



## FEDERAL ELECTION COMMISSION

1325 K STREET N.W.  
WASHINGTON, D.C. 20463

### REPORT OF THE AUDIT DIVISION ON THE KEEP JOHN RHODES IN CONGRESS COMMITTEE

### THE RE-ELECT JOHN RHODES COMMITTEE

### AND THE

### DEMOCRATS FOR RHODES

#### I. Background

##### A. Overview

This report is based upon audits of the Keep John Rhodes in Congress Committee, the Re-Elect John Rhodes Committee and the Democrats for Rhodes ("the Committees") 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 Keep John Rhodes in Congress Committee registered with the Office of the Clerk of the U.S. House of Representatives on April 11, 1972 in support of John J. Rhodes, candidate for re-election to the office of U.S. Representative from the First (1st) Congressional district of Arizona. This Committee was designated by the Candidate as his principal campaign committee on April 1, 1976. Congressman Rhodes designated the Re-Elect John Rhodes Committee on April 1, 1976 and the Democrats for Rhodes on October 13, 1976 as authorized committees to accept contributions and make expenditures on his behalf. These Committees registered with the Commission on October 9, 1975 and October 18, 1976, respectively.

The audit covered the period January 1, 1975 through December 31, 1977. The Committees reported the following activity for the period covered by the audit:



	<u>KEEP JOHN RHODES IN CONGRESS COMMITTEE</u>	<u>RE-ELECT JOHN RHODES COMMITTEE</u>	<u>DEMOCRATS FOR RHODES</u>
BEGINNING CASH	\$ 14,380.31 (1/1/75)	\$ -0- (10/6/75)	\$ -0- (10/1/76)
TOTAL RECEIPTS	\$242,525.87	\$ 38,833.00	\$ 2,170.00
TOTAL EXPENDITURES	\$224,747.71	\$ 38,833.00	\$ 2,170.00
ENDING CASH	\$32,158.470 (12/31/77)	\$ -0- (5/24/76)	\$ -0- (11/22/76)

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 Committees were:

<u>COMMITTEE</u>	<u>CHAIRMAN</u>	<u>TREASURER</u>
Keep John Rhodes in Congress Committee	Wayne E. Legg (1/1/75-12/15/75) Robert A. McConnell (12/16/75-2/15/77) Clarence J. Felstead (2/16/77-9/29/77) George Broderick (9/30/77-close of audit)	John W. Witcosky (1/1/75-12/15/75) Wayne Brown (12/16/75-9/29/77) Clarence J. Felstead (9/30/77-close of audit)
Re-Elect John Rhodes Committee	Robert D. Buehler	Edward A. McCabe
Democrats for Rhodes	<u>Co-Chairmen</u> Glenn Gross Hayden C. Hayden	Mrs. Raul Navarrete

**C. Scope**

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

## II. Auditor's Statement and Description of Findings

It is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that, except for the deficiencies noted below, the reports and statements of the Keep John Rhodes in Congress Committee, the Re-Elect John Rhodes Committee and Democrats for Rhodes fairly present the financial activities of the Committees for the period covered by the audits. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audits.

### 1. Keep John Rhodes in Congress Committee

#### A. Itemization of Expenditures

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

Our examination of the Committee's expenditure records revealed that 34 <sup>1/</sup> expenditures of a total of 324 itemizable expenditures (10.49%) were not itemized in the disclosure reports. <sup>2/</sup> The expenditures totalled \$1,074.25 (.51% of \$211,633.86 in itemizable expenditures). <sup>2/</sup> Of these 34 expenditures, none were individually in excess of \$100.

The Committee utilized a vendor card file for the purpose of aggregating expenditures. We advised the person who prepares the Committee's reports that the majority of the 34 expenditures were not entered into the vendor card file which may account for their omission from the reports. We recommended that the Committee file a comprehensive amendment for 1976 to itemize the 29 expenditures and that no amending action was required for expenditures in 1975 and 1977, given the insignificance of the omissions. The requested amendment was filed on March 6, 1978.

#### Recommendation

The Audit staff recommends that no action be taken by the Commission in this matter.

<sup>1/</sup> Broken down as follows: 29 made in 1976, one (1) in 1975, and four (4) in 1977.

<sup>2/</sup> For the purpose of this finding, expenditures referred to are operating expenditures which does not include transfers-out made by the committee.

B. Retention of Supporting Documentation for 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, or for expenditures aggregating in excess of \$100, to the same person within a calendar year.

Part 102.9(c)(4) of Title 11, Code of Federal Regulations, in part, provides that when a receipted bill is not available the treasurer may keep: (i) the cancelled check; and (ii) the bill, invoice or other contemporaneous memorandum to support the expenditure.

Our examination of the Committee's records revealed that it did not maintain supporting documentation for 71 (22.61%) of 314 expenditures, each in excess of or aggregating in excess of \$100. These 71 expenditures totalled \$39,226.47, which represented 18.74% of the dollar amount (\$209,285.54) of expenditures requiring supporting documentation.

Subsequent to our fieldwork, the Committee forwarded supporting documentation for an additional 52 expenditures. The Committee also provided evidence that they had contacted ten (10) of the remaining 19 vendors/individuals to obtain copies of receipted bills or contemporaneous memoranda. The 19 undocumented expenditures (6.05% of 314 expenditures, each in excess of or aggregating in excess of \$100) total \$8,181.11 (3.91% of the \$209,285.54 in expenditures requiring supporting documentation).

