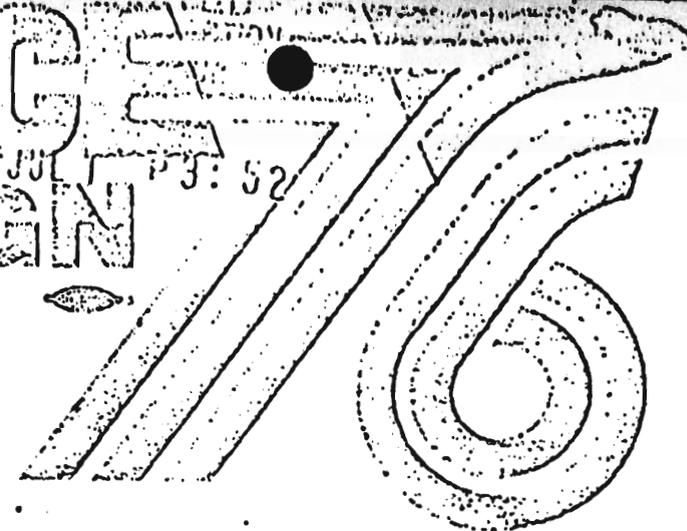
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3/21/77

771400:542

FEDERAL ELECTRIC COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

WALLACE CAMPAIGN

71-829



June 29, 1976

Mr. Paul Kamenar
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20005

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dear Mr. Kamenar:

Enclosed is a figure representing the net outstanding debts, to the best of our knowledge, of the Wallace Campaign obligated for prior to June 9, 1976, as per your letter dated June 24th. It does not include those debts incurred prior to June 9th, nor yet received by this office.

Enclosed also, is a copy of a telegram sent to the Honorable Robert Strauss, Chairman of the Democratic Party, briefly explaining the Governor's statement of June 9th. Based on that telegram, the attached statement by Governor Wallace and subsequent remarks by him, we have included those charges relative to the Democratic National Convention July 12-16, 1976. We feel you will agree that when Governor Wallace announced his candidacy in November of 1975 he obligated himself and members of his staff to be present at that convention. Those 26% of the total voting participants in the various Democratic Primaries that voted for the Governor are looking to him to voice opinions on policy and platform pertaining to the Democratic Party. Since there were no Democratic Primaries after June 8th, it would be almost impossible for Governor Wallace to "actively seek election...in more than one state." The next step after June 8th would logically be the Democratic National Convention in July. Governor Wallace will be nominated on the floor of the Convention by the Democratic Party. We feel the Federal Election Commission should allow those upcoming obligations incurred when he announced his candidacy to be included in the net expenses.

"TRUST THE PEOPLE"

770407:342

We have also included the salaries and office expense of those individuals currently on the staff of the committee for the month of June, July and August. This was done for two (2) reasons:

1. To make proper arrangements for the Governor's staff appearing at the various pre-convention meetings of the Platform, Credentials, Arrangements and other committee meetings prior to the convention, and those arrangements necessary for the Governor's attendance at the convention.
2. To file the necessary reports and documents required by the Federal Elections Commission as pertains to disclosure and to file those documents necessary for matching funds. Also to maintain records for those required audits that will be forthcoming as outlined by the Elections Law.

We are currently showing in our best estimate outstanding debts over and above the prescribed formular as determined by the Federal Election Commission of \$245,114.64. We are requesting that amount.

We look forward to the Commissions approval of these expenses.

Sincerely,


Alton Dauphin
Finance Chairman

AD/jcs

cc: Governor George C. Wallace
Honorable Vernon W. Thomson
Mr. Alexander Keema

Enclosures: 2

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

77040013421

Democratic National Committee
1625 Massachusetts Ave., NW
Washington, D. C. 20036

1970
2 Penn Plaza, Suite 1240
New York, New York 10001

sent - June 14, 1976

I would like to clarify Governor Wallace's position in relation to the upcoming convention and its related activities. Governor Wallace has neither withdrawn from the presidential race nor suspended his campaign operations. There are many important decisions regarding the rules, credentials, and especially the platform that Governor Wallace has a vital interest in. He will continue to speak out for his constituency in these and other matters.

