



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

A81-26

September 29, 1982

MEMORANDUM

TO: FRED S. EILAND  
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -  
DEMOCRATIC EXECUTIVE COMMITTEE OF FLORIDA

Attached please find a copy of the final audit report of the Democratic Executive Committee of Florida which was approved by the Commission on September 16, 1982.

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 Record



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REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRATIC EXECUTIVE COMMITTEE OF FLORIDA

I. Background

A. Overview

This report is based on an audit of the Democratic Executive Committee of Florida ("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 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 Office of the Clerk of the United States House of Representatives on April 19, 1972. The Committee maintains its headquarters in Tallahassee, Florida.

The audit covered the period January 1, 1980, through December 31, 1980. The Committee reported a cash balance at January 1, 1980, of \$333.16; total receipts for the period of \$270,934.68; total expenditures for the period of \$194,291.67; and a cash balance on December 31, 1980, of \$76,976.17.

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.

B. Key Personnel

The Treasurer of the Committee was William H. Marshall from January 1, 1980, through April 26, and Monnie J. Yungkans from April 26 through December 31, 1980.

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. Allocation of Administrative Expenses

Section 102.5(a) (1) of Title 11, Code of Federal Regulations states, in part, that a political party committee which finances political activity in connection with both federal and non-federal elections shall either: (i) Establish a separate federal account in a depository in accordance with 11 C.F.R. 103. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act; or (ii) Establish a political committee which shall receive only contributions subject to the prohibitions and limitations of the Act, regardless of whether such contributions are for use in connection with federal or non-federal elections.

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 11 C.F.R. 102.5 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.

The Committee has established a separate account and has treated it as a separate Federal political committee. However, the Committee has not allocated administrative expenses between its Federal and non-Federal accounts as required by 11 C.F.R. 106.1(e). Instead, the non-Federal accounts have been used to pay the administrative expenses for both Federal and non-Federal elections.

In response to the interim audit report finding the Committee devised a method to allocate expenditures and determined that the Federal account's share of administrative expenditures is \$780.

The Audit staff has reviewed the Committee allocation method and determined it to be deficient. The Committee had allocated only a portion of one individual's salary for administration of the Federal account. It ignored any overhead expenses such as utilities, rent, etc.

The Audit staff has applied a formula which recognizes not only a portion of the salary for administration of the account, but a reasonable amount of the attendant overhead expense.

The Audit staff believes that \$2,674 represents a reasonable amount of administrative expenses which should have been borne by the Federal account. However it is our opinion that the difference \$1,894 (\$2,674 - \$780) is not material at this time.

#### Recommendation

The Audit staff recommends that the Committee adjust its allocation method to include all allocable administrative expenses (salaries, rent, utilities, etc.) and allocate such expenses in a timely manner in order to avoid future allocation problems.

#### B. Excessive Contributions to Federal Candidates

Section 441a(a)(2)(A) of Title 2 of the United States Code states that no multicandidate political committee shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

The Committee made contributions in excess of the limitations to Federal candidates as follows:

- 1) The Committee contributed \$7,500 on September 18, 1980, to a candidate for the U.S. House of Representatives. The Executive Director of the Committee told the auditors that \$2,500 of this amount was designated for the candidate's primary election. However, no evidence was presented to the auditors in support of this assertion.

2) The Committee contributed \$7,500 on September 18, 1980, and \$2,500 on October 10, 1980, to a candidate for the U.S. House of Representatives. On December 15, 1980, \$2,500 was refunded to the Committee. The Executive Director stated that the Committee sought a refund of the remaining excessive amount (\$2,500), but was unable to obtain it. The auditors were told that the candidate was in debt, and unable to refund the remaining \$2,500. The candidate's disclosure reports, as filed with the Commission, indicate that his campaign committee owed \$65,600 in debts and obligations at the time of the October contribution. The latest report filed by the candidate indicates that his campaign committee owes \$57,600 in debts and obligations.

3) The Committee contributed \$7,500 on October 10, 1980, to a candidate for the U.S. House of Representatives. The Committee sought and obtained a refund of \$2,500 on December 1, 1980.

4) The Committee contributed \$20,000 on October 9, 1980, to a candidate for the U.S. Senate. On October 16, 1980, \$15,000 was refunded to the Committee.

The interim audit report contained a recommendation that with respect to item 1), the Committee provide evidence supporting the assertion that \$2,500 of the contribution was designated for the retirement of primary debts. With respect to item 2), the Committee either obtain a refund of the remaining excessive portion of the contribution, recognize the excessive portion as a debt, or submit evidence that the amount was designated as a primary election contribution. No further action was recommended with respect to items 3) and 4).

With respect to item 1), on December 21, 1981, the Committee provided to the auditors evidence supporting that \$2,500 of the contribution was intended for the retirement of the primary debts. For the other excessive contribution of \$2,500 (item 2), the Committee filed an amended FEC Schedule D and recognized the amount as a debt owed to the Committee.

#### Recommendation

Based upon the action of the Committee, the Audit staff recommends no further action.

C. Misstatement of Financial Activity

Section 434(b)(1) and (2) of Title 2 of the United States Code requires disclosure of the amount of cash on hand at the beginning of the reporting period and the total sum of all receipts.

