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FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

November 13, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *APC*

FROM: RICK HALTER

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT
REPORT-CRANE FOR PRESIDENT COMMITTEE

Attached please find a copy of the final audit report of the Crane For President Committee which was approved by the Commission on November 6, 1980.

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
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Public Record

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON CRANE FOR PRESIDENT COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Crane For President Committee ("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 9038(a) of Title 26 of the United States Code which states that "after each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under Section 9037".

In addition, Section 9039(b) of Title 26 of the United States Code and Section 9038.1(b) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may conduct other examinations and audits from time to time as it deems necessary.

The Committee registered with the Federal Election Commission on August 2, 1978 as the principal campaign committee of the Honorable Philip M. Crane, candidate for the Republican nomination for President of the United States. The Committee maintained its headquarters in Baileys Cross Roads, Virginia. 1/

The audit covered the period from July 27, 1978, the inception date of the Committee, through April 3, 1980, the date determined by the Commission to be the date of ineligibility for purposes of incurring qualified campaign expenses. During this period, the Committee reported an opening cash balance of \$-0-, total receipts of \$4,966,416.48, total expenditures of \$4,885,341.79, and a closing cash balance of \$81,074.39. 2/

1/ On May 22, 1980, the Committee amended its statement of organization to disclose the address of its new headquarters in St. Louis, Missouri.

2/ These figures include the Committee's activity between April 1 and April 3, 1980.

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This report is based on documents and working papers supporting each of the factual statements contained herein. They form part of the record upon which the Commission based its decisions on the matters addressed in the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period audited were:

<u>Chairman</u>	<u>Period</u>
Mrs. Judy Chaney Petty	7/27/78 - Present
<u>Treasurer</u>	<u>Period</u>
Mr. Roy Burlew, Jr.	7/27/78 - 10/10/78
Ms. Martha Dawson	10/10/78 - 5/16/79
Mr. Curt Coonrod	5/16/79 - 6/26/79
Mr. Jerry D. Harkins	6/26/79 - 1/8/80
Ms. Victoria Tigwell	1/8/80 - Present

C. Scope

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

II. Audit Findings and Recommendations

A. Disclosure of Itemizable Contributions

Section 104.17(b)(2) of Title 11 of the Code of Federal Regulations states that each report shall disclose the identification, occupation, and principal place of business, if any, of each person who has made a contribution to or for the committee or candidate during the reporting period in an amount or value in excess of \$100, or in an amount of less than \$100 if the person's contributions within a calendar year total more than \$100, together with the amount and date of such contributions.

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A sample of contributions was randomly selected and tested for proper itemization. The sample indicated that at a 90% confidence level between 35.62% and 44.64% of the contributions requiring itemization were not itemized. In addition, the sample indicated that at a 90% confidence level between 10,568 and 13,232 of the contributions received by the Committee were required to be itemized. The large percentage of contributions which were not itemized was due to inconsistencies related to the keyline code (a series of characters taken from a contributor's name and address). The Committee's computerized system for aggregating contributions from the same individual was based on the assignment of a keyline code for each contribution based on the contributor information entered into the data base. If there was a change in any one of the characters making up the keyline code, the computer would produce a new contribution record which would not aggregate with any other contributions from the same individual. For example, if Mr. X's street address was initially entered as Box 37, Route 3, and a second contribution from Mr. X was entered as Route 3, Box 37, two different contribution records would exist in the data base and the computer would view Mr. X as two different contributors. The Committee stated that they were correcting their entire data base and would file the appropriate amendments to properly reflect their itemizable contributions.

On September 24, 1980, the Committee filed amended schedule A-P's for calendar years 1978 and 1979, which substantially reflected their itemizable contributions.

Recommendation

The Audit staff recommends no further action in this matter.

B. Disclosure of In-kind Contributions

Section 104.13(a)(1) and (2) of Title 11 of the Code of Federal Regulations states, in part, that the amount of an in-kind contribution shall be equal to the usual and normal value on the date received. Each in-kind contribution shall be reported as a contribution in accordance with 11 C.F.R. 104.3(a) and as an expenditure in accordance with 11 C.F.R. 104.3(b).

During the review of the Committee's records and reports, the Audit staff noted 20 in-kind contributions, totaling \$6,209.67, that were not reported by the Committee.

On September 17, 1980 and September 24, 1980, the Committee filed amended schedules A-P, and amended schedules B-P, which disclosed the in-kind contributions.

Recommendation

The Audit staff recommends no further action in this matter.

C. Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code states, in part, that each report shall disclose the amount and nature of outstanding debts and obligations owed by such political committee.

Section 104.11(a) of Title 11 of the Code of Federal Regulations states, in part, that these debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished.

During the review of the Committee's expenditure records, the Audit staff noted the following:

1. Undisclosed Debt

The Committee had an outstanding debt to a vendor for \$18,375.00 as of December 31, 1979 that was not disclosed on FEC Schedule C-P. The debt was subsequently extinguished as part of an advance payment made to the vendor on January 22, 1980. The advance payment was properly reported on the Committee's January 1980 schedules B-P.

