



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 28, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
1980 DEMOCRATIC NATIONAL CONVENTION
COMMITTEE, INC

Attached please find a copy of the final audit report of the 1980 Democratic National Convention Committee, Inc., which was approved by the Commission on April 21, 1981.

Informational copies of this report have been received by all parties involved and this report may be released to the public as of today, April 28, 1981.

Attached as stated

cc: FEC Library
RAD
Public Record



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

REPORT OF THE AUDIT DIVISION ON THE 1980 DEMOCRATIC NATIONAL CONVENTION COMMITTEE, INC.

I. Background

A. Overview

This report is based on an audit of the 1980 Democratic National Convention Committee, Inc. ("the Committee"), 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 9008(g) of Title 26 of the United States Code which directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the convention is held.

In addition, Section 9008.9 of Title 11 of the Code of Federal Regulations states, in part, that the Commission shall conduct an examination and audit of the convention committee no later than December 31 of the calendar year of the convention.

The Committee registered with the Federal Election Commission on August 6, 1979, as the designated convention committee of the Democratic Party. The Committee maintains its headquarters in Washington, D.C. The audit covered the period July 19, 1979, the incorporation date of the Committee, through December 31, 1980, the final coverage date of the latest report filed at the time of the audit. During this period, the Committee reported a beginning cash balance of \$-0-, total receipts of \$4,480,138.43, total expenditures of \$3,303,792.36, and an ending cash balance on December 31, 1980 of \$1,176,346.07. In addition, certain financial activity has been reviewed through March 13, 1981.

This audit report is based on documents and working 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 this report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers for the period audited were: Mr. John C. White, Chairman; and Mr. Peter G. Kelly, Treasurer.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation and analysis of Committee debts and obligations; review of contribution and expenditure limitations; and such other audit procedures as deemed necessary under the circumstances.

II. Findings and Recommendations

A. Unspent Portion of Fund Payment

Section 9008(h) of Title 26 of the United States Code states, in part, that the Commission shall have the same authority to require repayments from the National Committee of a major party as it has with respect to repayment from any eligible candidates under Section 9007(b).

In addition, Section 9008.10(e)(1) of Title 11 of the Code of Federal Regulations states that if any portion of the payment under 11 C.F.R. 9008.3 remains unspent after all convention expenses have been paid, that portion shall be returned to the Secretary of the Treasury.

Also, Section 9008.10(g)(2) of Title 11 of the Code of Federal Regulations states, in part, that the national committee shall repay to the Secretary within 90 days of the notice, the amount of the repayment.

On February 4, 1981, the Commission approved the Audit staff's determination that the Committee's unspent portion of its entitlement as of December 5, 1980 was \$1,149,650.56 (surplus). As a result of audit work performed after the 30 day response period to the interim audit report, our review of the Committee's financial activity for the period December 6, 1980 through March 13, 1981 indicated that the unspent portion of its entitlement, as of March 13, 1981, is \$736,213.00. The Committee's financial position, as of March 13, 1981 is depicted below:

1980 DEMOCRATIC NATIONAL CONVENTION COMMITTEE, INC.
FINANCIAL POSITION AS OF MARCH 13, 1981

Assets

| | | |
|---------------------|---------------------|---------------------|
| Cash on hand | \$753,396.05 | |
| Accounts Receivable | 10,193.99 <u>1/</u> | |
| Capital Assets | <u>-0-</u> | |
| Total Assets | <u>\$763,590.04</u> | <u>\$763,590.04</u> |

Obligations

| | | |
|--|--------------------------|-----------------------|
| Accounts Payable for Qualified Convention Expenses | (\$ 17,377.04) <u>2/</u> | |
| Estimated Winding Down Costs <u>3/</u> (Through June 30, 1981, Projected Termination Date) | (10,000.00) | |
| Total Obligations | <u>(\$ 27,377.04)</u> | <u>(\$ 27,377.04)</u> |
| Net Unspent Portion of Entitlement | | <u>\$736,213.00</u> |

1/ This amount includes outstanding security deposits, portions of which could be withheld for damages, cleaning, etc.

2/ Not included in this amount is a payment due per contract of \$5,344.11. No Committee action will be taken concerning this matter due to non-performance of contract. To date, the vendor has not contacted the Committee concerning payment of the outstanding amount.

