FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Sandra L. Stauffer
Shapp for President Committee
P.O. Box 1012
Federal Square Station
Harrisburg, Pennsylvania 19108

Re: MUR 240 (76)

Dear Ms. Stauffer:

This letter is to inform you that after an inquiry into the above matter involving your committee's obligations to an advertising firm and to an accounting firm, the Commission has voted to terminate its investigation and close the file as to such obligations. A copy of a certification of the Commission's action and the report of the Office of General Counsel are enclosed herewith.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 22, 1977

sent 7/26/77

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Honorable Richard A. Tilghman
Senate of Pennsylvania
Main Capitol Building
Harrisburg, Pennsylvania 17120

Re: MUR 240 (76)

Dear Mr. Tilghman:

This letter is to inform you that a complete inquiry into the above matter is complete, and the Commission has voted to terminate its investigation.

You may be aware that on August 19, 1976, the Commission's Office of Disclosure and Compliance completed an extensive audit of the Shapp for President Committee. The debt discrepancies, which are the subjects of the instant complaints, were, among other items, reviewed as part of the audit.

It is the conclusion of the Commission that, although technical violations of the Federal Election Campaign Act as amended did take place, due to the Committee's failure to properly detail the status of both debts, substantial voluntary compliance has been undertaken, to the satisfaction of the Commission. This position is based upon a review of the August 1976 audit, and an independent inquiry by the Office of General Counsel. We have attached hereto a certification of the Commission's Action, as well as a copy of the report made by the Office of General Counsel in this matter.

If further information comes to your attention which you believe establishes a claim on matters within the jurisdiction of the Commission, please feel free to write and apprise me of them.

Sincerely,

William C. Oldaker
General Counsel

Enclosures

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

If further information comes to your attention which you believe establishes a claim on matters within the jurisdiction of the Commission, please feel free to write and apprise me of them.

Sincerely,

William C. Oldaker
General Counsel

Enclosures

COPY
OFFICE OF GENERAL COUNSEL

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
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Honorable Richard A. Tilghman
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It is the conclusion of the Commission that, although technical violations of the Federal Election Campaign Act as amended did take place, due to the Committee's failure to properly detail the status of both debts, substantial voluntary compliance has been undertaken, to the satisfaction of the Commission. This position is based upon a review of the August 1976 audit, and an independent inquiry by the Office of General Counsel. We have attached hereto a certification of the Commission's Action, as well as a copy of the report made by the Office of General Counsel in this matter.

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Sandra L. Stauffer
Shapp for President Committee
P. O. Box 1012
Federal Square Station
Harrisburg, Pennsylvania 19108

Re: MUR 240 (76)

Dear Ms. Stauffer:

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Sincerely,

William C. Oldaker
General Counsel

7704100560

MUR 240 Stein

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3.
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  Show to whom and date delivered..... 65¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Hon. Richard A. Tilghman
Senate of PA Bldg.
Main Capitol
Harrisburg, PA

3. ARTICLE DESCRIPTION

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	943690	

(Always obtain signature of addressee or agent)

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SIGNATURE ☐ Addressee ☐ Authorized agent

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☆ GOP : 1976—O-203-458

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 240 (76)
Shapp for President Committee)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on July 20, 1977, the Commission determined by a vote of 4-0 to close the file in the above-captioned matter. Voting for this determination were Commissioners Harris, Staebler, Thomson, and Tiernan; Commissioners Aikens and Springer were not present at the time of the vote.

Accordingly, the file in this matter has been closed.

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

7704020506

COMMISSION COPY GENERAL COUNSEL

July 14, 1977

MEMORANDUM TO: Marge Emmons

FROM: Elissa Garr

SUBJECT: MUR 240 (76)

Please have the attached General Counsel's Reports on MUR 240 (76) distributed to the Commission and placed on the Compliance Agenda for the Commission Meeting of Wednesday, July 20, 1977.

Thank you.

7704002350 4

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

BEFORE THE FEDERAL ELECTION COMMISSION

July 13, 1977

In the Matter of)
) MUR 240(76)
Shapp for President Committee)

GENERAL COUNSEL'S REPORT

I. Summary of Allegations (Complaint 1)

This MUR was initiated by a sworn complaint received from Mr. Richard Tilghman, Chairman of the Minority Appropriation Committee of the Pennsylvania State Senate on September 20, 1976. The original complaint called to the attention of the Commission entry of a $9,983.59 debt to a Pennsylvania advertising firm on the Committee's April 10, 1976 report, and the disappearance of this obligation in the three following monthly reports. This debt subsequently reappeared in the July 1-31 filing as a disputed obligation.

Independent analysis of the complaint confirmed the allegations, giving rise to possible violations of 2 U.S.C. §434(b)(2) and §441b. The Commission on October 12, 1976 found reason to believe that the above cited provisions of the Act had been violated. On December 22, 1976, the Commission voted to leave this case open, pending the outcome of an unrelated matter involving Governor Shapp.

II. Evidence

In its report for the period March 1, 1976 to March 31, 1976, the respondent Committee indicated an outstanding debt to the Philadelphia advertising firm of Sonder, Levitt and

Sagorsky of $9,983.59. Total debts owed by the Commission for that period was $83,281.74. The following report for April listed a total debt of $79,561.64, with no entry relative to the continuation or extinguishment of the previously reported advertising obligation. Nothing further was revealed with respect to this debt in the May or June filings.

However, contained in the report pertaining to the period July 1, 1976 thru July 31, 1976, is an entry reflecting a debt of $14,766.58, owing to Sonder, Levitt and Sagorsky, as part of the total listed debt of $23,929.96. A handwritten footnote explains:

> "This item is being relisted because they say we owe it and our records had indicated that we were due a credit. Our April 10, 1976 report showed a balance of $9,983.59. After that date we received credits from the different radio and TV spots through the advertising agent which we felt left us with a credit due us balance. However, they fell we still owe them the above $14,766.58. This is now in dispute between the committee and the advertising firm."

Prior to the filing of this complaint an audit was conducted by the Compliance Review Section of the Office of Disclosure and Compliance. This Audit commenced on August 2, 1976 and ended on August 11th, and covered among other items, the debt discrepancy which is the subject of this MUR. The audit report indicated that Committee officials were interviewed and documents which later became relevant to this inquiry, were examined.

Committee officials explained that the creditor performed all the advertising for Governor Shapp's Presidential campaign. Billing for services were received by the Committee monthly, with an itemized listing of all expenses incurred, credits for payments made, refunds, and adjustments to the account. The creditor's April statement to the Committee was the basis for the Committee's determination that the March indebtedness had been satisfied, due to payments made and credits to the account. With no direct payment having been made to the creditor, and the debt having been liquidated as far as the Committee was concerned, this debt was never reflected in the May, or June filing.

In late July, the Committee received a bill from the creditor reflecting indebtedness of $14,766.58. The Committee disputed this billing, and in the July 1-31 report, listed the debt with an explanation as to the dispute. The Commission's audit report indicated that direct access to the billings and the Committee's other records verified a balance due by the Committee of $14,766.58, and that the Committee did, in fact, prepare their April, May and June reports believing that the debt had been extinguished.

