



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

A81-61

March 29, 1982

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RPC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
INDIANA DEMOCRATIC CONGRESSIONAL
VICTORY COMMITTEE

Attached please find a copy of the final audit report of the Indiana Democratic Congressional Victory Committee which was approved by the Commission on March 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



FEDERAL ELECTION COMMISSION

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REPORT OF THE AUDIT DIVISION
ON THE
INDIANA DEMOCRATIC CONGRESSIONAL VICTORY COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Indiana Democratic Congressional Victory 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(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 March 26, 1979. The Committee maintains its headquarters in Indianapolis, Indiana.

The audit covered the period January 1, 1980 through December 31, 1980. The Committee reported a beginning cash balance on January 1, 1980 of \$-0-; total receipts for the period of \$33,656.88; total expenditures for the period of \$33,222.15 and a closing cash balance on December 31, 1980 of \$434.73.

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 principal officer of the Committee during the period audited was Mr. Claude R. Magnuson, Treasurer.

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 Finding and Recommendation

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 which 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 of the Code of Federal Regulations states, in part, that Party committees and other political committees which have established Federal campaign committees 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 account has paid the administrative expenses for both the Federal and the non-Federal accounts.

Committee officials stated that they tried to keep the two accounts totally separate and did not realize portions of administrative costs should have been allocated to and paid by the Federal account.

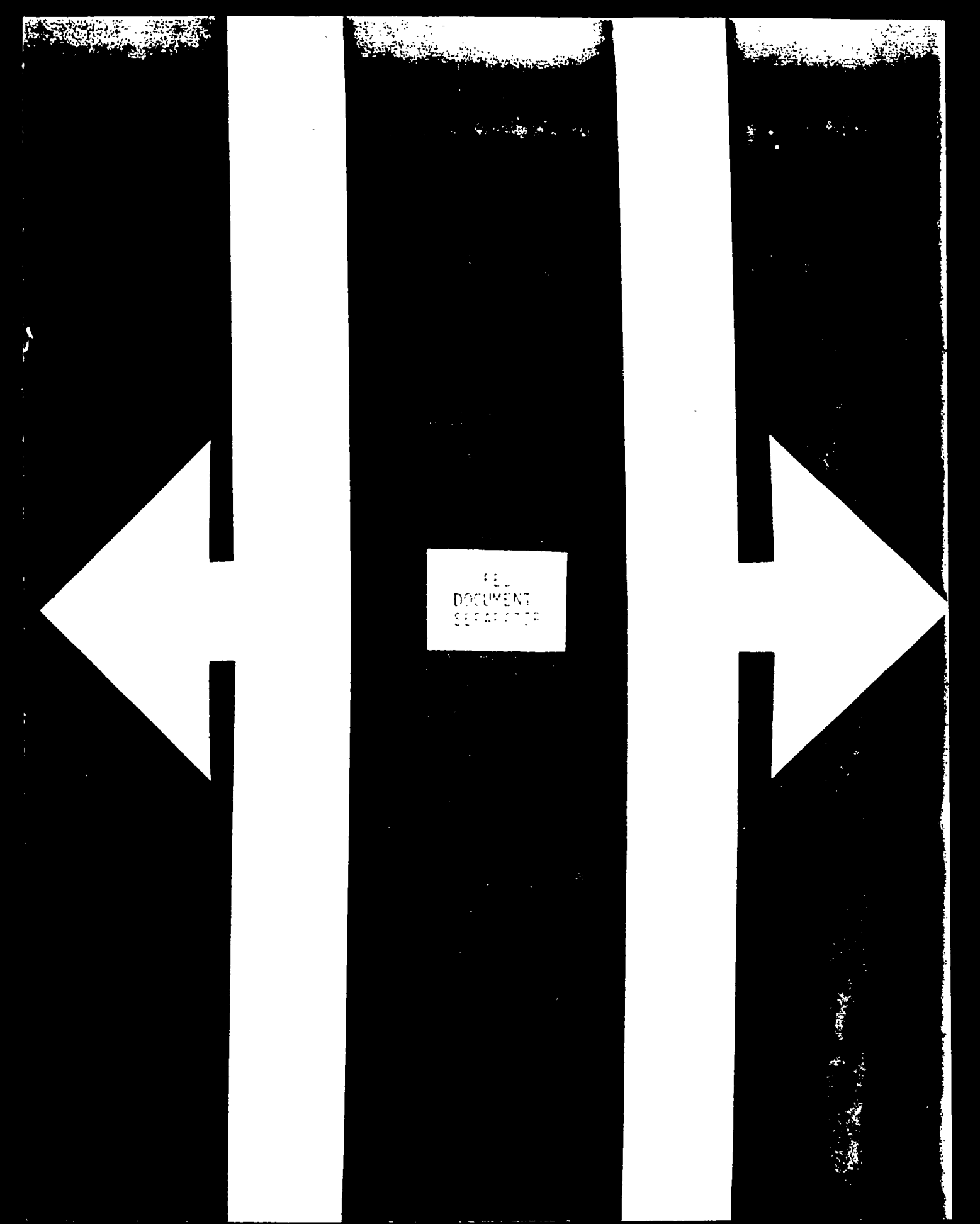
It was recommended in the interim audit report that the Committee, within 30 days of receipt of the report, determine on a reasonable basis the amount of administrative expenses allocable to the Federal account and provide sufficient documentation to evaluate the reasonableness of the allocation method. The interim audit report also recommended that the Committee (Federal account) reimburse the non-Federal account for the appropriate amount and provide evidence of such reimbursement.

The Committee calculated its portion of the administrative expenses to be \$9,914.99. In addition, the Committee provided the Audit staff documentation detailing its method of allocating administrative expenses for the period covered by the audit. The Audit staff reviewed the documentation and determined that the Committee's method of allocation and the amount allocated (\$9,914.99) is reasonable.

Due to the lack of funds in the Federal account, the Committee is unable to reimburse the non-Federal account at this time. However, on March 5, 1982, the Committee filed an amended report disclosing the amount of allocable administrative expenses (\$9,914.99) as a debt owed to the non-Federal account.

Recommendation

The Audit staff recommends that the Committee reimburse the non-Federal account as soon as funds become available. Further, it is recommended that in the future the Committee allocate administrative expenses between its Federal and non-Federal accounts in a timely manner.



FEL
DOCUMENT
SEPARATOR