Recommendation

Based on the Committee's efforts outlined above, the Audit staff recommends that the Commission determine that the Committee has used its best efforts to comply with Section 432(d) and that no further action be taken on this matter.

C. Corporate Contributions

Section 441b(a) of Title 2, United States Code, states, in part, that it is unlawful for any corporation or labor organization to make a contribution or expenditure in connection with any election to any Federal office, and it is unlawful for any Federal candidate, political committee, or other person to knowingly accept or receive any contribution from a corporation or labor organization.

A review of the Committee's contribution records revealed that two (2) contributions, totaling \$60.00, were received from apparent corporations. The Committee was informed by the Audit staff of the apparent corporate status of the contributions. The contributions were refunded by the committee on June 7, 1978.

Recommendation

Since the Committee has refunded the apparent corporate contributions, the Audit staff recommends that the Commission take no further action on this matter.

D. Itemization of Transfers-In

Section 434(b)(4) of Title 2, United States Code, in part, requires that a committee itemize the name and address of each political committee from which the reporting committee or candidate received any transfer of funds, together with the amounts and dates of all transfers. Further, Section 100.4(a)(4) of Title 11, Code of Federal Regulations, expands the meaning of "transfer of funds" to include those received from other political organizations or similar sources whether or not such organizations are political committees.

Our review of the contribution records disclosed that of 168 transfers received by the Committee, 10 <sup>3</sup>/<sub>100</sub> (5.95%) were not itemized in the Committee's disclosure reports. These transfers totaled \$795.00 and represented .77% of the total dollar value (\$102,625.00) of transfers in. All 10 transfers were in an amount of \$100 or less.

The person who prepares the Committee's reports said she was not aware that transfers-in were to be itemized regardless of amount. We recommended that the Committee itemize the nine (9) transfers in a comprehensive amendment for 1976 and that no action need be taken on the one (1) transfer in 1977. On March 6, 1978 the Committee filed an amendment itemizing these nine (9) transfers.

Recommendation

The Audit staff recommends that the Commission take no action in this matter.

3/ Broken down as follows: nine (9) totaling \$775 in 1976 and one (1) of \$20 in 1977.

E. Filing of Quarterly Report

Section 434(a)(1)(C) of Title 2, United States Code, in part, requires a committee to file a report not later than the 10th day following the close of any calendar quarter in which the candidate and his authorized committee received contributions or made expenditures, or both, the total amount of which, taken together, exceeds \$5,000, in any year in which a candidate is not on the ballot for election to Federal office.

On October 6, 1977, the Committee filed FEC Form 3a certifying that pursuant to 2 U.S.C. 434(a)(1)(C), the Committee was exempt from reporting receipts and expenditures for the calendar quarter July 1, 1977 through September 30, 1977. Our review of the Committee records revealed that it had receipts and expenditures of \$2,283.86 and \$2,867.18, respectively, or total activity of \$5,151.04 for the period.

The person who prepares the Committee's reports stated that \$258.86 in interest on the Committee's two (2) savings accounts was not included in calculating the activity for the quarter and that only the amount of activity through the Committee's checking account was taken into consideration. We advised the Committee to file an FEC Form 3 to amend the FEC Form 3a which had been filed. On February 6, 1978, the amendment was filed.

Recommendation

The Audit staff recommends that no action be taken by the Commission on this matter.

2. Re-Elect John Rhodes Committee

A. Disclosure of Earmarked Contributions

Section 110.6(a) of Title 11, Code of Federal Regulations, in part, provides that all contributions made by a person on behalf of or to a candidate, including contributions which are in any way earmarked to the candidate through an intermediary or conduit, are contributions from the person to the candidate. Furthermore, Section 110.6(c)(3), Code of Federal Regulations, in part, requires the intended recipient to disclose each conduit through which the contribution passed.

Our review of the Committee's contribution records revealed that it received 12 transfers 4/ from committees which represented earmarked contributions from individuals. These transfers were all in amounts of \$100 or less and totaled \$850. The Committee reported all 12 transfers as unitemized contributions; therefore, the conduit committees were not disclosed. We advised that the Committee file comprehensive amendments for 1975 and 1976 to disclose the identity of the 12 conduit committees. On February 7, 1978, the amendment was filed substantially disclosing this information.

Recommendation

The Audit staff recommends that no action be taken on this matter.

B. Disclosure of Fundraising Event

Section 434(b)(6)(A) of Title 2, United States Code, requires that a committee disclose the total amount of proceeds from the sale of tickets to each dinner, luncheon, rally, and other fundraising event.

Our review of the Committee's records disclosed that the Committee held a reception in honor of Congressman Rhodes at \$100 per reservation on November 19, 1975. No Schedule D was filed to disclose the activity related to this event. The person who prepares the Committee's reports could not explain why the Schedule D was not filed, but upon our recommendation, agreed to include one in the comprehensive amendment for 1975. On February 7, 1978, the amendment was filed disclosing this information.

Recommendation

The Audit staff recommends that no action be taken in this matter.

4/ Broken down as follows: six (6) in 1975 totaling \$500 and six (6) in 1976 totaling \$350.

