



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

January 10, 1980

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *JK*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -  
COMMITTEE TO ELECT RONNIE GENE FLIPPO (AL/5)

Attached please find a copy of the final audit report of the Committee to Elect Ronnie Gene Flippo (AL/5) which was approved by the Commission on December 31, 1979.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

With this release, the Alabama 5th Congressional District is now complete.

Attachment as stated

cc: FEC Library  
RAD  
Public Record

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## FEDERAL ELECTION COMMISSION

1325 K STREET NW  
WASHINGTON, DC 20463

### REPORT OF THE AUDIT DIVISION ON THE COMMITTEE TO ELECT RONNIE GENE FLIPPO

#### I. Background

##### A. Overview

This report is based upon an audit of the Committee to Elect Ronnie Gene Flippo ("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(a)(8) of Title 2, 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 registered with the Federal Election Commission on March 6, 1976, in support of Ronnie Gene Flippo, candidate for election to the Office of United States Representative from the 5th Congressional District of Alabama. The Committee maintained its headquarters in Florence, Alabama.

The audit covered the period January 1, 1976, the inception date of the Committee, through June 30, 1977. The Committee reported a beginning cash balance at January 1, 1976, of \$-0-, receipts for the period of \$258,583.25, total expenditures for the period of \$253,692.50 and a closing cash balance at December 31, 1976, of \$4,890.75. 1/

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1/ The Committee was exempt from filing disclosure reports for the first two (2) quarters of 1977. The FEC Form 3a was filed on April 7, 1977.



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This audit report is based on documents and working papers supporting 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 of the Committee were Mr. Oliver Jones, Chairman and Mr. R. Lonnie Flippo, Treasurer during the period of audit.

C. Scope

The audit included such tests as verification of total reported receipts and 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.

II. Findings and Recommendations

A. Contribution Limitation

Section 441a(a)(1)(A) of Title 2, United States Code, requires that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office, which in the aggregate, exceed \$1,000. Section 431(e)(1) defines a contribution to include a loan and Section 431(e)(5)(G)(ii) defines the endorser of the loan as a contributor.

During the campaign there were four (4) substantial loans made to the Committee. Two (2) loans were obtained by the Committee on March 18 and April 19, 1976, for \$33,000 and \$10,000 respectively, from the Shoals National Bank of Florence, Alabama. Two (2) extension agreements were also negotiated with regard to the \$33,000 loan. All of the agreements involved with these two (2) loans were signed by R. Lonnie Flippo, the Treasurer of the Committee. Questions arose during the audit as to the capacity in which he had signed the agreement and therefore as to his personal liability on the notes.

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The third loan in the amount of \$5,000.00 was made to the Committee by the Candidate on April 12, 1976 from funds loaned to the Candidate by the Treasurer. In its disclosure reports, the Committee itemized this loan as being from the Candidate. The Committee provided a signed agreement between the Treasurer and Candidate for our review, however, there was no signed agreement between the Candidate and the Committee.

The fourth loan, in the amount of \$30,000.00, was made to the Committee by the Candidate on April 20, 1976 from funds borrowed by the Candidate from the First National Bank of Birmingham in Birmingham, Alabama. The Candidate signed the note as the maker, with the Treasurer and one other individual as endorsers. In its disclosure reports, the Committee also itemized this loan as being from the Candidate. No agreement was signed between the Candidate and the Committee.

The Committee repaid the first two (2) loans by July 22, 1976 and the third and fourth loans by October 22, 1976.

In addition to the Treasurer's involvement with the loans previously mentioned, the Treasurer made contributions to the Committee as follows:

<u>Date of Contribution</u>	<u>Amount</u>
March 16, 1976	\$ 500
March 23, 1976	20
April 2, 1976	400
May 17, 1976	<u>1,500</u>
Total Contributions	\$2,420

The Candidate ran in three elections, a primary on May 4, 1976, a runoff on May 25, 1976, and the general on November 2, 1976.

This matter was referred to the Commission's Office of General Counsel on January 31, 1978. The outcome of the investigation is summarized on pages 5 and 6 of this report.

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B. Excessive Cash Contributions

Section 441g of Title 2, United States Code, in part, requires that no person shall make contributions of currency for the benefit of any candidate which, in the aggregate, exceed \$100, with respect to any campaign of such candidate for nomination for election, or for election, to Federal office. Section 110.4(c)(2) of the Commission's Regulations, in part, requires a candidate or committee receiving a cash contribution in excess of \$100 to return the amount over \$100 to the contributor.

