



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE STEWART FOR CONGRESS COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Stewart For Congress Committee ("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 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 registered with the Federal Election Commission on May 3, 1976, as the principal campaign committee designated by Mr. E. L. Stewart, Jr., candidate for the office of United States Representative for the 2nd Congressional District of Oklahoma. The Committee maintains its headquarters in Muskogee, Oklahoma.

The audit covered the period from April 1, 1976, the inception date of the Committee, through September 30, 1977, the final coverage date of the latest report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance on April 1, 1976 of \$-0-, total receipts for the period of \$107,660.12, total expenditures for the period of \$107,478.26 and a closing cash balance on December 31, 1976 of \$181.86. 1/

1/ The Committee was exempt from filing disclosure reports for the first three (3) quarters of 1977. However, the FEC Form 3a was filed for each quarter.



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 Committee at the time of the audit were Mr. Bob R. Berry, Chairman and Mr. Bill Beckman, 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; 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 Stewart For Congress Committee fairly present the financial activities of the Committee for the period covered by the audit. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

A. Reporting of In-Kind Contributions

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

Additionally, Section 104.3(a) of the Commission's Regulations states, in part, that each in-kind contribution shall be valued at the usual and normal charge on the date received and reported if in excess of \$100 on the appropriate schedules of receipts and expenditures, identified as to its nature and listed as an in-kind contribution.

The Committee reported one (1) in-kind contribution of \$721, as a receipt without reporting the appropriate expenditure, and reported five (5) in-kind contributions, totaling \$350, as expenditures without reporting the appropriate receipts. The treasurer stated that he was unaware that this situation existed.

The apparent \$721 in-kind contribution was reported as being received on October 25, 1976, from the Okmulgee County Republican Committee. Subsequent to our field work we were able to determine through conversations with the Chairman of the Okmulgee County Republican Committee, and from reports filed by the Oklahoma Republican State Committee that this transaction was actually an expenditure made by the County Committee, on behalf of the candidate, under Section 441a(d) of Title 2 of the United States Code, and reported through the Oklahoma Republican State Committee. Section 106.1(b) of the Commission's Regulations does not require this type transaction to be reported by the candidate or his authorized committee.

However, based on the records available to us during the field work and discussions with the treasurer, we recommended during the exit conference, that the Committee file an amended report to properly disclose the six (6) transactions. On November 11, 1977, the Committee filed amended reports disclosing the six (6) in-kind contributions. Subsequent to November 11, 1977 the nature of the transaction was verified, hence we recommended that the reported \$721 in-kind contribution be deleted from the Committee's reports.

Recommendation

On April 24, 1978, the Committee filed an amended report deleting the transaction; therefore, we recommend no further action on this matter.

B. Endorsements and Reporting of Loan

Section 431(e)(5)(G)(ii) of Title 2 of the United States Code states, in part, that a loan from a national or state bank made in the ordinary course of business, shall be considered a loan by each endorser or guarantor, in that proportion of the unpaid balance thereof, that each endorser or guarantor bears to the total number of endorsers or guarantors.

Section 434(b)(5) of Title 2 of the United States Code states, in part, that each report shall disclose each loan to or from any person within the calendar year in an aggregate amount or value in excess of \$100, together with the full names and mailing addresses (occupations and principal places of business, if any) of the lenders, endorsers, and guarantors, if any, and the date and amount of such loans.

The Committee received a \$5,000 loan from the Commercial Bank and Trust Company (Muskogee, Oklahoma) on October 28, 1976. This loan was equally endorsed by three (3) individuals (the Candidate, Chairman and Treasurer). The Committee repaid \$4,500 on December 2, 1976, and made a final payment in August, 1977. The loan, while outstanding, represented contributions from the endorsers, with two (2) endorsers exceeding their contribution limit for the period October 28, 1976 through December 2, 1976. The treasurer stated he was unaware that endorsing a loan made to the Committee constituted a contribution to that Committee.

Additionally, this loan was not reported on Schedule A, disclosing the lender, endorsers and their respective occupations and principal places of business. However, this loan was reported on the "Detailed Summary Schedule of Receipts and Expenditures", Line 16a, and the appropriate schedule of "Debts and Obligations." The Committee treasurer offered no explanation regarding this matter.

Recommendation

The loan has been repaid in full and the Committee has been advised of the appropriate requirements of the Act. The Committee has also filed a statement, disclosing the required information concerning this loan, therefore, we recommend no further action on these matters.

C. Retention of Supporting Documentation for Expenditures

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

Section 102.9(c)(4) of the Commission's Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled checks and the bill, invoice or other contemporaneous memorandum.

During the course of the audit, it was determined the Committee did not obtain and keep a bill, invoice, or other contemporaneous memorandum in 43 instances or 22% of the total expenditures requiring such support. These items totaled \$13,360.11, representing 13.4% of the dollar value of all expenditures requiring supporting documentation. The Committee treasurer offered no explanation regarding this matter.

Recommendation

The Committee obtained 32 of the 43 necessary documents, and made them available to the Audit staff for review. In addition, the Committee has presented evidence of their efforts to obtain the documentation for the remaining 11 items. It is our opinion that the Committee has demonstrated its best efforts to obtain and submit the required documentation, pursuant to Section 102.9(e) of the Commission's Regulations, therefore, we recommend no further action on this matter.

D. Itemization of Transfers

Section 434(b)(4) of Title 2 of the United States Code requires, in part, that a committee disclose the name and address of each political committee from which the reporting committee received any transfer of funds, together with the amounts and dates of all transfers.

Our review of the Committee records revealed that five (5) transfers from political committees, totaling \$1,251.40, (18.8% of the total number and 3.9% of the dollar value of all transfers received) were improperly disclosed as unitemized contributions. The Committee treasurer responded that he was unaware these transfers were not itemized as required.

Recommendation

Since we received the Committee's amended schedules on November 11, 1977, disclosing the required information, we recommend no further action on this matter.

E. Disclosure of Contributions

Section 434(b)(2) of Title 2 of the United States Code states, in part, that each report shall 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 to or for such committee or candidate within a calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions.

During the course of the audit, it was determined that the Committee incorrectly reported nine (9) contributions as unitemized receipts. Six (6) of these contributions, totaling \$1,600 were in excess of \$100 and the remaining three (3) contributions, totaling \$250 aggregated in excess of \$100. These items represent 2.9% of the number and 4.3% of the dollar value of individual contributions requiring itemization. The Committee treasurer informed us that he was unaware of this oversight.

Recommendation

Since we received the Committee's amended report on November 11, 1977, disclosing the required information, we recommend no further action on this matter.

CONGRESSIONAL AUDIT REPORT

Candidate/Committee: E. L. Stewart, Jr. - 6/15/78

State: Oklahoma

District: 2

Location: Muskogee

Political Party Affiliation: Republican

Major Opponent(s): Theodore Risenhoover (D)

Other Candidates Audited: Theodore Risenhoover - 4/13/78

Votes Cast: General Election - Risenhoover 102,402
Stewart 87,341

Primary Election - Stewart 8,488 - 60.1%
John R. Drummond (R) 5,642 - 39.9%

Total Receipts for Period: \$107,660.12

Total Expenditures for Period: \$107,478.26

First Elected (if applicable): 1974

