



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

A85-33

February 19, 1987

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT
REPUBLICAN STATE COMMITTEE OF DELAWARE -
1984 VICTORY COMMITTEE

Attached please find a copy of the final audit report of Republican State Committee of Delaware - 1984 Victory Committee which was approved by the Commission on February 3, 1987.

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
Office of General Counsel
Public Disclosure

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REPORT OF THE AUDIT DIVISION
ON THE
REPUBLICAN STATE COMMITTEE OF DELAWARE-
1984 VICTORY COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Republican State Committee of Delaware - 1984 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 2 U.S.C. § 438(b) 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 subsection, 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 November 17, 1983, and maintains its headquarters in Wilmington, Delaware.

The audit covered the period, from the Committee's inception October 13, 1983, through December 31, 1984. The Committee reported a beginning cash balance on October 13, 1983, of -0-; total receipts for the period of \$318,936.00; total disbursements for the period of \$303,920.31 and an ending cash balance on December 31, 1984, of \$15,017.00. 1/

This report is based on documents and workpapers 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 Committee rounds some of its reported totals to the nearest dollar.

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B. Key Personnel

The Treasurer of the Committee during the audit period was Mr. Cyric W. Cain, Jr.

C. Scope

The audit included such tests as verification of total reported receipts, disbursements 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. However, the receipt records made available for the Audit staff's review were not maintained in a manner which allowed complete testing for correct aggregate contribution totals, proper itemization and contribution limitations.

Introduction to Findings

During the period audited the Republican State Committee of Delaware maintained seven bank accounts. The Audit staff determined that three of the accounts, the 1984 Victory Committee, the Delaware GOTV, and the Voter Registration account ^{2/} (the federal account(s)) financed activity in connection with federal elections. The remaining four accounts (the non-federal account(s)) were involved in financing activity in connection with non-federal elections and payment of general operating expenses. Reports filed by the Committee contained only activity involving the federal accounts.

II. Audit Findings and Recommendations

A. Unreported Activity

Section 434(b) of Title 2 of the United States Code states, in part, that each report shall disclose the amount of cash on hand at the beginning of the reporting period and for the reporting period and calendar year, the total amount of all receipts and disbursements.

^{2/} The only activity relative to the Voter Registration Account included in the Committee's disclosure reports was a transfer of \$16,500.00. See Finding II.A.

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During the period April 10, 1984, through January 25, 1985, the Committee maintained a "Voter Registration" checking account. A review of the account's bank statements disclosed that \$60,862.36 in receipts and disbursements were processed through the account. The account was funded with transfers from the Committee's federal account, the Republican National Committee (RNC) and Reagan-Bush '84. The majority of this account's activity was not disclosed on the Committee's disclosure reports.

The Committee provided documentation which indicated that the activity involved voter identification and voter registration through phone banks and door to door canvassing. A review of the account's cancelled checks revealed expenses consistent with that type of activity.

In the interim audit report the Audit staff recommended that the Committee file amendments to its disclosure reports disclosing the receipts and disbursements noted above including itemization where necessary pursuant to 2 U.S.C. §§ 434b(3) (B) (C) (D) and (5) (A).

On July 1, 1986, the Committee filed an amended report which materially disclosed the financial activity requested above.

Recommendation

The Audit staff recommends no further action in this matter.

B. Itemization of Contributions from Individuals

Pursuant to 2 U.S.C. § 434(b) (3) (A) 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 together with the date and amount of each contribution.

Section 100.12 of the Code of Federal Regulations states that "identification" means, in the case of an individual, his or her full name, including first name, middle name or initial, if available, and last name; mailing address; occupation; and the name of his or her employer; and in the case of any other person, the person's full name and address.

The Audit staff's review of available contribution records disclosed that 34 itemizable contributions totaling \$6,744.00 were not itemized as required. These contributions accounted for 37.8% of the number and 11.8% of the dollar amount

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of contributions requiring itemization for which records were available. In addition, the Committee failed to disclose aggregate Year-to-Date totals for all itemized contributions. We concluded through our review and discussions with current and former Committee personnel that only contributions the amount of which exceeded \$200.00 were itemized on disclosure reports.

