



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 15, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RC*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
NATIONAL DEMOCRATIC PARTY AFFAIRS COMMITTEE
OF THE ARKANSAS DEMOCRATIC STATE COMMITTEE

Attached please find a copy of the final audit report of the National Democratic Party Affairs Committee of the Arkansas Democratic State Committee which was approved by the Commission on May 8, 1980.

Informational copies of this report have been received by all parties involved and this report may be released to the public as of today, May 15, 1980.

Attached as stated

cc: FEC Library
RAD
Public Record ✓



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE NATIONAL DEMOCRATIC PARTY AFFAIRS COMMITTEE OF THE ARKANSAS DEMOCRATIC STATE COMMITTEE

1. Background

A. Overview

This report is based on an audit of the National Democratic Party Affairs Committee of the Arkansas Democratic State 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)(9) of Title 2 of the 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 Committee registered with the United States Senate on January 31, 1975 as the Federal Affairs Committee of the Democratic Party of Arkansas. On March 8, 1976, the Committee changed its name to the National Democratic Party Affairs Committee of the Arkansas Democratic State Committee. The Committee maintains its headquarters in Little Rock, Arkansas.

The audit covered the period from January 1, 1976 through March 31, 1978, the final coverage date of the most recent report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance on January 1, 1976 of \$3,050.19, total receipts for the period of \$22,810.17, total expenditures for the period of \$25,663.90 and a closing cash balance on December 31, 1977 of \$196.46. ^{1/}

^{1/} The Committee was exempt from reporting receipts and expenditures for the first quarter of 1978. A FEC form 3a was filed in lieu thereof.

This audit report is based on documents and working papers which support each of the factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period audited were Mr. Kaneaster Hodges, Chairman and Mr. Greg B. Brown, Treasurer.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation and analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations

A. Allocation of Administrative Expenses

Section 434(b)(2) of Title 2 of the United States Code states, in part, that each report shall disclose the full name and mailing address of each person who has made one or more contributions to or for such committee within the calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions.

Section 104.3(a) of Title 11 Code of Federal Regulations states, in part, that each in-kind contribution shall be valued at the usual and normal charge on the date received and reported if in excess of \$100 on the appropriate schedule of receipts and expenditures, identified as to its nature and listed as an "in-kind contribution".

Section 106.1(e) of Title 11 Code of Federal Regulations states that party committees and other political committees which have established Federal campaign committees pursuant to Section 102.6 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis.

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It was determined that the Arkansas Democratic State Committee ("the State Committee") paid all of the administrative expenses incurred by the Committee. On February 5, 1980, the Committee notified the Audit staff by letter that the State Committee had accepted corporate and labor contributions which are legal for state elections in Arkansas. Based on the Audit staff's recommendation, the Committee submitted documentation detailing its method of allocating its share of the administrative expenses as a proportionate share of the actual expenses for the period of time the Committee was active. For the period covered by the audit the Committee's administrative expenses were determined by the ratio of the total amount of Federal receipts to the total of all receipts for both the Federal and state committees. The Audit staff has reviewed the documentation submitted, and it appears to be reasonable for the period the Committee was in existence. In addition, the Committee filed amended reports for the period of the audit disclosing a debt owed to the State Committee for its share of the allocable administrative expenses.

Recommendation

Based on the Committee's actions, the Audit staff recommends no further action on this matter.

However, the Audit staff does recommend that the administrative expenses continue to be allocated on a reasonable basis and that the Committee reimburse the account paying its share of administrative expenses on a timely basis.

B. Recordkeeping of Contributions

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

During the course of the audit, it was determined that bank deposit slips with contributors' names contained thereon were the only contribution documentation retained by the Committee. A review of the deposit slips disclosed that the Committee did not maintain adequate records containing the contributor's address for 17 contributions, each in excess of \$50, totaling \$1,486.50. In addition, the records did not include the contributor's address, occupation, and principal place of business for 13 contributions which aggregated in excess of \$100, and totaled \$1,930.00. The inadequately recorded contributions represented all of those requiring such record retention.