Because Governor Wallace has a large block of delegates from many states committed to his candidacy, he is also requesting that convention access tickets continue to be prorated to him by delegate strength. This would certainly facilitate our quest arrangements.

With kindest personal regards, I am

Sincerely,

Charles S. Snider

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Mail grams

1/2/76

26

774001342

GEORGE C. WALLACE
GOVERNORSUITE 601 EXECUTIVE BUILDING
312 MONTGOMERY STREET
MONTGOMERY, ALABAMA 36103

June 30, 1976

The Honorable Vernon W. Thomson
Chairman, Federal Elections Commission
1335 K Street N.W.
Washington, D.C. 20005

Dear Chairman Thomson:

This letter will serve to clarify my statement of June 5th relative to my position as candidate for the Democratic nomination for President of the United States.

I did not then, nor do I now, personally consider my action of June 9th to be a withdrawal of my candidacy.

My campaign organization is operating on a full-time basis at a considerable cost and I further intend to participate in all activities of the Democratic Convention.

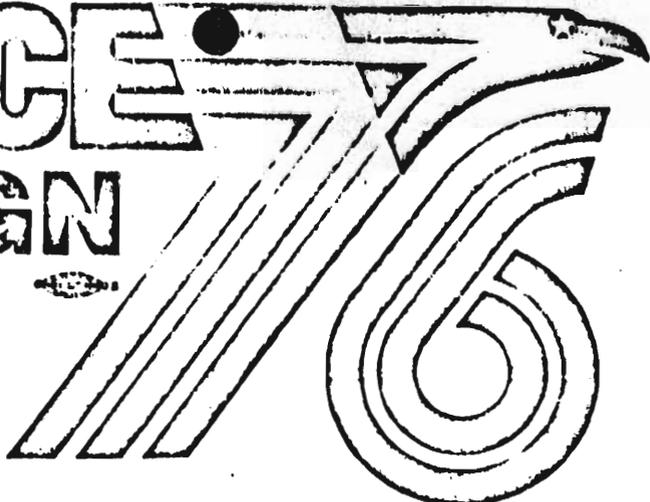
Sincerely,


George C. Wallace

GCW/pk

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

THE WALLACE CAMPAIGN



December 14, 1976

Mr. Gordon Andrew McKay
Assistant Staff Director
Disclosure and Compliance
Federal Election Commission
1325 "K" Street, Northwest
Washington, D. C. 20463

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dear Mr. McKay:

Pursuant to your letter dated November 15, 1976 and subsequent telephone conversations with the Commission, we are hereby submitting expenses incurred after the August audit not previously shown on our reports.

There is presently certified but not as yet paid, matching funds totaling approximately \$46,000.00-\$47,000.00.

Listed herein are expenses incurred for September, October, November and December, 1976 by category as requested. This amounts to a net figure of \$1,480.46, for the four months' period of September through December, 1976. This figure

"TRUST THE PEOPLE!"

PO. BOX 1976 MONTGOMERY, ALABAMA 36103 • TELEPHONE (205) 265-7081

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THE WALLACE CAMPAIGN



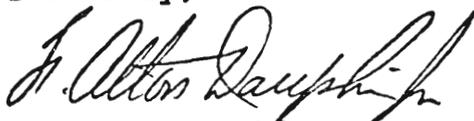
Federal Election Commission
December 14, 1976
Page (2)

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

added to the previous request for like expenses not yet received from the Commission totals approximately \$47,480.46-\$48,480.46.

We would appreciate a reply based on your November 15th letter so that the Campaign can be closed at the earliest possible date.