III. Analysis

The result of the audit conducted by the Compliance Review Section of the Disclosure and Compliance Office is in accord

with the respondent's explanation of the debt disappearance. Direct review of both the Committee's records and creditors's billings, as part of the audit, reveal no further evidence of misreporting, other than the Committee's inadvertent failure to identify in the April, May and June reports, their understanding that this debt had been liquidated. To the extent that 2 U.S.C. §434(b)(12) may have been violated, the July report, with its accurate explanation, cures any defect which would be the basis of such violation.

There is nothing to indicate a significant violation of §434(b)(12) of the Act. No evidence whatsoever exists to indicate a violation of §441b.

IV. Recommendation

Close file; send attached letters.

William C. Oldaker
General Counsel

DATE: 7/14/77

BEFORE THE FEDERAL ELECTION COMMISSION

July 13, 1977

In the Matter of	)	
	)	MUR 240 (76)
Shapp for President Committee	)	

GENERAL COUNSEL'S REPORT

1. Summary of Allegations (Complaint 2)

A separate series of allegations against Mr. Shapp was received on September 23, 1976, from Mr. Tilghman; however, the supporting notarization did not arrive until November 18, 1976.

It is alleged that a debt owed by the Committee to a Pennsylvania accounting firm disappeared from subsequent Committee reports.

Specifically, the Shapp for President Committee reported debts to the Philadelphia office of Laventhol and Horwath, of $4,300 as of February, 1976 and $2,300 as of May 24, 1976. Subsequent filings for June and July were silent with respect to this obligation, other than a May, 1976 payment of $2,000 to the creditor.

II. Evidence

The August, 1976 audit conducted by the Office of Disclosure and Compliance reveals a substantiation of the

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

surface allegations in the complaint. A review of the audit and conferences with the audit manager Tom Hazelhorst indicates the following:

The Creditor's total billings through May 18, 1976 were in the amount of $6,458.50. Payments made to the creditor by the respondent total $3,200 ($1,200 payment in September, 1975 and $2,000 in May, 1976). The unpaid balance was $3,258.50.

The May, 1976 payment of $2,000 was a settlement in full satisfaction of the Committee's outstanding obligation in light of the Committee's insolvency at that time. In effect, the unpaid balance of $3,258.50 was forgiven at the time of the $2,000 remittance.

The Commission received a letter dated August 6, 1976, from the Committee, amending its May report to reflect the forgiveness of the debt of $3,258.50.

III. Analysis

There seems to be no question that the debt to Laventhol and Horwath was forgiven upon receipt of the $2,000 payment, and that this accord and satisfaction should have been reflected in the Committee's June 10th filing. This defect is in violation of §431(e)(4) and §434(b) of Title 2, which requires disclosure of such a transaction, but should be considered in connection with the Committee's amended filing in August, reporting the forgiveness and curing the violation.

FEDERAL ELECTION COMMISSION
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OFFICE OF GENERAL COUNSEL

It should be noted that this accord and satisfaction, transacted by the Committee and the accounting firm, is entirely valid pursuant to 2 U.S.C. §431(e)(4), amended as of May 11, 1976. This section exempts accounting services rendered to a Federal candidate (for purposes of complying with the disclosure provisions of the Act) from the definition of campaign contribution. This forgiveness was in connection with such accounting services and was executed on May 18, 1976, within the effective date of amended §431(e)(4).

William C. Oldaker
General Counsel

DATE: 7/14/77

7704105514

file

FEDERAL ELECTION COMMISSION

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

October 26, 1976

Richard A. Tilghman
406 Gatcombe Lane
Bryn Mawr, Pa. 19010

Re: CC #572
MUR 240

Dear Mr. Tilghman:

We have received a copy of the letter that you forwarded to Governor Shapp on September 15, 1976.

As mentioned in our previous correspondence on MUR 240, the Federal Election Campaign Act, as amended requires that all complaints be signed, sworn and notarized by the person making the complaint.

In the event that you wish to file a complaint, please comply with these requirements.

Sincerely,

William Oldaker
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

APPROPRIATIONS COMMITTEE

Senate of Pennsylvania

September 15, 1976

Honorable Milton J. Shapp
Governor of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

A review of the filings which you and your 1976 Presidential campaign committees have made with the Federal Election Commission and the Commonwealth's Bureau of Elections by my staff indicates that a campaign debt to the Philadelphia accounting firm of Laventhol and Horwath in an amount of at least $2,300, and perhaps as much as $4,300, disappeared from your principal committee's records without explanation between its reports for April and May of this year.

This review indicates that payments have been made to Laventhol and Horwath in Harrisburg on September 30, 1975 in the amount of $1,200, and again to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, for total payments to Laventhol and Horwath of $3,200.

This review also indicates that the Shapp for President Committee reported debts that it acknowledged owing to Laventhol and Horwath in Philadelphia, beginning on November 6, 1975, in the amount of $2,500. That debt first appeared in the Shapp Committee's report for the period October 1 to December 31, 1975. It was re-reported in the January 1 to January 31, 1976 report at page 57, with an additional debt of $1,100 incurred on January 7, 1976, for a total due of $3,600.

The next report for February 1 to February 29, 1976 re-reported both the November 6, 1975 and January 7, 1976 debts, and added a third debt in the amount of $700 incurred to Laventhol and Horwath on February 11, 1976, bringing the total due to $4,300.

The report for March 1 to March 31, 1976 re-reported all the debts, but apparently misstated the date of the November 6, 1975 debt as November 6, 1976.

The next report for April 1 to April 30, 1976 also re-reports all these debts with the same apparent error regarding the November 6, 1975 date.

Then, without explanation of any type, the next report for the period May 1 to May 31, 1976 lists total debts of only $9,163.38 and indicates that this total amount is owed to Novelty Printing of Philadelphia. No continuing debts to Laventhol and Horwath in either Philadelphia or Harrisburg are reported. However, the only payment recorded in the May report in discharge of any debt to Laventhol and Horwath is to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, as noted on page 13 of the report under line 20-A - expenditures.

No explanation of any type is givenas to the continuation or discharge of the $4,300 debt to Laventhol and Horwath in Philadelphia. No payments to Laventhol and Horwath in Philadelphia are reported.

Further, even if the payment to Laventhol and Horwath in Harrisburg is in payment of the $4,300 debt reported in the April report to Laventhol and Horwath in Philadelphia, it would still fail to account for the remaining $2,300 of debt acknowledged in that report.

The next report for June 1 to June 30, 1976 still re-reports only the ongoing debt to Novelty Printing. No continuing debt to Laventhol and Horwath, either in Harrisburg or Philadelphia in either the amount of $2,300 or $4,300, is reported and no expenditures discharging such debts are reported.

The report for July 1 to July 31, 1976 is similar. The total debt is $23,929.96, but none of it is to Laventhol and Horwath either in Harrisburg or Philadelphia. No payments to Laventhol and Horwath are reported, either.

The question thus raised, Governor, is of course painfully analogous to the question raised by the unexplained disappearance of a debt to Sonder, Levitt and Sagorsky from your principal committee's March and April, 1976 reports.

You know, of course, that 2 USC 434(3) (b) (12) mandates that each report made by a presidential candidate or political committee under this section shall disclose "the amounts and nature of debts and obligations owed by or to the committee, in such form as the Commission may prescribe and a continuous reporting of their debts and obligations after the election at such periods as the Commission may require until such debts and obligations are extinguished, together with a statement as to the circumstances and conditions under which any such debt or obligation is extinguished and the consideration therefor...."