The Committee officials were informed of the record-keeping requirements set forth in the statute, and were provided information necessary to establish a recordkeeping system that would assist the Committee in the future in complying with the appropriate provisions of the Act. The officials stated that they would attempt to obtain the required missing information.

On September 15, 1979, the Committee provided the Audit staff with the required contributor information.

Recommendation

The Audit staff recommends no further action on this matter.

C. Preservation of Receipts

Section 432(d) of Title 2 of the United States Code states, in part, that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of 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.

In addition, Section 102.9(c)(4) of Title 11 Code of Federal Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled check showing payment of the bill; and the bill, invoice, or other contemporaneous memorandum.

Our review of the Committee's expenditure records disclosed 37 expenditures, each in excess of or aggregating in excess of \$100 and totaling \$8,719.69, not supported by receipted bills or other contemporaneous memoranda. The unsupported expenditures represent approximately 65% of the total number and 56% of the total dollar amount of expenditures requiring such support. Cancelled checks were available to support all of the expenditures.

The Committee officials were of the opinion that the documentation was contained within the records, but they were unable to present it. They stated that attempts would be made to obtain the information.

On September 10, 1979, the Committee provided the Audit staff with the required supporting documentation or evidence of their best efforts to obtain the documentation for approximately 95% of the number of expenditures totaling \$8,096.54.

Recommendation

Based on the Committee's actions, the Audit staff recommends no additional action be taken on this matter.

D. Itemization of Contributions

Section 434(b)(2) of Title 2 of the United States Code requires a committee to disclose the full name and mailing address (occupation and the principal place of business, if any) of each person who has made one or more contributions to such committee within the calendar year in an aggregate amount or value in excess of \$100.

It was determined that the Committee did not itemize 13 contributions which were in excess of or aggregated in excess of \$100 totaling \$1,930.00. These contributions represent all of the individual contributions requiring itemization.

Based on the Audit staff's recommendation, the Committee filed an amended report on August 30, 1979 itemizing the contributions.

Recommendation

The Audit staff recommends no further action on this matter.

E. Disclosure of Expenditures

Section 434(b)(9) of Title 2 of the United States Code states, in part, that each report shall contain the identification of each person to whom expenditures have been made by such committee within the calendar year in an aggregate amount or value in excess of \$100, the amount, date, and purpose of each such expenditure.

The Committee did not itemize 29 expenditures, each aggregating in excess of \$100, totaling \$1,416.41. This represents approximately 59% of the total number and 17% of the total dollar amount of the operating expenditures required to be itemized by the Committee.

Based on the Audit staff's recommendation, the Committee filed an amended report on August 30, 1979, itemizing the expenditures.

Recommendation

The Audit staff recommends no further action in this matter.

F. Disclosure of Transfers

Section 434(b)(4) of Title 2 of the United States Code states, in part, that each report shall contain the name and address of each political committee from which the reporting committee received any transfer of funds, together with the amounts and dates of all transfers.

During the audit, it was determined that the Committee did not itemize 30 transfers totaling \$3,682.00 received from other political committees. These transfers represent approximately 75% of the total number and 35% of the total dollar amount of all transfers received.

Based on the Audit staff's recommendation, the Committee filed an amended report on August 30, 1979, itemizing the transfers.

Recommendation

The Audit staff recommends no further action in this matter.

Received
4/22/80
R/C



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 21, 1980

MEMORANDUM

TO: Robert J. Costa

THROUGH: Orlando B. Potter *OBP*
Staff Director

FROM: Charles N. Steele *CNS*
General Counsel

SUBJECT: Comments on the Final Audit Report - National
Democratic Party Affairs Committee of the
Arkansas Democratic State Committee - A-732

The Office of General Counsel has reviewed the Final Audit Report of the National Democratic Party Affairs Committee ("Committee"), and offers the following comments.

This office concurs in all of audit's recommendations, A-F. Pursuant to discussions between Audit and General Counsel staff, however, we recommend that Finding A specifically state that the Committee used the "Receipts Method" of allocating its share of administrative expenses.

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