2. Undisclosed Payment on Debt Schedule

The Committee's March 1980 report (FEC Schedule C-P) disclosed an outstanding debt owed to a vendor of \$11,820.58. However, this figure did not reflect a \$10,000.00 payment made against the debt as reported on FEC Schedule B-P for the same report.

On September 17, 1980 the Committee filed an amendment disclosing these debts and obligations.

Recommendation

The Audit staff recommends no further action in this matter.

D. Allocation of Expenditures to States

Section 441a(b)(1)(A) and 441a(c) of Title 2 of the United States Code provides that no candidate for the Office of President of the United States who has received matching funds may make expenditures in any one state aggregating in excess of the greater of 16 cents multiplied by the state voting age population or \$200,000.00, adjusted by the Consumer Price Index.

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Section 106.2(a) of Title 11 of the Code of Federal Regulations states that expenditures made by a Presidential candidate's authorized committee which seek to influence the nomination of the candidate in a particular state shall be attributed to that state. This allocation of expenditures shall be reported on FEC form 3Pc.

Section 106.2(b) of Title 11 of the Code of Federal Regulations states, in part, that expenditures for staff, media, printing, and other goods and services used in a campaign in a specific state shall be attributed to that state. Further, Section 106.2(c)(1) and (2) states, in part, that expenditures for publication and distribution of newspaper, magazine, television, and other types of advertisements distributed in more than one state shall be attributed to each state in proportion to the estimated viewing audience or readership of voting age which can reasonably be expected to be influenced by these advertisements. Expenditures for travel within a state shall be attributed to that state. Expenditures for travel between states need not be attributed to any individual state.

Our review of expenditures for the audit period included testing to determine the Committee's compliance with the record-keeping, reporting and allocation requirements of the Act. Based upon our review, which consisted of an examination of selected disbursements on a 100% basis plus an unrestricted random sample drawn from a separate population of approximately 3,900 disbursements, we determined the following:

1. Expenditures Reviewed on a 100% Basis

Sixteen (16) expenditures were not allocated to the proper states in consonance with the provisions outlined above, totaling \$602,828.29. These expenditures represent approximately 8% of the total number and 23.15% of the total dollar amount of expenditures within this review category. The expenditures were for media space, postage, a survey and travel.

2. Expenditures Reviewed on a Sample Basis

Approximately 17.36% of the total number and 10.27% of the total dollar amount of expenditures reviewed in the sample were not allocated to the appropriate state(s). These expenditures were for a variety of activities such as travel, phone, consulting, salaries, etc.

Generally, the reason for the allocation discrepancies noted in both of the above categories resulted from the Committee not having a predetermined system for allocating expenditures to states prior to December 1979. However, the Committee did not exceed the state spending limitations in any one state for the period covered by the audit.

On June 20, 1980, the Committee filed amended FEC schedules 3PC which substantially reflect the allocation of expenditures to States.

Recommendation

The Audit staff recommends no further action in this matter.

E. Determination of Net Outstanding Campaign Obligations

Section 9034.5(b) of Title 11 of the Code of Federal Regulations requires that the candidate submit a statement of Net Outstanding Campaign Obligations (NOCO) which contains, among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs within 15 days of the candidate's date of ineligibility.

The Committee filed a NOCO statement on April 17, 1980 and subsequently filed amended NOCO statements on June 12, 1980, September 22, 1980, October 6, 1980 and October 20, 1980. Shown below is the Committee's financial position (NOCO) as of 4/3/80 based on the Audit staff's review of Committee records, reports and other information during the conduct of the audit.

Crane For President Committee
Statement of Net Outstanding Campaign Obligations
April 3, 1980

Assets

Cash-in-Bank (4/3/80) 3/	\$ 81,310.00	
Accounts Receivable	24,176.51	
Total Assets	<u>\$105,486.51</u>	\$105,486.51

Liabilities

Accounts Payable and Winding Down Costs	(\$636,607.00)	
Total Obligations	<u>(\$636,607.00)</u>	(\$636,607.00)
Net Outstanding Campaign Obligations (Deficit) as of 4/3/80		<u>(\$531,120.49)</u>

Therefore, as of 4/3/80, the Committee was entitled to a maximum of \$531,120.49 in matching funds, reduced by the amount of private contributions received after 4/3/80.

Shown below is a recapitulation of private contributions and matching funds received or due the Committee for the period of 4/4/80 through 10/23/80, the most recent payment of matching funds:

Net Outstanding Campaign Obligations (Deficit) as of 4/3/80	(\$531,120.49)
Private contributions (4/4/80 - 4/30/80)	\$ 92,951.05
Matching fund receipts (4/9/80)	150,535.11
Remaining entitlement as of 4/30/80	(\$287,634.33)
Private contributions (5/1/80 - 5/31/80)	\$ 7,852.82
Private contributions (6/1/80 - 6/30/80)	\$ 1,254.00
Matching fund receipts (6/1/80)	19,556.11
Remaining entitlement as of 6/30/80	(\$258,371.40)
Private contributions (7/1/80 - 7/31/80)	\$ 2,418.06
Continued on next page	

3/ The date of April 3, 1980 was the date determined by the Committee to be the date of ineligibility for purposes of matching qualified campaign expenses.