Thus, it would seem clear that the failure of your campaign committees to disclose either the continuation of the Laventhol and Horwath debt, or the circumstances and conditions of its extinguishment, is in direct contravention of this provision.

Additionally, it is worthy of note that the Commission has proposed to the Congress regulations which would elaborate on the statutory requirements. Those proposed regulations at Section 104.8 state:

"(a) Debts and obligations which remain outstanding after the election shall be continuously reported until extinguished; see Section 104.1(b). 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.

"(b) A debt, obligation, or other promise to make an expenditure of $500 or less, shall be reported as of the time payment is made or no later than 60 days after incurrence, whichever comes first. A loan of money in the ordinary course of business and any debt or obligation over $500 shall be reported as of the time of the transaction."

This unexplained and illegal disappearance of a major campaign debt is all the more disturbing since it comes on the heels of the May disclosure by the staff of the Senate Minority Appropriations Committee that a total of $4,277 contributed by the partners of and consultants to the firm, and by the firm itself to your 1974 gubernatorial campaign effort was not reported by any of your campaign committees in violation of the State Election Code.

Reports filed with the Bureau of Elections and the office of the Secretary of the Commonwealth, pursuant to Act 201 of July 21, 1974, by the firm, revealed that 31 Laventhol partners, partners' spouses, or consultants contributed a total of $3,677 to your campaign committees in the period from July 1974 to January 1975. Those reports also revealed that the firm itself contributed a total of $1,000 to your campaign.

A review of the reports filed by your four primary and three general election campaign committees, however, revealed that only two of the contributions were reported as required by the State Election Code. None of the other 39 different contributions from either the partners, partners' spouses, consultants, or the firm itself was reported.

As I am sure you are aware, the Laventhol and Horwath firm has been the recipient of at least 23 different consulting contracts with various Commonwealth departments and agencies during the period July 1971 to February 1976. The contracts let to the firm during that period had a total dollar value of $1,404,405 according to Secretary of Administration James N. Wade.

The firm also represents Beacon Construction Company of Boston, Massachusetts. The Beacon firm recently came to public attention when it was revealed that Beacon's president, Norman B. Leventhal, had been certified by the Pennsylvania Housing Finance Agency to receive a 6 percent mortgage loan totalling more than $7,000,000, representing 90% of the cost of the Williamsburg Estates apartment complex in Lower Paxton Township. Leventhal was, of course, a major contributor to your presidential campaign.

The illegal disappearance of the Laventhol and Horwath debt, not to mention the similarly illegal disappearance and extraordinarily suspicious reappearance of the Sonder, Levitt and Sagorsky debt, is too patently deliberate to be passed off as accident or inadvertence.

For these reasons, I am, by copy of this letter, referring this second violation to the Federal Election Commission for its investigation and, hopefully, consequent remedial action.

Sincerely,

Richard A. Tilghman

Richard A. Tilghman

RAT:hg

cc: Federal Election Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY

CC#830
MUR 240
Athy

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

Senate of Pennsylvania

RECEIVED
FEDERAL ELECTION
COMMISSION

APPROPRIATIONS COMMITTEE

76 OCT26 A10:50

763182

October 22, 1976

Mr. John G. Murphy, Jr.
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

RE: Case No. MUR 240 (76)

Dear Mr. Murphy:

I am in receipt of your letter of October 15, 1976.

Please be advised that I do not have any additional information to offer with respect to this matter at this time.

I look forward to the conclusion of your investigation and receipt of your final report.

Sincerely,

Richard A. Tilghman

Richard A. Tilghman

RAT/lzw

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY

Senate of Pennsylvania
17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

UPPER DARBY, PA
OCT 22
PM
1976

ALWAYS USE ZIP

United States Po

FEDERAL ELECTION COMMISSION
1976 OCT 28 A 9:58

Mr. John G. Murphy, Jr.
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
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OFFICE OF GENERAL COUNSEL

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15 OCT 1976

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Honorable Richard Tilghman
Senate of Pennsylvania
Main Capitol Building
Harrisburg, PA 17120

Re: MUR 240 (76)

Dear Senator Tilghman:

We have completed a preliminary review of your complaint and have numbered it as MUR 240 (76). Please refer to this number in any further correspondence.

A copy of your complaint has been forwarded to respondent. If you have any further evidence you wish to make available to us, please submit it within five days of your receipt of this letter.

Please note that 2 U.S.C. §437g(a)(3) enjoins any person from making public the fact of "any notification or investigation" by the Commission until the respondent agrees in writing to make public the investigation. The attorney assigned to this matter is Andrew Achy, telephone no. 202/382-6646. Please do not hesitate to write or call if you have any further questions.

Sincerely yours,

Signed: John G. Murphy, Jr.

John G. Murphy, Jr.
General Counsel

AAtny:mpc:10/14/76

cc: AA
MUR File
Chron File

FEDERAL ELECTION COMMISSION
OFFICIAL MAIL
OFFICE OF GENERAL COUNSEL

7704023513

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

15 OCT 1976

Ms. Sandra L. Stauffer
Shapp for President Committee
P.O. Box 1012
Federal Square Station
Harrisburg, PA 19108

Re: MUR 240 (76)

Dear Ms. Stauffer:

This letter is to notify you that the Federal Election Commission has received a complaint against the Shapp for President Committee which alleges certain violations of the Federal Election Campaign Act of 1971, as amended. A copy of the complaint is enclosed. The Commission has reason to believe that the matters alleged therein state a violation of 2 U.S.C. §434(b)(12) and 2 U.S.C. §441b.

Under the Act, the respondent has an opportunity to demonstrate that no action should be taken against you. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. In particular please explain the failure to list the status of the $9,983.59 obligation to Sonder, Levitt and Sagorsky on your reports for the months of April, May and June 1976. Please also furnish all records pertinent to debts owed or payments made to the above firm.

The Commission is under a duty to investigate this matter expeditiously; therefore, your response should be submitted within ten days after receipt of this notification. You will be sent copies or summaries of all correspondence received by the Commission from the complainant concerning this matter. If you have any questions please contact Andrew Athy, Jr. (telephone no. 202/382-6646) the attorney assigned to this case.

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OFFICE OF GENERAL COUNSEL

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This matter will remain confidential in accordance with 2 U.S.C. §437g(a)(3) unless you notify the Commission in writing. Also if you intend to be represented by counsel in this matter, please have such counsel so notify us in writing.

Sincerely yours,

Signed: John G. Murphy, Jr.

John G. Murphy, Jr.
General Counsel

7704002352 1

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

AAthy:pjg:10/7/76
MUR file

MUR 240

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

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- ☐ RESTRICTED DELIVERY.
  Show to whom and date delivered..... 65¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Sandra Stauffer

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438229	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE ☐ Addressee ☐ Authorized agent

X Sandra Stauffer

4. DATE OF DELIVERY

10/20/76

POSTMARK

OCT 20 1976

5. ADDRESS (Complete only if requested)

10 MARSHALL DR
APT 12 I CHAPHILL, PA

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

☆ GOP : 1976—O-203-456

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 240 (76)
Shapp for President Committee	)	

GENERAL COUNSEL'S REPORT

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Prior to the filing of this complaint an audit was conducted by the Compliance Review Section of the Office of Disclosure and Compliance. This Audit commenced on August 2, 1976 and ended on August 11th, and covered among other items, the debt discrepancy which is the subject of this MUR. The audit report indicated that Committee officials were interviewed and documents which later became relevant to this inquiry, were examined.

