



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 13, 1979

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RC*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
AMERICAN PARTY CONVENTION
ARRANGEMENTS COMMITTEE

Attached please find a copy of the final audit report of the American Party Convention Arrangements Committee which was approved by the Commission on September 26, 1979.

Informational copies of this report have been received by all parties involved and this report may be released to the public.

Attachment as stated

cc: FEC Library
RAD
Public Record

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FEDERAL ELECTION COMMISSION

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

REPORT OF THE AUDIT DIVISION ON THE CONVENTION ARRANGEMENTS COMMITTEE OF THE AMERICAN PARTY

I. Background

A. Overview

This report is based upon an audit of the Convention Arrangements Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(a)(8) of Title 2, United States Code, which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The American Party registered with the Federal Election Commission on August 15, 1975, in support of American Party candidates for federal office. The nominating convention was held in Salt Lake City, Utah, June 17-19, 1976. The Committee filed a report with the Commission disclosing the financial activity of the Convention on September 30, 1976 (see Other Matters).

The audit covered the period March 1, 1976, the inception date of the Committee, through September 30, 1976, the final coverage date of the bank statement containing the last significant financial activity of the Committee. The Committee reported a beginning cash balance at March 1, 1976, of \$-0-, receipts for the period of \$29,414.88, total expenditures for the period of \$29,414.88 and a closing cash balance at June 30, 1976, of \$-0-. ^{1/}

^{1/} We note that the coverage dates on the Committee report are in error. The dates shown on the report are March 1, 1976, through June 30, 1976. However, a transfer of funds to the American Party in August, 1976, was included in this report. Therefore, to verify this transfer activity we examined Committee bank records through September 30, 1976 (see Other Matters).

This 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 based its decisions on the matters in this report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officer of the Committee was Mr. Earl Jeppson, Chairman. Ms. Mary Ellen Gardner was Chairperson of the Convention Finance Committee.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and, such other audit procedures as deemed necessary under the circumstances. Our examination of the records was performed without the availability of personnel who maintained the records or who prepared the report for the Committee. The report was prepared by the American Party's accountant from summary information provided by the Chairperson of the Convention Finance Committee.

II. Auditor's Statement and Description of Findings

It is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that, except for the deficiencies noted below, the reports and statements of the Convention Arrangements Committee fairly present the financial activities of the Committee for the period covered by the audit. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

A. Recordkeeping of Contributions

Section 432(c) of Title 2, United States Code, requires the treasurer of a political committee to keep a detailed and exact account of (1) all contributions made to or for such committee and (2) the identification of every person making a contribution in excess of \$50, and the date and amount thereof and, if a person's contributions aggregate more than \$100, the account shall include occupation, and the principal place of business (if any).

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Other than a listing of deposits by date and amount, the records presented to the Audit staff for review consisted solely of bank deposit slips. Each item on the deposit slip was identified by one of the following:

1. individuals' surnames (last names) only;
2. individuals' surnames, states' names, or business names denoting payments for advertising in the convention brochure; or
3. states' names denoting payments of delegate fees and state assessments (transfers).

Our review indicated that the Committee had deposited 32 receipts in excess of \$100, totaling \$8,944.00. Committee records did not include the identification of every contributor making a contribution in excess of \$50, and, if aggregating in excess of \$100 in a calendar year, the contributor's occupation and principal place of business, as required.

Recommendation

Due to the fact that the Committee's recordkeeping with respect to receipts was inadequate and no additional procedures at this time could rectify the situation, the Audit staff recommends that no further action be taken on this matter. However, it is further recommended that, in the future, a more formalized system of recordkeeping for receipts must be adopted by the Committee to facilitate compliance with 2 U.S.C. 432(c).

B. Itemization of Contributions and Transfers-In

Sections 437(2) and 434(b)(2)(3) and (4) of Title 2, United States Code, require the Committee to file reports within 60 days following the end of the Convention disclosing: (i) the identification of every contributor making a contribution(s) in excess of \$100 or aggregating in excess of \$100 during a calendar year along with the date and amount, and occupation and principal place of business, (ii) the total sums

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of individual contributions made to or for such committee during the reporting period not reported in (i) above, and (iii) the identification of each political committee from which the reporting committee received any transfers of funds, together with the amounts and dates of all transfers.

Although the Committee reported its total receipts of \$29,414.88 as unitemized, our review of the Committee's bank records revealed that the Committee had deposited 32 receipts, each in excess of \$100, totaling \$8,944.00. Of the 32 items, six (6) were state assessments (transfers) totaling \$1,275.00.