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Private contributions (8/1/80 - 8/31/80)	\$ 390.00
Joint fundraising receipts as of 8/1/80	
1980 United Republican Committee 4/	12,926.77
1980 Republican Presidential Unity	
Committee 5/	32,950.25
Remaining entitlement as of 8/31/80	(\$210,286.32)
Private contributions (9/1/80 - 9/30/80)	\$ 310.00
Matching fund receipts (10/20/80)	\$ 6,447.95
Matching fund receipts (10/23/80)	6,760.72
Remaining entitlement as of 10/23/80 6/	(\$196,767.65)

Therefore, the Committee's remaining entitlement pursuant to 11 C.F.R. 9034.1(b) as of 10/23/80 is \$196,767.65.* However, it should be noted that since estimates were used in computing the above amount, the Audit staff will review the Committee's reports and records to compare the actual figures with the estimates noted above, and prepare adjustments, if necessary.

Recommendation

The Audit staff recommends that the Committee prepare its next NOCO statement utilizing the above figures and adjusting for changes not reflected on this NOCO statement.

- 4/ The joint-fundraising dinner was held on June 16, 1980. The net proceeds were disbursed on August 1, 1980 and received by the Committee on August 4, 1980. It is our opinion that monies became available to pay off debts on or before 6/30/80 since the joint-fundraising committee is an authorized committee of the Candidate.
- 5/ The joint-fundraising dinners sponsored by this committee were held on June 13, 20 and 27, 1980. For purposes of calculating remaining entitlement, it is our opinion that monies became available to pay off debts on or before 8/1/80, since the joint-fundraising committee is an authorized committee of the Candidate. The Candidate's pro rata portion of the reported net proceeds realized by the joint-fundraising committee as of 9/30/80 was calculated by applying this pro rata share (4.5%) to the reported net proceeds of \$732,227.69.
- 6/ No amount is available for private contributions received during the month of October, 1980, since the report covering that period is not required to be filed until November 20, 1980. Further, remaining entitlement as of 10/23/80 is subject to change due to a probable increase in estimated winding down costs. The Committee's original estimate of winding down costs was based on a termination date of 10/31/80.

* See footnote 6/

F. Excessive Payment of Matching Funds

Section 9038(b)(1) of Title 26, United States Code, states that if the Commission determines that any portion of the payments made to a candidate from the matching payment account was in excess of the aggregate amount of payments to which such candidate was entitled under Section 9034, it shall notify the candidate, and the candidate shall pay to the Secretary of the Treasury an amount equal to the amount of excess payments.

During the period from January 8, 1980, through October 1980, the Committee presented matching fund requests totaling \$2,040,112.85, representing submissions numbered one through eleven. As of October 31, 1980, the Commission certified \$1,649,847.05 for payment from the Matching Payment Account for these eleven submissions.

On September 2, 1980, the Committee presented its first resubmission which covered submissions one through eight. In effect, this resubmission superseded the original submissions with respect to listed contributors and amounts requested. The Committee attempted to correct errors contained in its first eight submissions in an effort to realize additional matching funds. The following chart shows the amount of additional matching funds the Committee stood to gain by its combined resubmission:

Amount requested Resubmission #1 (covers original Submissions #1 thru #8)	\$1,719,543.00
Amount previously certified for original (submissions #1 thru #8)	(1,617,871.18)
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Maximum amount to be realized on Resubmission #1	\$ 101,671.82

In accordance with Commission approved certification procedures, the staff evaluated Resubmission #1 and calculated the matchable amount as \$1,574,064.75. Given that the new matchable amount is less than the amount of \$1,617,871.18 which was previously certified, an overpayment was made in the amount of \$43,806.43 with respect to the Resubmission #1. It should be noted that on Resubmission #1 the Committee did omit \$280,758.63 in contributions which originally appeared on Submissions 1 through 8. As provided by the Commission's combined resubmission procedures, these deleted contributions may be submitted as new contributions on a later submission.

On October 30, 1980, the review and evaluation of the Committee's latest submission (S-11) was completed. The results of that review found that the Committee is entitled to an additional \$834.06 (\$2,563.13 or 27.49% of the amount requested was heldback while the review found only \$1,729.07 or 18.54% was non-matchable) which then reduces the amount of the current overpayment to \$42,972.37 as of October 31, 1980.

Recommendation

The Audit staff recommends the Commission preliminarily determine that, absent a showing to the contrary such as submission of sufficient matchable contributions to "offset" the excessive amount certified, an amount equal to the excessive payment of \$42,972.37 is repayable in full to the U. S. Treasury within 90 days of the Committee's receipt of this report.

G. Matters Referred to the Office of General Counsel

Other matters noted during the audit were referred to the Office of General Counsel on July 17, 1980.

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