



## FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

### REPORT OF THE AUDIT DIVISION ON THE COMMITTEE FOR THE RE-ELECTION OF CONGRESSMAN HERMAN BADILLO AND THE FRIENDS OF HERMAN BADILLO

#### I. Background

##### A. Overview

This report is based on an audit of the Committee For The Re-Election of Congressman Herman Badillo and the Friends of Herman Badillo ("the Committee(s)"), 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 audits were conducted pursuant to Section 438(a)(8) of Title 2 of the United States Code which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee for the Re-Election of Congressman Herman Badillo registered with the Clerk of the House of Representatives on June 21, 1974 as the principal campaign committee of Herman Badillo. The Friends of Herman Badillo registered with the Federal Election Commission on March 3, 1977 as a fundraising committee for Herman Badillo, candidate for the U.S. House of Representatives for the 21st District of New York. The Committees maintained their headquarters in New York City, New York.

The audit of the Committee for the Re-Election of Congressman Herman Badillo covered the period from January 1, 1976 through September 30, 1977, the final coverage date of the termination report. The Committee reported a beginning cash balance on January 1, 1976 of \$-0-, total receipts for the period of \$70,353.01, total expenditures for the period of \$74,472.09 and a closing cash balance on 9/30/77 of \$1,850.00. 1/

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1/ The Committee's reported totals do not balance due to problems related to committee disclosure of receipts and expenditures which were corrected through amendments filed.

The audit of the Friends of Herman Badillo covered the period from March 3, 1977, through May 31, 1977, the final coverage date of the termination report. The Committee reported a beginning cash balance on March 3, 1977 of \$-0-, total receipts for the period of \$26,042.46, total expenditures for the period of \$26,037.46 and a closing cash balance on May 31, 1977 of \$5.00.

This audit report is based on documents and working papers which support each of the 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 principal officers of the Committees during the period audited were Mr. Hugo Morales, Chairman; Dr. Pedro Luis Rodriguez, Treasurer (Committee For The Re-Election of Congressman Herman Badillo) and Martin Fife, Treasurer (Friends of Herman Badillo).

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 the Committee's debts and obligations; and, such other procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations With Respect to the Committee For The Re-Election of Congressman Herman Badillo

A. Preservation of Expenditure Receipts

Section 432(d) of Title 2, United States Code states, in part, that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during the calendar year exceeds \$100.

In addition, Section 102.9(c)(4) of Title 11, Code of Federal Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled check showing payment of the bill; and the bill, invoice, or other contemporaneous memorandum of the transaction.

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Our review of Committee records revealed that 134 expenditures totaling \$53,129.88 requiring supporting documentation were not documented with bills, invoices, or other contemporaneous memorandum, and 18 of the 134 expenditures were not supported with cancelled checks. This represents 87.5% of the number and 85.2% of the total dollar value of expenditures requiring documentation.

The Committee submitted documentation for 80 expenditures totaling \$42,104.37 and presented evidence of its efforts to obtain the documentation for 38 other expenditures totaling \$7,657.41. However, the Committee apparently failed to obtain or demonstrate its efforts to obtain the documentation for the remaining 16 expenditures totaling \$3,368.10. In addition, the Committee submitted copies of 12 of the 18 checks requested.

Recommendation

Based on the above information we recommend that no further action on this matter.

B. Disclosure of an In-kind Contribution

Section 434(b)(2) of Title 2, of the United States Code states, in part, that each report under this Section shall disclose the name and address (occupation and principal place of business, if any) of each person who has made contributions within a calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions.

In addition Section 104.3(a)(1) and (2) of Title 11 of the Code of Federal Regulations requires that each in-kind contribution in excess of \$100 be itemized as a receipt and expenditure on the appropriate schedule, identified as to its nature, and reported as an "in-kind contribution."

The Committee did not report the receipt of a \$1,000 in-kind contribution from a labor union political action committee.

Recommendation

On February 16, 1979, the Committee amended its reports disclosing the contribution, therefore, we recommend no further action on this matter.

C. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on April 12, 1979.

III. Audit Findings and Recommendations  
With Respect to the Friends of Herman Badillo

A. Recordkeeping For Expenditures

Section 432(d) of Title 2, of the United States Code states, in part, that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

In addition, Section 102.9(c)(4) of Title 11, Code of Federal Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled check showing payment of the bill; and the bill, invoice, or other contemporaneous memorandum of the transaction.

Our review of the Committee's expenditure records revealed that eight (8) expenditures totaling \$14,361.46 were not supported with bills, invoices, or other contemporaneous memorandum. This represents 61.5% of the number and 55.1% of the total dollar value of expenditures required to be itemized. However, each expenditure was supported by a cancelled check.

Recommendation

On January 29, 1979, the Committee submitted the supporting documentation for the expenditures, therefore, we recommend no further action on this matter.

B. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on April 12, 1979.

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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION  
MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION  
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN  
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR  
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE  
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 254.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



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