



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

May 8, 1981

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -  
REALTORS POLITICAL ACTION COMMITTEE

Attached please find a copy of the final audit report of the Realtors Political Action Committee which was approved by the Commission on April 6, 1981.

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

Attachment as stated

cc: FEC Library  
RAD  
 Public Records



## FEDERAL ELECTION COMMISSION

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### REPORT OF THE AUDIT DIVISION ON THE REALTORS POLITICAL ACTION COMMITTEE

#### I. Background

##### A. Overview

This report is based on an audit of the Realtors Political Action 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, of the United States Code, which at the time of the audit directed 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 U.S. General Accounting Office on July 24, 1972 as the Real Estate Political Education Committee. On March 10, 1975, the Committee changed its name to the Realtors Political Action Committee. The Committee maintains its headquarters in Chicago, Illinois.

The audit covered the period January 1, 1977 through June 30, 1979, the final coverage date of the latest report filed by the Committee at the time of the audit. During the period the Committee reported a beginning cash balance of \$167,330.26, total receipts of \$2,294,883.69, total expenditures of \$2,045,112.43, and a closing cash balance of \$415,601.52.

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 covered by the audit were: Mr. Paul J. Everson, Chairman from January 1, 1977 through January 23, 1977, Mr. Melvin L. Mould, Chairman from January 24, 1977 through February 25, 1979, Mr. Frank K. Halley, Jr., Chairman from February 26, 1979 through June 30, 1979, Mr. Alvin J. Wolff, Sr., Treasurer from January 1, 1977 through February 25, 1979, and Mr. James L. Helsel, Treasurer, from February 26, 1979 through June 30, 1979.

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.

II. Audit Findings and Recommendations

A. A matter noted during the audit was referred to the Commission's Office of General Counsel.

B. Disclosure of Receipts

During the audit period Section 434(b)(1) and (2) of Title 2 of the United States Code stated, in part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period, and the full name, mailing address (occupation and the principal place of business, if any) 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.

Currently, Section 432(b)(2) of Title 2 of the United States Code states that every person who receives a contribution for a political committee which is not an authorized committee shall:

(a) if the amount of the contribution is \$50 or less, forward to the treasurer such contribution no later than 30 days after receiving the contribution; and

(b) if the amount of the contribution is in excess of \$50, forward to the treasurer such contribution, the name and address of the person making the contribution, and the date of receipt of the contribution no later than 10 days after receiving the contribution.

Section 102.8(b)(2) of Title 11 of the Code of Federal Regulations states, in part, that if the amount of the contribution is in excess of \$200 such person shall forward the contribution along with the contributor's identification including the occupation and principal place of business (if any) in accordance with 11 C.F.R. 100.12.

During the audit period Section 434(b)(4) of Title 2 of the United States Code stated, in part, that each report shall disclose the name and address of each political committee to which the reporting committee made any transfer of funds, together with the amounts and dates of all transfers.

The Committee participates in joint fundraising activities with its affiliated State PACs to solicit contributions from its members. The contributions are raised at the state level and then transferred to the Committee along with an itemized listing of contributors. In some cases, the funds are received by the Committee without the itemized contributor listing. This is due to processing delays at the state level. When this occurs, the Committee deposits the funds into its account and the amount received is reported as a debt owed by the Committee to the State PAC making the transfer, rather than as a receipt. When the itemized contributor listing is subsequently received, the Committee reports the receipt of the contributions and payment of the debt. Payment of these debts are reported on Schedule C only. This is to offset the reported debts owed to the State PACs, however no debt payment occurs between the Committee and the State PACs. In cases where the contributor information is incomplete or never received, the questioned amount is transferred back to the State PAC; however the transfer is not reported. During the audit period this method of processing receipts resulted in up to a 16 month delay in the reporting of the receipt of funds.

Further, this method of reporting the jointly raised funds results in an understatement of the Committee's beginning and ending cash on hand for each reporting period. For the periods the funds are actually received from or refunded to the State PAC, the present process also results in a misstatement of reported receipts and expenditures.

The interim audit report contained a recommendation that the Committee notify its State PACs of the requirements of 2 U.S.C. 432(b)(2) and 11 C.F.R. 102.8(b)(2), and that the Committee report all transfers to its State PACs as required by 2 U.S.C. 434(b)(4). On February 23, 1981, the Committee submitted a letter which stated that the Committee had informed their State PACs of the contribution forwarding and reporting requirements as set forth in 2 U.S.C. 432(b)(2) and 11 C.F.R. 102.8(b)(2). Further, it stated that the Committee had revised its procedures so that all contributions, including those received without proper contributor identification, are deposited and reported when received. Finally, the Committee stated that they agreed to report transfers back to their State PACs in accordance with 2 U.S.C. 434(b)(4)(c), (formerly 2 U.S.C. 434(b)(4)).

Recommendation

The Audit staff recommends no further action on this matter.

C. Contributions

During the audit period Section 434(b)(2) of Title 2 of the United States Code stated, in part, that each report shall disclose the full name and mailing address (occupation and principal place of business, if any) 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.

As stated in finding B, the Committee and its affiliated State PACs engage in joint campaigns to solicit contributions from members. These campaigns are conducted under a written agreement which provides that contributions received will be divided between the State PACs and the Committee on a 60% - 40% basis. The Committee uses two (2) methods to deposit these contributions. In the first method the Committee relied on AO-1977-20 and established escrow accounts at the state level into which the jointly raised funds are deposited. An escrow agent is responsible for disbursing 60% of the funds to the State PAC and 40% to the Committee. Accompanying the 40% transfer to the Committee is a detailed contributor list identifying the contributors and 100% of the amount they have contributed.

In the second method 100% of the jointly raised funds are transferred by the State PACs directly to the Committee along with the itemized listing of contributors. The funds are deposited into a Committee depository and 60% of the funds are subsequently transferred back to the State PAC. The receipt of the individual contributions is reported by the Committee as well as the transfer back to the State PAC.

For the period of the audit, regardless of which method was used to deposit the funds, the Committee itemized on its reports only contributions received in excess of or aggregating in excess of \$250.00. This was based on the fact that the Committee's portion (40%) would then exceed \$100, the threshold for itemization at that time. Furthermore, in all cases the Committee attributed the entire amount of the contribution to the listed contributor on its disclosure reports, even if only 40 % of the contribution was received. This resulted in a misstatement of both itemized and unitemized contributions.

In addition our review of the receipt records revealed that the Committee did not itemize 82 other contributions totaling \$39,318.63. This amount represents contributions which were either deposited directly by the Committee or at the State PAC level.

The interim audit report included a recommendation that the Committee establish new procedures, concerning each method of deposit the Committee utilizes, which meet the itemization requirements. In both cases the \$200 threshold for itemization should be applied to the portion of the contributions received by the Committee. In addition, the report included a recommendation that the Committee itemize the 82 contributions totaling \$39,318.63 which were not previously itemized. On February 23, 1981, the Committee submitted a letter which stated that the Committee adopted the recommended procedures contained in the interim audit report concerning the itemization of contributions received. Additionally, on March 5, 1981, the Committee filed amended Schedules A which itemized those contributions previously not itemized.

Recommendation

The Audit staff recommends no further action on this matter.



**FEDERAL ELECTION COMMISSION**

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WASHINGTON, D.C. 20463

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MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION  
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN  
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR  
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE  
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 1376.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