Sincerely,

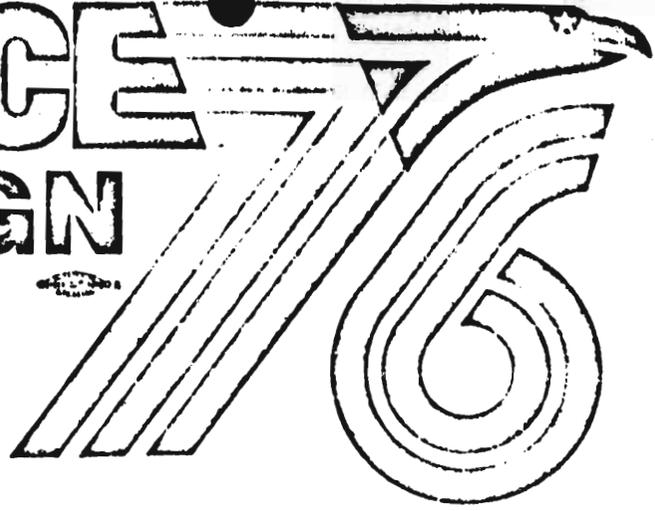


F. Alton Dauphin, Jr.
Assistant Executive Director

FADJr/mar
Enclosures

"TRUST THE PEOPLE!"

THE WALLACE CAMPAIGN



FEDERAL ELECTION COMMISSION
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OFFICE OF GENERAL COUNSEL

	<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>	<u>DECEMBER</u>
<u>SALARIES</u>	\$ 7,396.28	\$ 5,653.04	\$ 5,149.28	\$ 816.18
<u>TAXES</u>	3,176.74	3,409.52	1,634.60	1,290.60
<u>OFFICE EXPENSES</u>	15.90	1,404.20	898.48	238.60
<u>STORAGE EXPENSES</u>	100.00	552.80	131.50	31.50
<u>POSTAGE</u>	52.25	122.32	111.75	5.50
	<u>\$10,741.17</u>	<u>\$11,141.88</u>	<u>\$ 7,925.61</u>	<u>\$ 2,382.38</u>
STORAGE EXPENSES FOR THE REMAINDER OF THE THREE-YEAR PERIOD		\$3,300.00	(ESTIMATE)	
TOTAL EXPENSES		\$35,491.04		
LESS REFUNDS SINCE AUGUST 17, 1976		<u>34,010.58</u>		
<u>NET</u>		<u>\$ 1,480.46</u>		

"TRUST THE PEOPLE!"

* Unaudited figure
Footed 12/20/76

77040013431

DATE AND TIME OF TRANSMITTAL: _____

NO. _____

REC'D: _____

FEDERAL ELECTION COMMISSION
Washington, D. C.

Complainant's Name: Internally Generated by audit

Respondent's Name: The Wallace Campaign, Inc.

Relevant Statute: 2 U.S.C. §433(b)(9); §434(b); §441(b)

Internal Reports Checked: _____

Federal Agencies Checked: _____

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

SUMMARY OF ALLEGATION

During the course of the audit of the Wallace Campaign, the auditors have become aware of possible Title 2 violations. They are:

- 1) The registration form and statement of organization dated 11/27/74 lists five depositories. The auditors review of the bank records indicated that 21 depositories which were not listed on the registration statement were used.
- 2) Committee records indicate the receipt of \$491.51 of in-kind contributions which have not yet been disclosed. These contributions are in the nature of _____
- 3) The Committee apparently used office space belonging to the St. Louis Metropolitan Area Citizens Council, Inc. during the months of March and April. The Committee reports do not show that any rent was _____

PRELIMINARY LEGAL ANALYSIS

As a result of the Presidential audits, the Commission will be faced with an increasing number of matters such as this. In order to facilitate Commission review of these matters, the apparent Title 2 violation will be brought to the Commission in the form of a MUR. Depending upon the nature of the possible violations, the Commission may find reason to believe. However, because of the nature of the audit, procedure, the Commission may wish to follow another procedure. The Commission may wish to notify the campaign of the possible violations and inform the Committee of the necessity of amending its reports (or other possible corrective action). The auditors will prepare a final report of the audit and, if the reports have been amended (or other appropriate action taken), the reports will so indicate. If the Commission determines that the reports have been adequately amended,

RECOMMENDATION

Send the attached letter notifying the Committee of the preliminary results of the audit report.