Committee officials explained that the creditor performed all the advertising for Governor Shapp's Presidential campaign. Billing for services were received by the Committee monthly, with an itemized listing of all expenses incurred, credits for payments made, refunds, and adjustments to the account. The creditor's April statement to the Committee was the basis for the Committee's determination that the March indebtedness had been satisfied, due to payments made and credits to the account. With no direct payment having been made to the creditor, and the debt having been liquidated as far as the Committee was concerned, this debt was never reflected in the May, or June filing.

In late July, the Committee received a bill from the creditor reflecting indebtedness of $14,766.58. The Committee disputed this billing, and in the July 1-31 report, listed the debt with an explanation as to the dispute. The Commission's audit report indicated that direct access to the billings and the Committee's other records verified a balance due by the Committee of $14,766.58, and that the Committee did, in fact, prepare their April, May and June reports believing that the debt had been extinguished.

OFFICE OF GENERAL COUNSEL

III. Analysis

The audit conducted by the Compliance Review Section of the Disclosure and Compliance Office is in accord with the respondent's explanation of the debt disappearance. Direct review of both the Committee's records and the creditor's billings, as part of the audit, reveal no further evidence of misreporting, other than the Committee's inadvertent failure to identify in the April, May and June reports, their understanding that this debt had been liquidated. To the extent that 2 U.S.C. §434(b)(12) may have been violated, the July report, with its accurate explanation, cures any defect which would be the basis of such violation.

There is, clearly, nothing to indicate a significant violation of §434(b)(12) of the Act. No evidence whatsoever exists to indicate a violation of §441b.

IV. Recommendation

Close file; send attached letters.

John G. Murphy, Jr.
JOHN G. MURPHY, JR.
GENERAL COUNSEL

DATE: December 6, 1976

7704021152

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 240 (76)
Shapp for President Committee	)	

GENERAL COUNSEL'S REPORT

I. Summary of Allegations (Complaint 2)

A separate series of allegations against Mr. Shapp was received on September 23, 1976, from Mr. Tilghman; however, the supporting notarization did not arrive until November 18, 1976.

It is alleged that a debt owed by the Committee to a Pennsylvania accounting firm disappeared from subsequent Committee reports.

Specifically, the Shapp for President Committee reported debts to the Philadelphia office of Laventhol and Horwath, of $4,300 as of February, 1976 and $2,300 as of May 24, 1976. Subsequent filings for June and July were silent with respect to this obligation, other than a May, 1976 payment of $2,000 to the creditor.

II. Evidence

The August, 1976 audit conducted by the Office of Disclosure and Compliance reveals a substantiation of the

FEDERAL ELECTION COMMISSION
GENERAL COUNSEL'S OFFICE

surface allegations in the complaint. A review of the audit and conferences with the audit manager Tom Hazelhorst indicates the following:

The Creditor's total billings through May 18, 1976 were in the amount of $6,458.50. Payments made to the creditor by the respondent total $3,200 ($1,200 payment in September, 1975 and $2,000 in May, 1976). The unpaid balance was $3,258.50.

The May, 1976 payment of $2,000 was a settlement in full satisfaction of the Committee's outstanding obligation in light of the Committee's insolvency at that time. In effect, the unpaid balance of $3,258.50 was forgiven at the time of the $2,000 remittance.

The Commission received a letter dated August 16, 1976, from the Committee, amending its May report to reflect the forgiveness of the debt of $3,258.50.

III. Analysis

There seems to be no question that the debt to Laventhol and Horwath was forgiven upon receipt of the $2,000 payment, and that this accord and satisfaction should have been reflected in the Committee's June 10th filing. This defect is in violation of §431(e)(4) and §434(b) of Title 2, which requires disclosure of such a transaction, but must be

considered in connection with the Committee's amended filing in August, reporting the forgiveness and curing the violation.

It should be noted that the forgiveness of this debt by the creditor is entirely valid, pursuant to §431(e)(4), which places accounting services rendered to a candidate for Federal office, for purposes of compliance with the Act, outside the boundaries of what is defined as a campaign contribution.

IV. Recommendation

Close file; send attached letters.

JOHN G. MURPHY, JR.
GENERAL COUNSEL

DATE: _____

FEDERAL ELECTION COMMISSION
OFFICIAL COPY
OFFICE OF GENERAL COUNSEL

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Honorable Richard A. Tilghman
Senate of Pennsylvania
Main Capitol Building
Harrisburg, Pennsylvania 17120

Re: MUR 240 (76)
CC # 572

Dear Mr. Tilghman:

This letter is to inform you that a complete inquiry into the above matters is complete, and the Commission has voted to terminate its investigation.

You may be aware that on August 19, 1976, the Commission's Office of Disclosure and Compliance completed an extensive audit of the Shapp for President Committee. The debt discrepancies, which are the subjects of the instant complaints, were, among other items, reviewed as part of the audit.

It is the conclusion of the Commission that, although technical violations of the Federal Election Campaign Act as amended did take place, due to the Committee's failure to properly detail the status of both debts, substantial voluntary compliance has been undertaken, to the satisfaction of the Commission. This position is based upon a review of the August 1976 audit, and an independent inquiry by the Office of the General Counsel. We have attached hereto a certification of the Commission's Action, as well as a copy of the report made by the Office of General Counsel in this matter.

If further information comes to your attention which you believe establishes a claim on matters within the jurisdiction of the Commission, please feel free to write and apprise me of them.

Sincerely yours,

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

John G. Murphy, Jr.
General Counsel

Enclosures

FEDERAL ELECTION COMMISSION
1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Sandra L. Stauffer
Shapp for President Committee
P. O. Box 1012
Federal Square Station
Harrisburg, Pennsylvania 19108

Re: MUR 240 (76)
CC # 572

Dear Ms. Stauffer:

This letter is to inform you that, after an inquiry into the above matters, the Commission has voted to terminate its investigation and close the file. A copy of a certification of the Commission's action and the report of the Office of General Counsel are enclosed herewith.

Sincerely yours,

John G. Murphy, Jr.
General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

RECEIVED
FEDERAL ELECTION
COMMISSION
NOV 18 AM 11:17

CC 1032
MUR 240

APPROPRIATIONS COMMITTEE

Stein

Senate of Pennsylvania

November 15, 1976

763744

William Oldaker, Esquire
Assistant General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: CC #572

Dear Mr. Oldaker:

I am in receipt of your letter of October 26, 1976, indicating the requirement that all complaints be signed, sworn and notarized by the person making the complaint.

I direct your attention to my letter to you of September 21, 1976, regarding CC #450 and more specifically, to the enclosure with that letter, which is my affidavit under date of September 21, which refers specifically to the information contained in my letter of September 15 to the Governor and which further states that the information contained in that letter as well as my letter of August 26, 1976, to the Federal Election Commission, is true and correct to the best of my knowledge, information and belief.