Section 434(b)(4) and (5) of Title 2 of the United States Code requires disclosure of the total sum of all expenditures and 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 to meet a candidate or committee operating expense, together with the date, amount, and purpose of such operating expenditure.

A reconciliation of the Committee's bank records to its disclosure reports covering the period January 1, 1980, through December 31, 1980, indicated that:

- 1) Reported receipts were overstated \$10,800.00
- 2) Reported expenditures were understated \$7,025.05
- 3) Cash on hand as of December 31, 1980, was overstated \$17,825.05

The overstatement of receipts (\$10,800.00) was the result of a \$1,200 transfer erroneously reported as \$12,000 on October 28, 1980.

The understatement of expenditures (\$7,025.05) resulted from a \$2,500 expenditure which was reported and the check subsequently voided, and a \$9,525.05 expenditure which was not reported. Committee personnel were not aware of these errors until brought to their attention by the auditors.

The overstatement of cash on hand as of December 31, 1980, (\$17,825.05) resulted from the reporting errors noted above.

On December 21, 1981, as recommended in the interim audit report, the Committee filed amendments to its disclosure reports which properly disclose the above transactions.

Recommendation

Based upon the action of the Committee, the Audit staff recommends no further action.

D. Disclosure of Co-ordinated Expenditures

Section 104.2(a) of Title 11, Code of Federal Regulations states that each report filed by a political committee shall be filed on the appropriate FEC form as set forth at 11 C.F.R. 104.2(e).

Section 104.2(e) of Title 11, Code of Federal Regulations states that political committees other than authorized committees shall file reports on FEC Form 3-X.

FEC Form 3-X, Schedule F, for co-ordinated expenditures on behalf of candidates for Federal office, requires the disclosure of the following: The full name, mailing address and zip code of each payee; the name of the Federal candidate supported, state, district, and office sought, as well as the aggregate general election expenditure for that candidate; purpose of expenditure; date and amount of the expenditure.

The Audit staff determined that the Committee made 18 expenditures, totaling \$90,726.24, on behalf of candidates for Federal office. Eleven of these expenditures, totaling \$82,119.54, were disclosed on Schedule B as operating expenditures instead of Schedule F as coordinated expenditures. Therefore, certain other information required to be disclosed on Schedule F was not (i.e., the name of the candidate, state, district and office sought as well as the aggregate general election expenditure for that candidate).

On December 21, 1981, as recommended in the interim audit report, the Committee filed an amendment which disclosed the required information.

Recommendation

Based upon the action of the Committee, the Audit staff recommends no further action.

E. Get-Out-The-Vote and Voter Registration Expenditures Made From Non-Federal Accounts

Section 102.5(b)(1) of Title 11, Code of Federal Regulations states, in part, that any State or local party organization that makes contributions, expenditures and exempted payments under 11 C.F.R. 100.7(b)(9), (15) and (17) and 100.8(b)(10), (16) and (18) shall either: (i) Establish a separate account to which only funds subject to the prohibitions and limitations of the Act shall be deposited and from which contributions, expenditures and exempted payments shall be made.

(ii) Demonstrate through a reasonable accounting method that whenever such organization makes a contribution, expenditure or exempted payment, that organization has received sufficient funds subject to the limitations and prohibitions of the Act to make such contribution, expenditure or payment.

Section 100.8(b)(18) of Title 11, Code of Federal Regulations states, in part, that the payment by a State or local committee of a political party for the costs of voter registration and get-out-the-vote activities conducted by such committee on behalf of the Presidential and Vice Presidential nominee(s) of that party is not an expenditure for the purpose of influencing the election of such candidates provided that the following conditions are met: ... (ii) The portion of the costs of such activities allocable to Federal candidates is paid from contributions subject to the limitations and prohibitions of the Act.

The Committee maintained separate accounts for Federal and non-Federal activities, and reported only the activity of the Federal account. A Committee official stated that the non-Federal account contained funds that are prohibited under the Act (i.e, contributions from corporations and labor organizations) but permissible under Florida statute.

In addition, the Executive Director stated that the non-Federal accounts also contained filing fees, paid by non-Federal candidates to the Florida Secretary of State. Individuals who wish to qualify as candidates and be placed on the ballot must pay a filing fee to the Secretary of State. The filing fee is an amount equal to 5% of the salary of the office for which the individual is a candidate.

During the course of the audit, it was determined that expenditures, totaling \$393,579, were made for voter registration and GOTV purposes. The majority of these expenditures (\$310,220) were made from the non-Federal accounts. The Executive Director further stated that these funds were used to encourage, contact, and transport people to register and to vote. The purpose of the voter registration and GOTV activity was to gain minority voter support for the Democratic Presidential and Vice Presidential nominees, as well as for State and local candidates. According to the Committee, there was no mention of Federal candidates for either the U.S. House of Representatives or U.S. Senate. However, the Committee agreed that the Federal candidates for those offices benefitted from these activities.