Summary of Allegation (continued)

paid for the use of this office space.

4) The auditors discussed the Committee's procedures for the itemization of expenditures with the Committee's bookkeeper. The bookkeeper noted that only those expenditures greater than \$100 were reported. The Committee apparently did not aggregate expenditures and accordingly did not report expenditures which aggregated in excess of \$100.

5) Approximately \$7,600 in receipts and \$82,000 in expenditures relating to activities undertaken by the Committee's state offices and agents have not been reported.

PRELIMINARY LEGAL ANALYSIS (continued)

the Commission may accept the audit report and the MUR will be closed. If the Commission determines that the Committee has not adequately amended its reports, the next step would be a reason to believe finding.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7704091343



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

Mr. F. Alton Dauphin, Jr.
Finance Director
The Wallace Campaign, Inc.
Post Office Box 1976
Montgomery, Alabama 36103

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dear Mr. Dauphin:

This letter is in reference to the post-primary audit of your Committee which is being conducted by the Compliance Review Section of the Federal Election Commission pursuant to its authority under 26 U.S.C. §9038(a).

During the course of the audit, certain discrepancies, which may be violations of Title 2, were noted by the auditors. This letter will assist you in correcting these discrepancies. However, it should be clear that even if any amendments or disclosure is made, there may be compliance ramifications due to any initial failure to comply with the requirements of the law. 2 U.S.C. §437g. The Commission is not committed to the position that any amendments or disclosure will bring the Committee into full compliance with the law.

The discrepancies which were noted by the auditors are:

1) 2 U.S.C. §433(b)(9) requires each political committee to list all banks, safety deposit boxes, or other repositories used on the committee's registration statement. The registration statement filed by your Committee on November 11, 1974 lists five depositories. However, the auditors review of bank records uncovered 21 depositories which were not listed on the original registration statement or on any subsequent amendment to you registration statement. (A listing of the undisclosed campaign depositories is attached) Your Committee should, of course, amend its registration statement to include all campaign despositories of the Committee;

2) It appears that the Committee used office space during the months of March and April, 1976, which belonged to the St. Louis Metropolitan Area Citizens Council, Inc. Please furnish a copy of



7704011133

the rental agreement with the St. Louis Metropolitan Area Citizens Council, and a statement indicating the fair market value of the premises for the length of time the Committee used the office space. Committee reports should be amended to reflect this ~~transaction~~ ^{rental arrangement;}

3) Committee records indicate the receipt of \$491.51 of in-kind contributions. These contributions are in the nature of

Since all contributions received by a political committee must be disclosed, your Committee should amend its reports to reflect the receipt of these contributions;

4) During the course of the audit, the auditors were informed that the Committee was not reporting expenditures which were less than \$100 but which aggregated in excess of \$100 during the calendar year. 2 U.S.C. §434(b)(9) and(10) require the identification of each person to whom expenditures have been made for any purpose within a calendar year in an aggregate amount in excess of \$100; ~~and~~

5) The auditors became aware of approximately \$7,600 in receipts and \$82,000 in expenditures relating to activities undertaken by your Committee's state offices and agents which have not been reported. As you know, 2 U.S.C. §434(b) requires the reporting of such transactions. The required reports include summary pages and FEC Form 3-C, a state-by-state allocation of the expenditures.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Should you have any questions about any of these points, please contact Joe Stoltz (202/). If your Committee wishes to amend any of its reports or comment on any of the points raised in this letter, you may submit the amendments or reponse within fifteen days of the receipt of this letter.

Sincerely yours,

William C. Oldaker
Assistant General Counsel

7704002431

DATE OF TRANSMITTAL: _____

NO. cc671

Circle 11/2/76
Answer to Joe 9/17/76
memor

TIME OF TRANSMITTAL: _____

REC'D: _____

FEDERAL ELECTION COMMISSION
Washington, D.C.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

REQUEST FOR AN INITIAL SHOWING

Name of Committee: The Wallace Campaign, Inc.