In addition, this amount does not include bills received by the Committee, totaling \$6,496.73, payments of which the Committee is contesting.

3 Estimated costs were provided by the Committee.

The figure for estimated winding down costs does not include an additional \$10,000.00 requested by the Committee for an independent audit. The Committee's Deputy Treasurer stated that the Democratic National Committee and its affiliated committees are audited on a regular basis and added that the cost of an independent audit of the 1976 convention committee had been defrayed with Federal funds. Despite the Committee's point regarding the 1976 convention, such an expenditure is not supported by the regulations applicable to the 1980 convention. 11 C.F.R. Section 9008.10(e)(2) provides that an interim repayment of unspent funds allow for a "reasonable amount as determined by the Commission to be withheld for unanticipated contingencies." An independent audit to be conducted subsequent to the Commission's audit should not be considered a contingency for which unspent funds can be withheld.

Recommendation

Based on our review of the Committee's financial position, it is the recommendation of the Audit staff that the unspent portion of the entitlement (\$736,213.00) ^{4/} be repaid to the United States Treasury pursuant to 11 C.F.R. 9008.10(e)(1) within 90 days of receipt of this report. Further, the Committee is afforded 30 days from receipt of this report to submit written legal or factual materials to demonstrate that a repayment is not required (11 C.F.R. 9008.11(a)).

^{4/} The results of the audit of the Citizens Committee for the Democratic National Convention, Inc., did not impact upon the Committee's repayment amount. The Audit staff will review the Committee's reports and or records in order to establish the accuracy of the estimates in the above financial analysis.

B. Apparent Non-Convention Related Expenses

Section 9008(c) of Title 26 of the United States Code states, in relevant part, that such payment (made under 26 U.S.C. 9008(b)) shall be used only to defray expenses incurred with respect to a presidential nominating convention by or on behalf of the national committee receiving such payments. Further, Section 9008.6(a)(4) of Title 11 of the Code of Federal Regulations specifies that convention expenses shall include all expenses incurred by or on behalf of a political party, national committee or convention committee with respect to and for the purpose of conducting a presidential nominating convention or convention related activities.

In addition, Section 9008.10(d) of Title 11 of the Code of Federal Regulations states, in relevant part, that if the Commission determines that any amount of any payment to the convention committee was used for any purpose other than those authorized at 11 C.F.R. 9008.6, it shall notify the committee of the amount improperly used and such committee shall pay to the Secretary of the Treasury an amount equal to the amount specified.

Also, Section 9008.10(g)(2) of Title 11 of the Code of Federal Regulations states, in part, that the national committee shall repay to the Secretary within 90 days of the notice, the amount of the repayment.

Our review of expenditure records indicated that the Committee paid lodging expenses which, according to a listing of hotel room reservations prepared by the Committee, were for accommodations for members of the family of the Committee Chairman. The cost of this lodging was \$11,555.04. It should be noted that the Committee did not receive any private contributions, thus this expense was defrayed with Federal funds.

The Committee's Deputy Treasurer was advised of this matter and provided with the names of the individuals. During an interim conference, she informed the Audit staff that not all of these individuals were family members and agreed to provide the Audit staff with information to document that their activity was convention related.

On March 13, 1981, the Committee provided the Audit staff with documentation establishing the connection of several of the apparent members of the Committee Chairman's family to the convention. The lodging costs incurred by these individuals were \$7,423.80. The Committee was unable to establish that the lodging costs incurred by the remaining individuals, in the amount of \$4,131.24, were convention related.

Recommendation

Based on our review of the documentation submitted by the Committee, it is the recommendation of the Audit staff that the value of the non-convention related expenses (\$4,131.24) be repaid in full to the United States Treasury pursuant to 11 C.F.R. 9008.10(d) within 90 days of receipt of this report. Further, the Committee is afforded 30 days from receipt of this report to submit written legal or factual materials to demonstrate that a repayment is not required (11 C.F.R. 9008.11(a)).

A recapitulation of the recommended repayment amount appears below:

| | |
|---|---------------------|
| Unspent Portion of Fund Payment (Finding II.A.) | \$736,213.00 |
| Apparent Non-Convention Related Expenses (Finding II.B.) | <u>4,131.24</u> |
| Total Recommended Repayment Amount | <u>\$740,344.24</u> |