I had hoped that that affidavit covering both complaints would be acceptable and sufficient.

However, to avoid any further delay and any complication arising from the fact that I have in fact forwarded two complaints for your review, I am enclosing with this letter an original affidavit relating solely to the September 15th letter to Governor Shapp.

Please advise me if these materials are sufficient to comply with the requirements mentioned in your October 26th letter.

Sincerely,

RICHARD A. TILGHMAN

RAT:ceh
Enclosures

FEDERAL ELECTION
OFFICE OF GENERAL COUNSEL

COMMONWEALTH OF PENNSYLVANIA :

: SS:

COUNTY OF DAUPHIN :

RICHARD A. TILGHMAN, being duly sworn according to law, deposes and says that he is the Chairman of the Minority Appropriations Committee of the Senate of Pennsylvania and the signatory of a letter of September 15, 1976, to the Pennsylvania Governor Milton Shapp, a copy of which was forwarded to the Federal Election Commission, and that the information contained in that letter is true and correct to the best of his knowledge, information and belief.

Richard A. Tilghman

RICHARD A. TILGHMAN

SWORN TO AND SUBSCRIBED
before me this 15th day
of November, 1976.

Arlene H. Baker

NOTARY PUBLIC

My Commission Expires:

(SEAL)

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF DAUPHIN :

RICHARD A. TILGHMAN, being duly sworn according to law, deposes and says that he is the Chairman of the Minority Appropriations Committee of the Senate of Pennsylvania and the signatory of the attached letter of August 26, 1976 to the Federal Election Commission and the attached letter of September 15, 1976 to Pennsylvania Governor Milton J. Shapp, a copy of which was forwarded to the Federal Election Commission, and that the information contained in both letters is true and correct to the best of his knowledge, information and belief.

Richard A. Tilghman
RICHARD A. TILGHMAN

Sworn to and subscribed
before me this 21st day
of September 1976.

Arlene W. Baker
NOTARY PUBLIC

My Commission Expires: 12/18/78
(SEAL)

NOTARY PUBLIC
DAUPHIN COUNTY
MY COMMISSION EXPIRES DEC. 18, 1978
Member, Pennsylvania Association of Notaries

FEDERAL ELECTION COMMISSION
PERMANENT RECORD COPY

Senate of Pennsylvania
17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

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PM
1976

ALWAYS USE
ZIP CODE

United States 13¢

William Oldaker, Esquire
Assistant General Counsel
Federal Election Commission
1325 K Street, N. W.
Washington, D. C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 240 (76)
Shapp for President Committee	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on October 14, 1976, the Commission adopted the recommendation of the General Counsel to find reason to believe that violations of 2 U.S.C.§434(b)(12) and 2 U.S.C. §441b had been committed in the above-captioned matter.

Marjorie W. Emmons

Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL
OFFICE OF GENERAL COUNSEL

October 13, 1976

MEMORANDUM TO: BILL OLDAKER

FROM: MARJORIE EMMONS

SUBJECT: MURS

All of the MURS listed below were transmitted to the Commission on October 12, 1976 - 11:00 a.m. As of October 13, 1976 - 2:00 p.m., no objections were received in MURS 259 (76), 240 (76) and MUR 241 (76).

DATE AND TIME OF TRANSMITTAL: _____

NO. MUR 240

REC'D: 9/20/76

FEDERAL ELECTION COMMISSION
Washington, D. C.

Complainant's Name: Richard A. Tilgham (notarized)

Respondent's Name: Shapp for President

Relevant Statute: 2 U.S.C. 434(b)(12), 441b

Internal Reports Checked: Shapp for President (March, April, May, June, July (1976)

Federal Agencies Checked: _____

SUMMARY OF ALLEGATION

That the Shapp Committee failed to disclose or explain the continuation or the extinguishment of a $9,983.59 debt to an advertising firm. The debt was entered on the Committee's March report then disappeared from subsequent reports until reappearing on the report for July as a $14,766.58 disputed obligation.

PRELIMINARY LEGAL ANALYSIS

The Examination of reports confirms that the debt was reported in the March report and not entered as satisfied, settled or remaining on three subsequent monthly reports but reappeared as an outstanding debt in the July report. The failure to explain the status of debt for three months and the change in the amount owed gives reason to believe a violation occurred.

RECOMMENDATION

Reason to believe; forward attached letter.

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

Date of Next Commission Review: _____

100 PINE STREET
P.O. BOX 1166
HARRISBURG, PA 17108
717-236-9341

G. THOMAS MILLER

8 A10:57

October 6, 1976

Honorable Richard Tilghman
Senate of Pennsylvania
Main Capitol Building
Harrisburg, PA 17120

Dear Senator Tilghman:

Your inquiry of September 15, 1976 has been referred to me as Treasurer of the Shapp for President Campaign Committee.

The matters discussed in your letter have been fully documented for the auditors of the Federal Election Commission who completed their most recent examination of our accounts on August 19, 1976.

Very truly yours,

G. Thomas Miller,
Treasurer, Shapp for President
Campaign Committee

cc: Federal Election Commission

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

4100 PINE STREET
P.O. BOX 1166
HARRISBURG, PA. 17108

Federal Election Commission
1235 "T" Street N.W.
Washington, DC 20463

Attention: Mr. Thomas Haselhorst
Compliance Review Division

OCT 04 1976

Mr. Richard A. Tilghman
406 Gatcombe Lane
Bryn Mawr, PA 19011

Re: MUR 240 (76)

Dear Mr. Tilghaman:

This is to acknowledge receipt of your complaint alleging violations of the Federal Election Campaign Laws. A staff attorney has been assigned to analyze your allegations and a recommendation to the Federal Election Commission as to how this matter should be handled will be made shortly. You will be notified as soon as the Commission determines what action should be taken.

Sincerely yours,

William C. Oldaker
Assistant General Counsel

AAthy:pjg:9/29/76
MUR file

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7704002354 1

CC #583
per CC 450
MUR 240

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

APPROPRIATIONS COMMITTEE

Senate of Pennsylvania

September 21, 1976

762410

William Oldaker, Esquire
Assistant General Counsel
Federal Election Commission
1325 "K" Street, Northwest
Washington, D. C. 20463

Re: CC #450

Dear Mr. Oldaker:

Enclosed please find a sworn affidavit from me regarding the above matter, in response to your letter to me of September 9, 1976, and regarding my additional complaint concerning a related matter which was directed to you on September 15, 1976.

Sincerely,

Richard A. Tilghman

Richard A. Tilghman

RAT:hg
Enclosures

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF DAUPHIN :

RICHARD A. TILGHMAN, being duly sworn according to law, deposes and says that he is the Chairman of the Minority Appropriations Committee of the Senate of Pennsylvania and the signatory of the attached letter of August 26, 1976 to the Federal Election Commission and the attached letter of September 15, 1976 to Pennsylvania Governor Milton J. Shapp, a copy of which was forwarded to the Federal Election Commission, and that the information contained in both letters is true and correct to the best of his knowledge, information and belief.

Richard A. Tilghman
RICHARD A. TILGHMAN

Sworn to and subscribed
before me this 21st day
of September 1976.