The interim audit report contained a recommendation that the Committee determine a portion of the GOTV expenditures allocable to Federal candidates. It was also recommended that the Committee provide documentation in support of the allocation. In its response, the Committee provided information concerning the number of State and Federal candidates on the ballot in Florida. The Committee stated that \$83,358.58 was expended from the Federal account for GOTV activities. The Committee maintained that this amount was greater than the amount allocable to Federal candidates, and therefore no corrective action was necessary. The Committee based its determination of allocable expenses on a one-to-one relationship of Federal candidates to State candidates.

The Audit staff disagrees with the Committee method of allocation among Federal and non-Federal candidates on a one-to-one basis. In an Informational Letter, dated October 6, 1976, to the Illinois Republican State Central Committee, the Commission stated that expenditures should not be allocated between Federal and non-Federal candidates on a one-to-one basis. However, based upon information contained in the Committee's response, the Audit staff applied a formula to the amount expended for GOTV. This formula gives proportionate weight to Federal and non-Federal candidates. The application of the formula when applied to the total expenditures for voter registration and GOTV purposes (\$393,579) indicates that the portion of expenditures allocable to Federal candidates is \$52,477.

#### Recommendation

Since the amount expended by the Committee (\$83,358.58) exceeded the amount allocable to Federal candidates (\$52,477), the Audit staff recommends no further action.

#### F. Transfer From a non-Federal Account

Section 102.5(a)(1) of Title 11, Code of Federal Regulations states, in part, that a political party committee which finances political activity in connection with both federal and non-federal elections shall establish a separate federal account in a depository in accordance with 11 C.F.R. 103. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate federal account. No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections.

Our review of bank activity indicated that the Committee received the proceeds and interest from a certificate of deposit (CD) totaling \$104,426.23 on October 28, 1980. The Committee reported the funds on Schedule A as a receipt from the bank. The Executive Director explained that the CD was purchased with funds received from the Secretary of State \*/ in July.

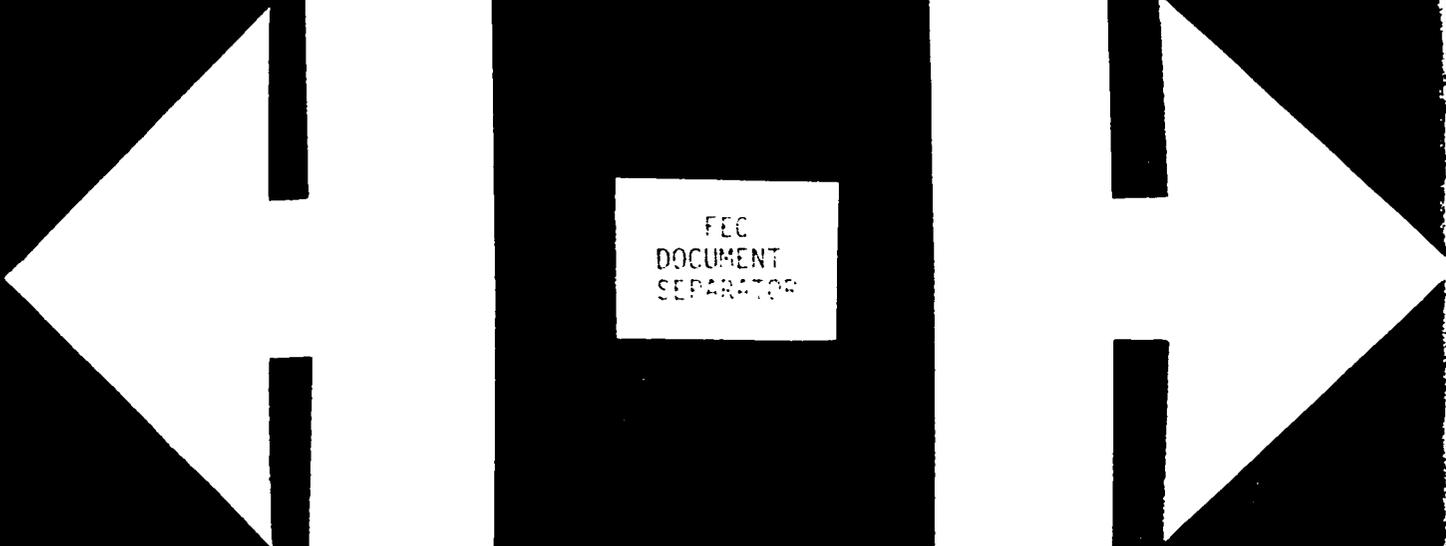
Though bank records for the Committee's State and local accounts were not available for review at the time of the audit, in its response to the interim audit report, the Committee stated that the accounts at the First National Bank were opened with filing fee money simultaneously with the purchase of the Certificate of Deposit. The Committee further states that only after the purchase of the Certificate of Deposit and the establishment of the accounts, were corporate and labor union contributions deposited into the First National Bank account.

#### Recommendation

With respect to funds (both Federal and non-Federal) received from the Secretary of State, the Audit staff recommends that in the future the Committee deposit such funds to be used in Federal elections directly in the Federal account.

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\*/ The funds received from the Secretary of State represented the State party's portion of non-Federal filing fees.



FEC  
DOCUMENT  
SEPARATOR