



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

A82-8

July 25, 1983

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT
OF YOUNG REPUBLICAN NATIONAL FEDERATION

Attached please find a copy of the final audit report of Young Republican National Federation which was approved by the Commission on July 19, 1983.

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
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Public Record



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON THE
YOUNG REPUBLICAN NATIONAL FEDERATION

I. Background

A. Overview

This report is based on an audit of the Young Republican National Federation ("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(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this section, the Commission shall perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

The Committee registered with the Federal Election Commission on August 13, 1976. The Committee maintains its headquarters in Washington, D.C. The audit covered the period January 1, 1981 through October 13, 1982, the closing date for the latest report which should have been filed at the time of approval. The Committee reported a cash balance on January 1, 1981 of \$310.98; total receipts of \$483,523.47; total expenditures of \$483,155.25; and a cash balance on June 30, 1982 of \$1,199.97. ^{1/}

This audit report is based on documents and work papers which support each of its 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 the Commissioners and appropriate staff for review.

^{1/} The reported totals do not calculate correctly due to math errors. (See Finding II.B.).

B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were Clark D. Horvath from inception of the audit period through July 31, 1981, and Kathryn Coe Royce from July 31, 1981 through the present.

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

Introduction to Audit Findings and Recommendations

The Committee was audited in 1979 for the period January 1, 1976 through December 31, 1978. This audit report contains three findings and respective recommendations materially indistinguishable from the findings noted in the previous audit report.

A. Failure To File Reports

Section 434(a)(4)(A)(i) of Title 2 of the United States Code states, in part, that all political committees other than authorized committees of a candidate shall file quarterly reports, in a calendar year in which a regularly scheduled general election is held, which shall be filed no later than the 15th day after the last day of each calendar quarter.

During the audit, it was noted that the Committee failed to file disclosure reports after June 30, 1982. During the July 1, 1982 to October 13, 1982 period, the Committee's bank records showed \$65,844.42 in receipts and \$67,689.89 in disbursements, as adjusted.

The Audit Division recommended that the Committee, within 30 days of receipt of the interim report, file a report that discloses the financial activity which occurred from July 1, 1982 through October 13, 1982.

A report was received from the Committee on June 27, 1983, in which the Committee complied with the recommendation in the interim audit report. In addition, on July 14, 1983 the Committee filed a report covering the period 10/14/82-12/31/82.

Recommendation

The Audit staff recommends no further action with respect to reports required to be filed during the period of the audit.

B. Misstatement of Financial Activity

Sections 434(b)(1), (2), and (4) of Title 2 of the United States Code state, in part, that each report shall disclose the amount of cash at the beginning of the reporting period; the total amount of all receipts; and the total amount of all disbursements for the reporting period and the calendar year.

During the audit, it was noted that the Committee understated its financial activity in 1981 for its beginning cash by \$2,168.20; its receipts by \$27,678.70; its expenditures by \$7,058.60; and its ending cash by \$22,788.31. The understatement of financial activity was caused by several factors, such as, miscalculation of outstanding checks, underreporting of certain bank accounts' activity, and failure to include bank charges.

The Audit Division recommended that the Committee, within 30 days of receipt of the interim report, amend its 1981 report to accurately depict its financial activity.

An amendment was received on June 27, 1983, in which the Committee complied with the recommendation in the interim audit report.

Recommendation

The Audit staff recommends no further action.

C. Possible Prohibited Contributions

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution in connection with any election to Federal office.

During the audit, it was noted that the Committee accepted 16 ^{2/} possible prohibited contributions totaling \$3,448.00. The Committee sponsored an annual leadership conference for its members featuring workshops and speeches. In 1982, the booklets published for the conference included advertisements apparently funded by corporate monies.

^{2/} At this time, 13 contributions totaling \$2,853.00 have been confirmed as corporations with the Secretaries of State.

In 1979, the Committee was advised of the prohibition against this type of receipt in an audit report. At that time, it was recommended that the Committee refund the full amount of prohibited receipts to the corporate advertisers. The Committee substantially complied with the recommendation.

The Audit Division recommended that the Committee, within 30 days of receipt of the interim report, provide documentation to demonstrate that these contributions were not from prohibited sources, or issue refund checks and provide copies (both front and back) of the negotiated refund checks.

On June 28, 1983, the Committee provided a statement which indicated that these contributions would be refunded as soon as the money becomes available. In addition, the Committee disclosed the contribution refunds as debts.

Recommendation

Given the refunds are effected and evidence is provided to the Audit staff, it is recommended that no further action is necessary.

D. Itemization of Contributions

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, or in any lesser amount if the reporting committee should so elect, together with the date and amount of any such contribution.

During an examination of contributions, it was noted that the Committee failed to itemize 50 contributions totaling \$15,535.00 or 66.4% of the total dollar value of itemized contributions.

This problem was noted in the previous audit. It was mentioned in the audit report and the Committee provided comprehensive amendments which substantially corrected the problem.

The Audit staff recommended that the Committee, within 30 days of receipt of the interim report, amend its reports to disclose the above mentioned contributions.

An amendment was received on June 27, and July 1, 1983 in which the Committee complied with the recommendation in the interim audit report.

Recommendation

The Audit staff recommends no further action.

E. Itemization of Expenditures

Section 434(b)(5)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee together with the date, amount, and purpose of such operating expenditures.

Also, Section 104.3(b)(3)(i)(A) and (B) of Title 11 of the Code of Federal Regulations states, in part, that each political committee report a brief statement of why the disbursement was made. However, statements or descriptions such as "expenses" would not meet the requirements for reporting the purpose of an expenditure.