Relevant Statute: 26 U.S.C. §9032(9): "qualified campaign expense"
means a purchase, payment, etc, incurred by a candidate, or by his
authorized committee, in connection with his campaign for nomination
for election....

EXPENDITURES WHICH DO NOT APPEAR TO
BE QUALIFIED CAMPAIGN EXPENSES

1. During 1975 and 1976, campaign funds were used to
purchase floral arrangements from Buener's Southside Florist in
the amount of \$1,857 and from Geri's Floral Boutique in the amount
of \$145.22. These floral shops are in Montgomery, Alabama. The
gift cards sent with the arrangements indicate that a total of
\$1,235.47 were flowers sent by the family of the campaign chair-
man, Mr. Charles Snider. In addition, Mrs. Snider picked up
flowers amounting to \$294.91. These figures do not include floral
arrangements sent to a hospital, sent by other campaign staff, or
by the Wallaces.

2. Committee reports indicate that payments of \$19,065 to Reagan
Brothers Auto Repair and Fowler Dozier Tire Service were made between
1/1/75 and 6/9/76. The breakdown for these expenditures is: \$7,745
for gasoline; \$1,147 for engine tuneups; \$3,412 for tires; \$402 for
brake work; and \$6,357 for other repairs ranging from body and paint
work to removal, repair and reinstallation of engines and the in-
stallation of an air conditioning system. During the period in
question, the campaign owned two vehicles, except for a four-month
period when three were owned. All of the campaign vehicles were
relatively new. The receipts do not, in most cases, indicate the
vehicle worked on or the persons authorizing the work. The campaign
treasurer indicated that he was unaware of the amount of work paid
for by the Committee and did not know the number of people with
access to such service. The treasurer signed all of the checks for
the service.

3. Committee records contained receipts for payments totaling
\$2,532 to Wilson's Capital Jewelers and Distributors, a local Montgo-
mercy merchant. These payments represented purchases of two television
sets for the Chairman's and Treasurer's offices, an electric can
opener, toaster, blender, waffle iron, electric razor, auto serving
set, camera, engraved water goblets, and a mint julep set with gift

RECOMMENDATION: Send the attached letter requesting the committee
to make a showing as to why these expenditures are qualified
campaign expenses within the meaning of 26 U.S.C. § 9032(9).

EXPENDITURES Continued

wrap. These items account for \$1,048. The receipts for the remaining \$1,483 do not list the items purchased but only give the stock number of the item purchased. The treasurer stated that other than the television sets he was aware of only the camera; he thought the mint julep set was a wedding gift for a campaign worker's daughter.

4. Payments to American Express in the amount of \$4,263 were made with campaign funds between 1/1/75 and 6/9/76. These payments were not supported by sufficient documentation to disclose the purpose of the expenditure. The auditors were informed by the Committee bookkeeper that the cards were the personal credit cards of the campaign chairman and/or treasurer.

5. Committee funds were used to pay a BankAmericard bill, credit card no. 4320-056-208-562, in the amount of \$938. The committee was not the holder of the card. Notations on the credit card statement indicated that parts of the bill were paid by Governor and Mrs. Wallace. All of the charges on the bill are at Montgomery clothing stores.

6. The audit staff documented \$38,273.96 in expenditures made after June 9, 1976, the candidate's ineligibility date, relating to the candidate's participation at the 1976 Democratic National Convention.

77111001343

SEARCHED
SERIALIZED
INDEXED
FILED
FBI - MEMPHIS



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

Mr. F. Alton Dauphin, Jr.
Finance Director
The Wallace Campaign, Inc.
P.O. Box 1976
Montgomery, Alabama 36103

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dear Mr. Dauphin:

This letter is in reference to the audit currently being conducted by the Commission staff pursuant to 26 U.S.C. §9038(a). As a part of the examination and audit and the repayment provisions, the Commission is required to make determinations with regard to whether certain expenditures were in fact qualified campaign expenditures as defined in 26 U.S.C. §9032(9).