During the campaign the Committee received contributions of currency in excess of \$100 from 12 individuals totaling \$6,274.00. During the audit, the Committee stated that they were not aware of the requirements of the applicable sections of the United States Code and the Commission's Regulations. In accordance with our request, the Committee refunded the amounts in excess of \$100.00 per contributor and submitted copies of the refund checks (fronts and backs) on March 6, 1978.

Our review of additional contributor information submitted on April 4 and April 24, 1978 (see Finding C) disclosed nine (9) additional individuals who made contributions of currency in excess of \$100.00. These contributions totaled \$1,900.00 in excess of the limit.

This matter was initially referred to the Commission's Office of General Counsel on December 9, 1977. The outcome of the investigation is summarized on pages 5 and 6 of this report.

C. Recordkeeping Requirements

Section 432(c)(1) and (2) of Title 2, United States Code, in part, requires the treasurer of a political committee to keep a detailed account of all contributions made to or for such committee, and the identification of every person making a contribution in excess of \$50.00.

The Committee officials stated that at one time, there was a complete list of all individuals from which it received contributions. This list was not provided to us during the audit. The Committee also recorded most of the information concerning their contributions on bank deposit slips and submitted this information to us.

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Our review of this information disclosed that there were no explanations in the Committee's bank records regarding the contributors for 34 deposits totaling \$24,324.10. Of that total, \$9,586.65 were in currency deposits.

We requested the Committee to obtain additional information as to the identity of the contributors making the contributions for the deposits described above.

On April 4 and April 24, 1978 the Committee submitted the names and addresses of contributors, the amount of the contribution, and the month in which the contribution was made. The contributions totaled \$21,727.39. The Committee had itemized contributors on their disclosure reports that were not recorded on the previously mentioned deposit slips. Including these contributors, the remaining unaccounted for contributions, totaled \$510.79.

This matter was referred to the Commissioner's Office of General Counsel on January 31, 1978. The outcome of the investigation is summarized below.

Summary - Matters Referred to the Commission's Office of General Counsel.

As previously mentioned, the initial matter noted in Finding B was referred to the Office of General Counsel on December 9, 1977, and the matters noted in Findings A and C were referred to the Office of General Counsel on January 31, 1978. On April 24, 1978, Matter Under Review 527(78) was initiated. The additional contributions of currency in excess of \$100.00 mentioned in Finding B were referred to the Office of General Counsel on June 23, 1978 and were subsequently incorporated into this Matter Under Review.

After receiving additional information from and conducting extensive negotiations with the Committee, the Commission found probable cause to believe on June 27, 1979 that:

1.) the Committee and the Candidate had violated 2 U.S.C. 441a(f) in knowingly accepting contributions in excess of limitations,

2.) the Treasurer and one other individual violated 2 U.S.C. 441a(a)(1)(A) in making contributions to a candidate and his authorized political committees with respect to election for Federal office which, in the aggregate, exceeded \$1,000.00, and

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3.) seventeen individuals, including the Treasurer, violated 2 U.S.C. 441g in making contributions of currency in excess of \$100.00.

The Commission also voted to take no further action with respect to the violation of the recordkeeping requirements of 2 U.S.C. 432(c).

Letters of notification and conciliation agreements had been sent earlier to the Committee and individuals previously mentioned. After further negotiations the attorneys for all respondents signed and returned the agreements which included civil penalties totaling \$9,800. The Committee also sent two (2) checks totaling \$9,800.

Based upon the recommendation of the Office of General Counsel, the Commission voted on October 1, 1979 to accept the conciliation agreements and to close the file.

D. Corporate Contributions

Section 441b(a) of Title 2, United States Code, in part, prohibits any corporation from making a contribution or expenditure in connection with any election for Federal office.

Our review of the bank records disclosed that the Committee received three (3) contributions, totaling \$85.00, from entities verified as being corporations by the respective Secretaries of State. The Committee was of the opinion that these contributions had come from individuals.

At our request, the Committee refunded these contributions and submitted documentation on March 6, and on July 5, 1978 disclosing that the contributions had been refunded.

Recommendation

We recommend the Commission take no further action on this matter.

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E. Understatement of Receipts, Expenditures  
and Cash-on-Hand

Section 434(b) (1), (8), and (11) of Title 2, United States Code, in part, requires a committee to report the amount of cash-on-hand at the beginning of the reporting period, and the total sum of all receipts and expenditures by or for such committee or candidate during the reporting period.

Our review of the Committee's records disclosed that the Committee understated total receipts by \$4,946.71 and total expenditures by \$4,896.71 for the period February 23, 1976 through December 31, 1976; and ending cash as of December 31, 1976 by \$50.00. Most of the understatement appears to be from the activity in an account at the Bank of Huntsville.