In the course of the review of expenditures, it was noted that the Committee failed to either itemize/report 206 expenditures totaling \$125,011.25 or 25.87% of total reported expenditures. The Committee failed to itemize 55 expenditures totaling \$26,482.83 for 1981. From January 1, 1982 through October 13, 1982, the Committee failed to report 151 expenditures totaling \$98,528.42.

In addition, the Committee itemized 38 expenditures totaling \$19,309.79 with a purpose such as "expenses", "partial payment", "balance due" all of which do not satisfy the disclosure requirements of the Act.

The Audit staff recommended that the Committee, within 30 days of the receipt of the interim report, amend its reports to properly disclose the above mentioned expenditures.

An amendment was received on June 27, and July 1, 1983 in which the Committee complied with the recommendation in the interim report.

Recommendation

The Audit staff recommends no further action.

F. Documentation of Disbursements

Section 102.9(b)(1)(i) and (ii) of Title 11 of the Code of Federal Regulations states that an account shall be kept of all disbursements made by or on behalf of the political committee. Such account shall consist of a record of: the name and address of every person to whom any disbursement is made; the date, amount, and purpose of the disbursement.

Section 102.9(b)(2) of Title 11 of the Code of Federal Regulations states, in part, that a receipt or invoice from the payee or a cancelled check to the payee shall be obtained and kept for each disbursement in excess of \$200 by or on behalf of, the committee, or a carbon copy of a share draft or check may be used as a duplicate record of such draft or check provided that the monthly account statement showing the share draft or check was paid is also retained.

Our examination of the Committee's disbursements revealed that the Committee made six disbursements totaling \$22,400.00 by Cashier's Checks. ^{3/} The only documentation provided was a bank prepared debit memoranda which listed the payees, the Cashier's Checks numbers, and the amounts. In addition, it was noted that in 1982 the Committee had written three checks totaling \$2,500 made payable to cash.

The audit report for the previous audit noted that the Committee failed to provide adequate documentation for expenditures. As recommended, the Committee provided adequate documentation to support those expenditures.

The Audit staff recommended that the Committee, within 30 days of receipt of the interim report, provide documentation for the disbursements noted above.

The documentation was received on June 27, 1983 in which the Committee complied with the recommendation in the interim report.

Recommendation

The Audit staff recommends no further action.

^{3/} These disbursements were also included in Finding E, because the Committee did not report them.

G. Debts and Obligations

Sections 434(b)(2)(H) and (8) of Title 2 of the United States Code state, in part, that each report shall disclose for the reporting period and the calendar year, the total amount of other loans. Also, each report shall disclose the amount and nature of outstanding debts and obligations owed by such political committee; and where such debts and obligations are settled for less than their reported amount or value, a statement as to the circumstances under which such debts or obligations were extinguished and the consideration therefore.

In addition, Section 104.11(a) and (b) of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by a political committee shall be continuously reported until extinguished. 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. Also, a debt, obligation, or other promise to make an expenditure, the amount of which is \$500 or less, shall be reported as to the time payment is made or no later than 60 days after such obligation is incurred, whichever comes first. Any loan, debt or obligation, the amount of which is over \$500 shall be reported as of the time of the transaction.

During the audit, it was noted that the Committee failed to disclose three loans totaling \$24,500.00. In addition, the Committee failed to provide loan agreements for review by the Audit staff for four loans (including the above three) totaling \$49,500.00.

The Audit staff noted that the Committee failed to disclose debts to at least 20 vendors totaling \$22,109.14. In addition, the Committee deleted without explanation nine debts totaling \$17,702.02 from its disclosure reports.

It was also noted that the Committee disclosed six debts (totaling \$57,725.96) with an outstanding balance at the beginning of a reporting period. None of these debts were previously reported. Therefore, the indication is that these debts should have been reported in a previous reporting period(s). Finally, the Committee decreased the closing/opening balances between consecutive periods for two debts. The amount the two debts were decreased totaled \$12,605.98.

The Committee did not provide the Audit staff with complete documentation concerning their debts. Therefore, due to the lack of records, the Audit staff was unable to accurately determine the Committee's debt position.

The Audit staff recommended that the Committee, within 30 days of receipt of the interim report, disclose the requisite information for the above mentioned loans. In addition, it was recommended that the Committee determine and disclose its debt position as of October 13, 1982. This includes the debts that were deleted without explanation from the reports, the debts which had an outstanding balance at the beginning of the reporting period and were not previously disclosed, the debts decreased between consecutive periods, and any other debts that were outstanding and not properly reported as of January 1, 1981, June 30, 1981, June 30, 1982, and October 13, 1982. Finally, it was recommended that documentation be provided in support of the required amendments.

On June 27, 1983, the Committee provided the requisite information for the above mentioned loans. In addition, the Committee disclosed its debt position as of October 13, 1982 and provided the required amendment. The documentation to support the required amendments was made available for review by the Audit staff.

Recommendation

The Audit staff recommends no further action.

H. Outstanding Checks

Our review of bank activity indicated that 17 checks totaling \$6,528.79 were listed as outstanding as of October 13, 1982. These checks were dated between September 6, 1979 ^{4/} and October 29, 1981. These expenditures were made to both individual (5) and corporate (12) vendors of the Committee.

The Audit staff recommended that the Committee, within 30 days of receipt of the interim report, provide documentation that the expenditures noted above are not owed by the Committee, or reissue checks to the vendors and provide copies (front and back) of the negotiated (reissued) checks.

^{4/} One check totaling \$150.00 was written before July 1, 1979, however, Committee records were unavailable to determine the date that the check was written and the identification of the payee.

The documentation was received on June 27, 1983 in which the Committee complied with the recommendation in the interim audit report.

Recommendation

The Audit staff recommends no further action.

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FEDERAL ELECTION COMMISSION

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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION
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 # 1319.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



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DOCUMENT
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