The Commission has reviewed certain expenditures made by your committee and has concluded that such expenditures do not on their face appear to be qualified campaign expenses within the meaning of the Act. These expenditures are:

1. The purchase of floral arrangements from Buener's Southside Florist in the amount of \$1,857.
2. The purchase of floral arrangements from Gerri's Floral Boutique in the amount of \$145.22.
3. The payments to Wilson's Capital Jewelers and Distributors totaling \$2,532. These payments include purchases of two television sets, an electric can opener, toaster, blender, waffle iron, electric razor, auto serving set, camera, engraved water goblets, and a mint julep set with gift wrap. Of the total amount, the receipts for \$1,483 do not name the item purchased.
4. The payment of a BankAmericard bill, No. 4320-056-208-562, in the amount of \$938. The charges on the bill were at Montgomery clothing stores.



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5. Payments to American Express, credit card no. _____ in the amount of \$4,263, between 1/1/75 and 6/9/76.

6. Payments of \$19,065 to Reagan Brothers Auto Repair and Fowler Dozier Tire Service between 1/1/75 and 6/9/76. A partial breakdown of these expenditures is: \$7,745 for gasoline; \$1,147 for engine tuneups; \$3,412 for tires; \$402 for brade work; and \$6,357 for other repairs ranging from body and paint work to removal, repair and re-installation of engines and the installation of an air conditioning system.

7. The audit staff documented \$38,273.96 in expenditures made after June 9, 1976, relating to the candidate's participation at the 1976 Democratic National Convention.

With regard to the listed expenditures, the Commission requests an initial showing as to the connection of these expenses with Governor Wallace's campaign for nomination for election. In particular, please provide the name(s) of the person holding the credit cards referred to in Nos. 5 & 6. Also, when providing the information with regard to item 6, please indicate the automobile which was repaired or serviced.

Please provide the Commission with the requested information within 15 days of the receipt of this letter. If you have any questions about this request, please contact either Joe Stoltz (202/382-6023) or Carolyn Reed (202/382-4055).

Sincerely,

OFFICIAL INFORMATION COMMISSION
 OFFICIAL COPY
 OFFICE OF THE ATTORNEY GENERAL

William Oldaker
 Assistant General Counsel

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FEDERAL ELECTION COMMISSION

1. Memo to Commissioners from Potter, 5-10-77
2. Memo to Costa from Swillinger, 4-26-77
3. Memo to Swillinger from Halter, 3-25-77
4. ~~Memo to Costa/Stoltz from Swillinger, 3-17-77~~
5. Memo to Stoltz from Swillinger, 2-3-77
6. Memo to Reed from Stoltz, 12-20-76
7. ~~Memo to Reed from Stoltz, 12-9-76~~
8. Memo to File from Stoltz, 12-7-76
9. Memo to Stoltz from Reed, 11-29-76
10. ~~Memo to Oldaker/Reed from Stoltz, 11-12-76~~
11. Memo to Oldaker from Stoltz, 10-7-76
12. Memo to Oldaker from Stoltz, 10-7-76
13. ~~Memo to Oldaker from Stoltz, 9-17-76~~

The above-described material was removed from this file pursuant to the following exemption provided in the Freedom of Information Act, 5 U.S.C. Section 552(b):

- | | | | |
|-------------------------------------|---|--------------------------|--|
| <input type="checkbox"/> | (1) Classified Information | <input type="checkbox"/> | (6) Personal privacy |
| <input type="checkbox"/> | (2) Internal rules and practices | <input type="checkbox"/> | (7) Investigatory files |
| <input type="checkbox"/> | (3) Exempted by other statute | <input type="checkbox"/> | (8) Banking Information |
| <input type="checkbox"/> | (4) Trade secrets and commercial or financial information | <input type="checkbox"/> | (9) Well Information (geographic or geophysical) |
| <input checked="" type="checkbox"/> | (5) Internal Documents | | |

Signed Kurt Burkhardt
date 9/28/77