In the interim audit report the Audit staff recommended that, the Committee file amendments to its 1984 reports disclosing the aforementioned contributions. The Audit staff also recommended that the amended reports include aggregate Year-to-Date totals for all itemized contributions.

In response to the interim audit report recommendation, the Committee submitted amended Schedules A disclosing the contributions as required.

Recommendation

The Audit staff recommends no further action on this matter.

C. Itemization of Contributions from Political Committees/Organizations

Sections 434(b)(3)(B) and (D) of Title 2 of the United States Code state, in part, that each report shall disclose the identification of each political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of each contribution and the identification of each transfer of funds to the reporting committee from another political party committee together with the date and amount of each transfer.

Our review identified 13 transfers totaling \$58,760.00 which were not itemized and one \$16,050.00 transfer that was itemized incorrectly on the Committee's disclosure reports. Ten of the transfers were deposited into the Committee's GOTV bank account. The Committee did not include the activity from this account in its disclosure reports until an amended report for the Post General Election period (10/18 -11/26/84) was filed on February 27, 1985. This amended report did not itemize any of the 10 transfers, but did include the total amount of these transfers in the Summary Page figures. The other four (4) transfers were deposited into the 1984 Victory Committee account: one transfer of \$200 was improperly itemized as a contribution from an individual, one transfer of \$16,050.00 from the Republican National Committee was itemized as being from the Republican State Committee of Delaware, one transfer of \$20,000 from a non-federal account was not itemized, and one transfer of \$60 was not itemized for no apparent reason. Committee officials offered no explanation for these discrepancies.

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In the interim audit report the Audit staff recommended that the Committee file amended reports to properly reflect the aforementioned transfers.

The Committee included in its response amended Schedules A which accurately disclose the contributions.

Recommendation

The Audit staff recommends no further action on this matter.

D. Supporting Documentation for Contributions

Section 432(c)(1) of Title 2 of the United States Code states, in relevant part, that the treasurer of a political committee shall keep an account of all contributions received by or on behalf of such political committees.

In addition, 11 C.F.R. §§ 102.9(a)(1), (2), and (3) require the treasurer of a political committee to keep an account by any reasonable accounting procedure of all contributions as follows:

- (1) for contributions in excess of \$50.00, such account shall include the name and address of the contributor and date and amount of the contribution;
- (2) for contributions aggregating in excess of \$200.00 per calendar year such account shall include the identification of the contributor and date and amount of the contribution; and
- (3) for contributions from a political committee, such account shall include the identification of the political committee and the date and amount of such contribution.

The Committee did not maintain a complete centralized contribution list. Instead the Committee kept copies of contributor checks attached to the deposit ticket.

Twenty-eight deposits did not have copies of contributor checks attached, therefore the Audit staff was unable to review the source documents for receipts totaling \$29,843.50 representing 9.36% of total reported receipts. ^{4/}

^{4/} The Committee did maintain photocopies of contributor checks in alphabetical order for each solicitation, however, the records were not complete.

Of the deposits which did not include photocopies of contributor checks, 18 deposits totaling \$17,899.50 included individual check listings by bank routing numbers only. The contributions within these deposits for the most part ranged from \$25.00 to \$100.00. One of the deposits totaling \$5,440.00 included a single \$5,000.00 item.

The remaining 10 deposits totaling \$11,944.00 did not have check listings or an itemization on the deposit tickets. The amount of these deposits ranged individually between \$120 and \$3,583.00. Committee officials were provided with a list of the deposits during the fieldwork.

In the interim audit report the Audit staff recommended that the Committee obtain the missing documentation for these receipts, and submit it to the Audit staff for review.

In response to the interim audit report, the Committee supplied deposit slips and copies of contributor checks which materially document the contributions received. The Committee has also implemented new accounting and recordkeeping procedures which should prevent recurrence of this matter.

Recommendation

The Audit staff recommends no further action in this matter.

E. Matters Referred to the Office of General Counsel

Certain matters noted during the audit have been referred to the Commission's Office of General Counsel.

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DOCUMENT
SEPARATOR