Arlene W. Baker
NOTARY PUBLIC

My Commission Expires: 12/18/78
(SEAL)

ARLENE W. BAKER, NOTARY PUBLIC
HARRISBURG, DAUPHIN COUNTY
MY COMMISSION EXPIRES DEC. 18, 1978
Member, Pennsylvania Association of Notaries

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

APPROPRIATIONS COMMITTEE

Senate of Pennsylvania

August 26, 1976

Federal Election Commission
1325 K Street, Northwest
Washington, D. C. 20463

Re: Shapp for President Committee and
Milton Shapp, Presidential Candidate

Gentlemen:

A review of the materials filed with the Federal Election Commission by the Shapp for President Committee, the Florida Shapp for President Committee, and Milton Shapp as candidate for the Democratic nomination for President, by the members of the staffs of the Minority Leader of the Pennsylvania House of Representatives and the Minority Appropriations Committee of the Pennsylvania Senate indicates what I believe to be one or more violations of federal law.

Specifically, a review of the above-referenced filings begun some weeks ago by Edward Hussie, Counsel to the Minority Leader of the House of Representatives, and concluded by Michael Willmann, Special Counsel to the Senate Minority Appropriations Committee, at the offices of the Commission on August 6, 1976, revealed in the report for the period March 1, 1976 to March 31, 1976, at Part III, Line 26, that $83,281.74 was owed by the principal Shapp Committee at that time. As a part of the explanation of this debt, on page 43 of the report on the 14th of 14 pages offered by the Committee in explanation of Line 26, an entry appeared, dated March 31, 1976, attributing to the Philadelphia advertising firm of Sonder, Levitt and Sagorsky an "Amount of Original Debt, Contract Agreement or Promise" of $9,983.59. Under a column headed "Cumulative Payment to Date" there was no entry, and under a column headed "Outstanding Balance at Close of This Period" was the entry $9,983.59.

7704073541

The report for the immediately subsequent period of April 1, 1976 to April 31, 1976 showed under Part III, Line 26, that $79,561.64 was owed by the Committee, but revealed nothing indicating the continuation of any debt to Sonder, Levitt and Sagorsky. The report for that period also failed to reveal any entry indicating the payment of any obligation in any amount to Sonder, Levitt and Sagorsky, thus raising the question which is presented by the disappearance of a previously entered debt without notation as to either its continuation, or its discharge in whole or in part. The report for the period May 1, 1976 to May 31, 1976, under Part III, Line 26, indicated a debt owed by the Committee in the total amount of $9,163.38 and supporting entries in explanation of that debt indicated that it was not owed to Sonder, Levitt and Sagorsky, but rather to Novelty Printing of Philadelphia. The report for the immediately subsequent period of June 1, 1976 to June 30, 1976, showed for Part III, Line 26, a debt in the same amount of $9,163.38 and continued to show in the supporting materials that this was owed to Novelty Printing and was the remainder of a debt which had originally totaled $26,163.38. For the June reporting period, as for May and April reporting periods, no entries were shown either carrying forward or discharging the Sonder, Levitt and Sagorsky debt which appeared for the first time in the March 1, 1976 to March 31, 1976 report.

Then, in its report for the period July 1, 1976 to July 31, 1976, a copy of which was filed here in Harrisburg with the Bureau of Elections on August 11 -- five days after my Special Counsel's document review at your offices in Washington, D. C. -- debts at Part III, Line 26, are shown as $23,929.96. In explanation of that entry on page 5 of the July report the debt of $9,163.38 to Novelty Printing is continued, and a $14,766.58 debt to Sonder, Levitt and Sagorsky, dated July 31, 1976, is recorded. A handwritten footnote explains:

> "* This item is being relisted because they say we owe it and our records had indicated that we were due a credit. Our April 10, 1976 report showed a balance due of $9,983.59. After that date we received credits from the different radio and TV spots through the advertising agent which we felt left us with a credit due us balance. However, they feel we still owe them the above $14,766.58. This is now in dispute between the committee and the advertising firm."

Needless to say, the circumstances surrounding the reinstatement of an obligation to Sonder, Levitt and Sagorsky and the imprecise language of the handwritten footnote are rather intriguing. The fact that the reinstatement of the debt comes only days after my Special Counsel's document review at your offices makes the circumstances of this reinstatement all the more suspicious to me.

You are, of course, well aware that the cover of the forms (FEC Form 3) filed by the Shapp Committees contains, on the bottom of the first page, this warning, "Note: submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 USC, Section 441 (text on reverse side of form)." The signer of all forms submitted by the Shapp for President Committee was Treasurer G. Thomas Miller, whose address is listed as P. O. Box 1166, Harrisburg, Pennsylvania. In various correspondence, Sandra L. Stauffer is recorded as operating at P. O. Box 1012, Federal Square Station, Harrisburg, Pennsylvania 17108. Miller signed the report for the period March 1, 1976 to March 31, 1976 in which the Sonder, Levitt and Sagorsky debt first appeared. That report was dated April 10, 1976 and received by the Commission on April 12, 1976 at 2:38 P. M.

I am concerned by the facts as set forth above because 2 USC 434 (3)(b)(12) mandates that each report made by a presidential candidate or a political committee under this section shall disclose "the amounts and nature of debts and obligations owed by or to the committee, in such form as the Commission may prescribe and a continuous reporting of their debts and obligations after the election at such periods as the Commission may require until such debts and obligations are extinguished, together with a statement as to the circumstances and conditions under which any debt or obligation is extinguished and the consideration therefor. . . ."

Thus, it would seem clear that the failure of the Shapp Committee to disclose either the continuation of the Sonder, Levitt and Sagorsky debt, or the circumstances and conditions of its extinguishment from April through June is in direct contravention of this provision.

I bring this matter to your attention, too, because I am aware that Title 18 of the United States Code at Section 610 makes it unlawful for "any corporation whatever" to make a contribution or expenditure in connection with any

election at which presidential candidates or electors are on the ballot, or for any candidate, political committee, or other person to accept or receive any contribution prohibited by Section 610. We are further aware that Title 18 at Section 591 defines the term "contribution" to include a gift, loan, advance, or deposit of money for anything of value made for the purpose of influencing the nomination for election of any person to federal office. Because, further, Section 610 of Title 18, in setting the penalties for corporate violations of this type distinguishes between offenses which are "willful" and those which are not, it appears to me to be quite clear that any violation of this Section, whether provably deliberate or not, is anticipated and covered.

While the review of these matters which House Minority Leader Robert J. Butera and I have directed our respective staffs to make was forcused on an attempt to determine if any correlation exists between contributors to the Shapp campaign or the selection of vendors for the Shapp campaign, and contracts awarded by the Commonwealth or any of its departments, agencies, boards, authorities and commissions, I did feel it was urgent that I bring the above facts to your attention for your immediate investigation.

I feel the more so because the advertising firm of Sonder, Levitt and Sagorsky has been the subject of considerable attention within the Commonwealth and has been, in our opinions, in violation of state law under circumstances which are strikingly similar to those which I bring to your attention today. Representative Butera and I have referred the possible state violations to appropriate law enforcement authorities within the Commonwealth and have been advised that their investigations continue as of this date.

Staff interviews with the principals of the firm of Sonder, Levitt and Sagorsky make it clear that the firm is a corporation and, equally clear to both of us, that an admitted "extension of credit" by the firm to Governor Shapp's 1974 gubernatorial campaign committee was in violation of 25 Pa. Stat. Ann. 3225. We believe that the undischarged debt from the 1974 campaign to Sonder, Levitt and Sagorsky currently totals $114,000.00.