In an interim audit report, the Audit staff recommended that the Committee file an amended report itemizing any contributions aggregating in excess of \$100 and the state assessment regardless of amount.

An amended report was filed on October 2, 1973 substantially disclosing the above mentioned financial activity.

Recommendation

The Audit staff recommends that no further action be taken on this matter.

C. Itemization of Expenditures

Sections 437(2) and 434(b)(9) of Title 2, United States Code, in part, require the Committee to file reports within 60 days following the end of the Convention disclosing the identification of each person to whom expenditures have been made in excess of \$100 or aggregating in excess of \$100 in a calendar year along with the amount, date and purpose of the expenditure.

Section 434(b)(4) of Title 2, United States Code, in part, requires a committee to disclose the name and address of each political committee to which the committee made any transfer of funds, together with the amounts and dates of all transfers.

Our review of the Committee's expenditure records revealed the following:

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1. 10 of 22 (45.45%) expenditures each in excess of, or aggregating in excess of \$100, were not itemized on the Committee's reports. These 10 expenditures totaled \$902.85 and represented 4.58% of the total dollar value (\$19,721.40) of expenditures requiring itemization.

2. One (1) of four (4) transfers made by the Committee, in the amount of \$250.00 (2.84% of the total dollar value of transfers-out), was not itemized on the Committee's report.

Upon our request, an amendment was filed on October 2, 1978 which substantially disclosed the above mentioned financial activity.

Recommendation

The Audit staff recommends that no further action be taken on the above matters.

D. Supporting Documentation for Expenditures

Section 432(d) of Title 2, United States Code, requires the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

Section 102.9(e)(4) of Title 11, Code of Federal Regulations, states that when a receipted bill is not available, the treasurer may keep: (i) the cancelled check(s) showing payment(s) of the bill; and (ii) the bill, invoice or other contemporaneous memorandum of the transaction supplied to the committee by the payee.

Our review of the Committee's expenditure records revealed that 11 of 22 (50.0%) expenditures, each in excess of, or aggregating in excess of \$100, were not supported by a receipted bill, invoice, or other contemporaneous memoranda.

These 11 expenditures totaled \$12,970.06 and represented 65.77% of the total dollar value (\$19,721.40) of expenditures requiring such documentation. The Committee maintained cancelled checks for all expenditures.

In the interim audit report, the Audit staff recommended that the Committee attempt to obtain and present the missing supporting documentation for review or document its best efforts to do so.

The Committee provided the Audit staff with supporting documentation or evidence of efforts to obtain such documentation for all but three (3) expenditures (or 3.65% of the total dollar value of all expenditures requiring documentation).

Recommendation

Based on the Committee's efforts outlined above, the Audit staff recommends that the Commission determine that the Committee has demonstrated its best efforts to comply with 2 U.S.C. 432(d) and that no further action be taken on this matter.

Other Matters

The following is another matter noted during the course of the audit for which the Audit staff feels no action need be taken, however, it is being brought to the Committee's attention so as to be complied with in the future.

Section 437(2) of Title 2, United States Code, and Sections 107.2(a) and 107.3(a) of Title 11, Code of Federal Regulations, require each committee or other organization, including a national committee, which represents a national major, minor, or new political party in making arrangements for the convention of such party held to nominate a candidate for the office of President or Vice President, shall within 60 days following the end of the convention (but not later than 20 days prior to the date of the general election), file with the Commission a convention report on FEC Form 4 containing all receipts and disbursements in connection with the convention and shall be complete as of 50 days following the convention.

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Further, Sections 107.3(b) and (c) of Title 11, Code of Federal Regulations, provide that if the committee spends or receives any funds after 60 days following the convention, the committee shall begin to file no later than 10 days after the end of the next calendar quarter a report disclosing all transactions completed as of the close of that calendar quarter and shall continue to file quarterly reports until all debts and obligations have been extinguished. Each committee shall file a final report with the Commission not later than 10 days after it ceases activity, unless such status is reflected in either of the reports submitted pursuant to 11 CFR 107.3(a) or (b).

As previously mentioned, the Committee filed a report on September 20, 1976 covering the period March 1, 1976 - June 30, 1976 to disclose the financial activity of the nominating convention held June 17-19, 1976. In addition to the report being filed late, it was noted that the coverage dates of this report were in error as a transfer of funds to the American Party on August 31, 1976 was included in this report. Subsequent reports were not filed as required by 11 CFR 125.3(b) and (c), however, the Committee's total financial activity was disclosed in the one report filed.

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