



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20461

A81-10

March 10, 1982

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
FUND FOR A CONSERVATIVE MAJORITY

Attached please find a copy of the final audit report of the Fund For A Conservative Majority which was approved by the Commission on March 2, 1982.

Informational copies of the 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



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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REPORT OF THE AUDIT DIVISION
ON THE
FUND FOR A CONSERVATIVE MAJORITY

I. Background

A. Overview

This report is based on an audit of the Fund For A Conservative Majority ("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 U.S. Senate and U.S. House of Representatives on April 17, 1972 and is a multicandidate committee as defined in Section 441a(a)(4) of Title 2, United States Code. The Committee maintains its headquarters in Washington, D.C.

The audit covered the period from January 1, 1980 through December 31, 1980. The Committee reported a beginning cash balance on January 1, 1980 of \$27,545.87; total receipts for the period of \$2,874,421.32; total expenditures for the period of \$2,887,244.77 and a closing cash balance on December 31, 1980 of \$14,722.42.

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 Commissioners and appropriate staff for review.

B. Key Personnel

The treasurer of the Committee during the period audited was Mr. Kenneth F. Boehm.

C. Scope

The audit included such tests as verification of total reported receipts, 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. Although the contribution records provided by the Committee met the recordkeeping requirements of 2 U.S.C. 432(c) and 11 C.F.R. 102.9(a), they did not include sufficient material prepared outside of the Committee. Therefore, no verification of individual contribution transactions was performed.

II. Audit Findings and Recommendations

A. Receipt of Apparent Corporate 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 or expenditure in connection with any Federal election to political office.

During the course of the audit, it was determined that the Committee received 46 apparent corporate contributions, from 35 business entities, totaling \$2,835.00. The review was based on an analysis of the Committee's receipt system, and our examination of computerized receipt listings for recording all contributions. Copies of the contribution instruments were not available for inspection since the Committee's procedures for processing receipts do not include photocopying and maintaining the instruments. However, the Audit staff verified the corporate status of the entities with the appropriate Secretaries of State.

Although the Committee maintained established procedures for handling possible corporate contributions, 1/ our review of Committee computerized receipt listings suggested that those procedures were not adequately followed. Committee officials stated that there was a slight possibility that source material might have been commingled occasionally, but have no reason to believe that this happened at any particular time.

1/ Normally, the Committee deposits apparent corporate receipts into its State fund (non-federal) account.

The interim audit report recommended that the Committee refund the \$2,835 in apparent corporate contributions and submit evidence (i.e., front and back of cancelled refund checks) of such refunds to the Audit staff, or provide evidence that the contributions were not funded through corporate sources.

On February 17, 1982, the Committee provided the Audit staff with:

- 1) Evidence that contributions from 11 contributors, totaling \$1,205 were not funded through corporate sources.
- 2) Evidence that two contributions (from one contributor) totaling \$30 were deposited into a non-federal account.
- 3) Evidence (copy of front of refund checks 2/) that it has refunded contributions, totaling \$1,600 to 23 contributors.

Recommendation

Based upon the Committee's response, the Audit staff recommends no further action.

B. Disclosure of Contributions Requiring Itemization

Section 434(b)(3) of Title 2 of the United States Code states, in part, that reports shall disclose the identification of each person who makes a contribution during the reporting period, whose contribution or contributions have an aggregate amount in excess of \$200.00 within the calendar year, together with the date and amount of any such contribution.

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- 2/ Committee personnel have noted that they were unable to provide the Audit staff as yet with copies of cancelled refund checks, but will do so as soon as they are made available by the bank.

Our review of the Committee's system to record and report individual contributions indicated that two separate computer files used by the Committee did not cross-aggregate individual contributions (i.e., combine an individual's contributions appearing on both files). Individual contributions for the Committee's "Citizens For Reagan Project" were recorded on the "Reagan File" contributor list, whereas, other individual contributions were recorded on the "Donor File" contributor list. The system did not cross-aggregate the two lists which resulted in a failure to itemize between 11% and 25% of the receipts requiring itemization.

Several other deficiencies were noted with the computerized receipts system which have affected the accuracy of the contributions recorded and reported by the Committee. One deficiency involved the record storage capability of the computer program, which was limited to maintaining only five records per contributor. Under this system, a person giving more than five contributions would have the earliest contribution "dropped" from the data base and effectively lost for reporting purposes. Another deficiency in the reporting system limited the number of contributions in any reporting period which could be itemized from a contributor to only one contribution, regardless of the number of contributions received from a contributor. In this situation, the aggregate year to date total on the disclosure reports would normally reflect all contributions received but only one contribution would be itemized. Perhaps the most significant deficiency is the failure of the system to cross-aggregate contributor records for persons recorded in both files. The failure of the system to cross-aggregate, as indicated previously, means that if two contributions were received from the same person and each was recorded in the separate file, the contributions would not "match up" for a complete history. Consequently, if the two contributions aggregated in excess of \$200, the contributor/contributions either would not be itemized on the disclosure reports, or if itemized, the aggregate year-to-date total would be incorrect.

Preliminary tests performed on both files, in addition to discussions with an official from the Committee's computer firm, indicated that the contributor records did not cross-aggregate between the Donor File and the Reagan File. Additionally, we determined that the Donor File list of names was used for at least one fundraising mailing on behalf of the Committee's Citizens for Reagan Project and contributions generated from the mailing were recorded on the Reagan File. Our testing further indicated that approximately 40% of the sample contributions recorded in the Donor File also had one or more additional contributions from the same listed contributor recorded in the Reagan File.

The Committee officials who established the record system are no longer associated with the Committee. The current officials have suggested that the records may have been initially structured to provide an accounting of funds raised from the Committee's major project in 1980 - the Citizens For Reagan Project. Committee officials indicated at the exit conference that they would review their contributor files to identify any disclosure problems. In addition, based on discussions with their computer personnel, they may consider merging the files or some other practicable corrective option.

It was recommended in the interim audit report that the Committee review its receipt records to determine the additional contributions requiring itemization and file an amended disclosure report(s) itemizing those contributions. Further, it was recommended that the Committee develop and implement a method of record maintenance and reporting which would provide for the proper disclosure of contributions and ensure the proper recordkeeping and itemization of contributions in the future.

On February 17, 1982, the Committee filed a comprehensive amendment to their 1980 disclosure reports itemizing the contributions as required. In addition, the Committee provided evidence supporting a change in their computerized processing system to assure the proper recording and itemization of contributions in the future.

Recommendation

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

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SEPARATOR