If your investigation of the matter which we call to your attention today would be in any way benefitted by review of the materials in our files, which appear to us to indicate the violation of analogous state laws, we would be happy to provide copies of such materials to you.

OFFICE OF GENERAL COUNSEL

Needless to say, if either Representative Butera or I can be of any further assistance, you should not hesitate to call upon us.

Sincerely,

Richard A. Tilghman

RICHARD A. TILGHMAN, Chairman
Senate Minority Appropriations Committee
Commonwealth of Pennsylvania

RAT:hg

7704115543

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

APPROPRIATIONS COMMITTEE

Senate of Pennsylvania

September 15, 1976

Honorable Milton J. Shapp
Governor of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

A review of the filings which you and your 1976 Presidential campaign committees have made with the Federal Election Commission and the Commonwealth's Bureau of Elections by my staff indicates that a campaign debt to the Philadelphia accounting firm of Laventhol and Horwath in an amount of at least $2,300, and perhaps as much as $4,300, disappeared from your principal committee's records without explanation between its reports for April and May of this year.

This review indicates that payments have been made to Laventhol and Horwath in Harrisburg on September 30, 1975 in the amount of $1,200, and again to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, for total payments to Laventhol and Horwath of $3,200.

This review also indicates that the Shapp for President Committee reported debts that it acknowledged owing to Laventhol and Horwath in Philadelphia, beginning on November 6, 1975, in the amount of $2,500. That debt first appeared in the Shapp Committee's report for the period October 1 to December 31, 1975. It was re-reported in the January 1 to January 31, 1976 report at page 57, with an additional debt of $1,100 incurred on January 7, 1976, for a total due of $3,600.

The next report for February 1 to February 29, 1976 re-reported both the November 6, 1975 and January 7, 1976 debts, and added a third debt in the amount of $700 incurred to Laventhol and Horwath on February 11, 1976, bringing the total due to $4,300.

The report for March 1 to March 31, 1976 re-reported all the debts, but apparently misstated the date of the November 6, 1975 debt as November 6, 1976.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

The next report for April 1 to April 30, 1976 also re-reports all these debts with the same apparent error regarding the November 6, 1975 date.

Then, without explanation of any type, the next report for the period May 1 to May 31, 1976 lists total debts of only $9,163.38 and indicates that this total amount is owed to Novelty Printing of Philadelphia. No continuing debts to Laventhol and Horwath in either Philadelphia or Harrisburg are reported. However, the only payment recorded in the May report in discharge of any debt to Laventhol and Horwath is to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, as noted on page 13 of the report under line 20-A - expenditures.

No explanation of any type is givenas to the continuation or discharge of the $4,300 debt to Laventhol and Horwath in Philadelphia. No payments to Laventhol and Horwath in Philadelphia are reported.

Further, even if the payment to Laventhol and Horwath in Harrisburg is in payment of the $4,300 debt reported in the April report to Laventhol and Horwath in Philadelphia, it would still fail to account for the remaining $2,300 of debt acknowledged in that report.

The next report for June 1 to June 30, 1976 still re-reports only the ongoing debt to Novelty Printing. No continuing debt to Laventhol and Horwath, either in Harrisburg or Philadelphia in either the amount of $2,300 or $4,300, is reported and no expenditures discharging such debts are reported.

The report for July 1 to July 31, 1976 is similar. The total debt is $23,929.96, but none of it is to Laventhol and Horwath either in Harrisburg or Philadelphia. No payments to Laventhol and Horwath are reported, either.

The question thus raised, Governor, is of course painfully analogous to the question raised by the unexplained disappearance of a debt to Sonder, Levitt and Sagorsky from your principal committee's March and April, 1976 reports.

You know, of course, that 2 USC 434(3) (b) (12) mandates that each report made by a presidential candidate or political committee under this section shall disclose "the amounts and nature of debts and obligations owed by or to the committee, in such form as the Commission may prescribe and a continuous reporting of their debts and obligations after the election at such periods as the Commission may require until such debts and obligations are extinguished, together with a statement as to the circumstances and conditions under which any such debt or obligation is extinguished and the consideration therefor...."

Thus, it would seem clear that the failure of your campaign committees to disclose either the continuation of the Laventhol and Horwath debt, or the circumstances and conditions of its extinguishment, is in direct contravention of this provision.

Additionally, it is worthy of note that the Commission has proposed to the Congress regulations which would elaborate on the statutory requirements. Those proposed regulations at Section 104.8 state:

"(a) Debts and obligations which remain outstanding after the election shall be continuously reported until extinguished; see Section 104.1(b). 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.

"(b) A debt, obligation, or other promise to make an expenditure of $500 or less, shall be reported as of the time payment is made or no later than 60 days after incurrence, whichever comes first. A loan of money in the ordinary course of business and any debt or obligation over $500 shall be reported as of the time of the transaction."

This unexplained and illegal disappearance of a major campaign debt is all the more disturbing since it comes on the heels of the May disclosure by the staff of the Senate Minority Appropriations Committee that a total of $4,277 contributed by the partners of and consultants to the firm, and by the firm itself to your 1974 gubernatorial campaign effort was not reported by any of your campaign committees in violation of the State Election Code.

Reports filed with the Bureau of Elections and the office of the Secretary of the Commonwealth, pursuant to Act 201 of July 21, 1974, by the firm, revealed that 31 Laventhol partners, partners' spouses, or consultants contributed a total of $3,677 to your campaign committees in the period from July 1974 to January 1975. Those reports also revealed that the firm itself contributed a total of $1,000 to your campaign.

A review of the reports filed by your four primary and three general election campaign committees, however, revealed that only two of the contributions were reported as required by the State Election Code. None of the other 39 different contributions from either the partners, partners' spouses, consultants, or the firm itself was reported.

As I am sure you are aware, the Laventhol and Horwath firm has been the recipient of at least 23 different consulting contracts with various Commonwealth departments and agencies during the period July 1971 to February 1976. The contracts let to the firm during that period had a total dollar value of $1,404,405 according to Secretary of Administration James N. Wade.

The firm also represents Beacon Construction Company of Boston, Massachusetts. The Beacon firm recently came to public attention when it was revealed that Beacon's president, Norman B. Leventhal, had been certified by the Pennsylvania Housing Finance Agency to receive a 6 percent mortgage loan totalling more than $7,000,000, representing 90% of the cost of the Williamsburg Estates apartment complex in Lower Paxton Township. Leventhal was, of course, a major contributor to your presidential campaign.

The illegal disappearance of the Laventhol and Horwath debt, not to mention the similarly illegal disappearance and extraordinarily suspicious reappearance of the Sonder, Levitt and Sagorsky debt, is too patently deliberate to be passed off as accident or inadvertence.

For these reasons, I am, by copy of this letter, referring this second violation to the Federal Election Commission for its investigation and, hopefully, consequent remedial action.