In accordance with our request, the Committee filed an amendment on March 6, 1978 correcting their receipts, expenditures, and ending cash on hand.

Recommendation

We recommend the Commission take no further action on this matter.

F. Itemization of Contributor Information

Section 434(b) (2) of Title 2, United States Code, in part, requires a political committee to disclose the full name and mailing address (occupation and principal place of business, if any), of each person who has made one or more contributions aggregating in excess of \$100 to the committee or candidate within a calendar year. Also, the Commission's prescribed form, Schedule A, requires the disclosure of aggregate year to date totals of all contributions aggregating in excess of \$100.

1.) Our examination of the Committee's contribution records revealed that 54 contributions in excess of \$100.00 in amount or in the aggregate, totaling \$8,286.00, were not itemized in the disclosure reports. These figures represent 17.42% of the total number and 8.70% of the total dollar value of total itemizable contributions from individuals. In addition, it was determined that 7.62% of the itemized contributions from individuals lacked the correct aggregate year-to-date contribution figure for that individual.

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At our request, the Committee filed an amendment on March 6, 1978 substantially correcting the information mentioned in (1) above.

2.) Of the 256 individual contributions originally itemized, 74 (28.91%) lacked the contributor's occupation, and 153 (59.77%) lacked complete information concerning the contributor's principal place of business.

The Committee stated that they did not initially realize that this information was a requirement of the Act. Prior to the audit, the Commission staff contacted the Committee concerning their report for the period July 1, 1976 through September 30, 1976, and requested they supply this information. There was a total of 45 contributions requiring the contributor's occupation and principal place of business. The Committee's original disclosure report had none of the required information. The Committee amended their report and included all the contributors' occupations and all but two (2) of the contributors' principal place of business.

#### Recommendation

Due to the completeness of the amendment filed by the Committee in (1) above and their efforts to comply with the Act in (2) above, we recommend the Commission take no further action concerning the matters noted in (1) and (2) above.

#### G. Itemization of Expenditures

Section 434(b) (9) of Title 2, United States Code, requires the committee to disclose the name and address of each person to whom expenditures have been made by such committees or candidate which in the aggregate exceed \$100 within a calendar year, together with the purpose, amount and date of the expenditure.

Our examination of the Committee's expenditure records revealed that the Committee did not itemize 43 expenditures (excluding loan repayments), totaling \$6,995.36, which were in excess of or aggregated in excess of \$100.00. These figures represent 26.06% of the total number and 3.97% of the total dollar value of operating expenditures requiring itemization. Most of the omissions of expenditures resulted because the Committee did not have a recordkeeping system for the aggregation of expenditures.

In accordance with our request, the Committee filed an amended report on March 6, 1978, properly disclosing this information.

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Recommendation

We recommend that no further action be taken by the Commission on this matter.

H. Supporting Documentation of Expenditures

Section 432(d) of Title 2, United States Code, in part, requires 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, 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.

Our examination revealed that the Committee did not maintain a receipted bill, invoice, or contemporaneous memorandum to support 47 expenditures, totaling \$21,155.75, requiring such documentation. These expenditures represent 28.48% of the total number and 12.01% of the total dollar value of expenditures requiring supporting documentation. The Committee informed the Audit staff that they were not aware of the section of the law requiring supporting documentation for expenditures in excess of \$100.00 in amount or in the aggregate.

In accordance with our request, the Committee attempted to obtain supporting documentation for all 47 expenditures and submitted documentation on March 6, 1978 for 32 of the expenditures totaling \$15,037.58.

Recommendation

In our opinion, the Committee has made their best efforts to comply with the requirements of the Act regarding the matter noted above. Therefore, we recommend the Commission take no further action on this matter.

I. Statement of Organization

Section 433(b)(9), in part, requires a political committee to include in its statement of organization a listing of banks used.

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Section 437b(a)(1), in part, requires each candidate to designate one or more national or state banks as his campaign depositories.

During the campaign the Committee had two (2) checking accounts, that were not disclosed on the Committee's statement of organization. One account was at the Bank of Huntsville in Huntsville, Alabama, and the other account was at the First National Bank of Tuscumbia in Tuscumbia, Alabama. In addition, the Candidate did not include the Bank of Huntsville on his Statement of a Candidate for Nomination or Election to Federal Office.

At our request, the Committee filed an amended statement of organization and the Candidate filed an amended Statement of a Candidate for Nomination or Election to Federal Office disclosing the above mentioned bank accounts.

Recommendation

We recommend the Commission take no further action on this matter.

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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 # 527.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



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