Sincerely,

Richard A. Tilghman

Richard A. Tilghman

RAT:hg

cc: Federal Election Commission

Senate of Pennsylvania
17TH DISTRICT
RICHARD A. TILGHMAN
206 GATCOMBE LANE
BRYN MAWR, PA. 19010

William Oldaker, Esquire
Assistant General Counsel
Federal Election Commission
1325 "K" Street, Northwest
Washington, D. C. 20463

CC #572
MUR 240

17TH DISTRICT
RICHARD A. TILGHMAN
406 GATCOMBE LANE
BRYN MAWR, PA. 19010

APPROPRIATIONS COMMITTEE

76 SEP 20 A11:36

Senate of Pennsylvania

September 15, 1976

762361

Honorable Milton J. Shapp
Governor of Pennsylvania
225 Main Capitol Building
Harrisburg, Pennsylvania 17120

Dear Governor Shapp:

A review of the filings which you and your 1976 Presidential campaign committees have made with the Federal Election Commission and the Commonwealth's Bureau of Elections by my staff indicates that a campaign debt to the Philadelphia accounting firm of Laventhol and Horwath in an amount of at least $2,300, and perhaps as much as $4,300, disappeared from your principal committee's records without explanation between its reports for April and May of this year.

This review indicates that payments have been made to Laventhol and Horwath in Harrisburg on September 30, 1975 in the amount of $1,200, and again to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, for total payments to Laventhol and Horwath of $3,200.

This review also indicates that the Shapp for President Committee reported debts that it acknowledged owing to Laventhol and Horwath in Philadelphia, beginning on November 6, 1975, in the amount of $2,500. That debt first appeared in the Shapp Committee's report for the period October 1 to December 31, 1975. It was re-reported in the January 1 to January 31, 1976 report at page 57, with an additional debt of $1,100 incurred on January 7, 1976, for a total due of $3,600.

The next report for February 1 to February 29, 1976 re-reported both the November 6, 1975 and January 7, 1976 debts, and added a third debt in the amount of $700 incurred to Laventhol and Horwath on February 11, 1976, bringing the total due to $4,300.

The report for March 1 to March 31, 1976 re-reported all the debts, but apparently misstated the date of the November 6, 1975 debt as November 6, 1976.

OFFICE OF GENERAL COUNSEL

The next report for April 1 to April 30, 1976 also re-reports all these debts with the same apparent error regarding the November 6, 1975 date.

Then, without explanation of any type, the next report for the period May 1 to May 31, 1976 lists total debts of only $9,163.38 and indicates that this total amount is owed to Novelty Printing of Philadelphia. No continuing debts to Laventhol and Horwath in either Philadelphia or Harrisburg are reported. However, the only payment recorded in the May report in discharge of any debt to Laventhol and Horwath is to Laventhol and Horwath in Harrisburg on May 24, 1976 in the amount of $2,000, as noted on page 13 of the report under line 20-A - expenditures.

No explanation of any type is givenas to the continuation or discharge of the $4,300 debt to Laventhol and Horwath in Philadelphia. No payments to Laventhol and Horwath in Philadelphia are reported.

Further, even if the payment to Laventhol and Horwath in Harrisburg is in payment of the $4,300 debt reported in the April report to Laventhol and Horwath in Philadelphia, it would still fail to account for the remaining $2,300 of debt acknowledged in that report.

The next report for June 1 to June 30, 1976 still re-reports only the ongoing debt to Novelty Printing. No continuing debt to Laventhol and Horwath, either in Harrisburg or Philadelphia in either the amount of $2,300 or $4,300, is reported and no expenditures discharging such debts are reported.

The report for July 1 to July 31, 1976 is similar. The total debt is $23,929.96, but none of it is to Laventhol and Horwath either in Harrisburg or Philadelphia. No payments to Laventhol and Horwath are reported, either.

The question thus raised, Governor, is of course painfully analogous to the question raised by the unexplained disappearance of a debt to Sonder, Levitt and Sagorsky from your principal committee's March and April, 1976 reports.

You know, of course, that 2 USC 434(3) (b) (12) mandates that each report made by a presidential candidate or political committee under this section shall disclose "the amounts and nature of debts and obligations owed by or to the committee, in such form as the Commission may prescribe and a continuous reporting of their debts and obligations after the election at such periods as the Commission may require until such debts and obligations are extinguished, together with a statement as to the circumstances and conditions under which any such debt or obligation is extinguished and the consideration therefor...."

OFFICE OF GENERAL COUNSEL

Thus, it would seem clear that the failure of your campaign committees to disclose either the continuation of the Laventhol and Horwath debt, or the circumstances and conditions of its extinguishment, is in direct contravention of this provision.

Additionally, it is worthy of note that the Commission has proposed to the Congress regulations which would elaborate on the statutory requirements. Those proposed regulations at Section 104.8 state:

"(a) Debts and obligations which remain outstanding after the election shall be continuously reported until extinguished; see Section 104.1(b). 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.

"(b) A debt, obligation, or other promise to make an expenditure of $500 or less, shall be reported as of the time payment is made or no later than 60 days after incurrence, whichever comes first. A loan of money in the ordinary course of business and any debt or obligation over $500 shall be reported as of the time of the transaction."

This unexplained and illegal disappearance of a major campaign debt is all the more disturbing since it comes on the heels of the May disclosure by the staff of the Senate Minority Appropriations Committee that a total of $4,277 contributed by the partners of and consultants to the firm, and by the firm itself to your 1974 gubernatorial campaign effort was not reported by any of your campaign committees in violation of the State Election Code.

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OFFICE OF GENERAL COUNSEL

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Sincerely,

Richard A. Tilghman

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RAT:hg

cc: Federal Election Commission

OFFICE OF GENERAL COUNSEL

Senate of Pennsylvania
17TH DISTRICT
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406 GATCOMBE LANE
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HARRISBURG, PA 17
PM
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1978

ALWAYS USE
ZIP CODE
United States 13c

Federal Election Commission
1325 K Street, N. W.
Washington, D. C.
20463

SHAPP FOR PRESIDENT
Box 1012 • Federal Square Station • Harrisburg, Pa. 17108 • (717) 255-1

76 AUG 23 A11:14

August 16, 1976

Federal Election Commission
1325 "K" Street, NW
Washington, D. C. 20463

Re: Other Income and Expenditures

Gentlemen:

We would like to amend our May report in the amount of $3,258.58 for services billed by Laventhol and Horwath for compliance with the FEC law and later forgiven on May 18, 1976 by the accounting firm.

We are listing this as other income although this is not a contribution under 2 U.S.C. 431 (e)(4), however, we are reporting it as requested by this Section.

Sincerely,

G. Thomas Miller
Treasurer

mp

OFFICE OF GENERAL COUNSEL

Co-Chairman • Henry A.
Treasurer • G. Thomas
Campaign Manager • Ronald D.

A copy of this report is filed with the Federal Election Commission and is available for purchase from the Federal Election Commission.

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U.S. GOVERNMENT PRINTING OFFICE

FEDERAL ELECTION COMMISSION

MUR 240/76

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):

____ (1) Classified Information

____ (2) Internal rules and practices

____ (3) Exempted by other statute

____ (4) Trade secrets and commercial or financial information

__✓__ (5) Internal Documents

____ (6) Personal privacy

____ (7) Investigatory files

____ (8) Banking Information

____ (9) Well Information (geographic or geophysical)

Signed _____

date _____

FEC 9-21-77

Memorandum to file

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