

CONGRESSIONAL AUDIT REPORT

Candidate/Committee: Hamp Baker

State: Oklahoma

District: 3rd

Location: Ardmore, Duncan and McAlester

Political Party Affiliation: Democrat

Major Opponent(s): Wes Watkins (D)

Other Candidates Audited:

Wes Watkins (D) 5/26/78
Charles Ward (D)
Gary E. Payne (D) 5/22/78

Votes Cast: General Election - Wes Watkins (D) - 151,271 - 83%
Gerald Beaseley, Jr. (R) 31,732 - 17%
Primary Election - Wes Watkins 46,550 - 38%
Charles Ward 36,509 - 30%
Hamp Baker 21,673 - 18%
Gary Payne 17,681 - 14%

Total Receipts for Period: \$41,367.77

Total Expenditures for Period: \$46,204.71

First Elected (if applicable): N/A



FEDERAL ELECTION COMMISSION

1325 K STREET NW
WASHINGTON, DC 20463

REPORT OF THE AUDIT DIVISION ON THE HAMP BAKER FOR CONGRESS COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Hamp Baker 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 July 8, 1976 in support of Hamp Baker, Candidate for the Office of United States Representative from the 3rd Congressional District of Oklahoma. The Committee maintained its headquarters in Ratliff City, Oklahoma.

This audit covered the period from July 1, 1976 through March 31, 1977 the final coverage date of the latest report filed by the Committee and the Candidate. The Committee reported a beginning cash balance of \$-0-, total receipts for the period of \$39,498.08; total expenditures for the period of \$39,498.08 and a closing cash balance of \$-0-.

For the period July 1, 1976 through March 31, 1977, the Candidate filed reports disclosing a beginning cash balance of \$-0-, total receipts of \$41,367.77, total expenditures of \$46,204.71, and a closing cash balance of -\$4,836.98. 1/

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.

The negative cash balance was due to inaccurate reporting corrected by amendments filed in Finding A, B, C, and F.



B. Key Personnel

The principal officers of the Committee at the time of the audit were Harold Baker, Chairman, and Earl Chandler, 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

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 Hamp Baker 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.

Findings and Conclusions

A. Campaign Expenditures Made Through Corporate Account

Section 437b(a)(1) of Title 2 United States Code states, in part, that each Candidate shall designate one or more national or state banks as his campaign depositories and that no expenditure may be made on his behalf by his principal campaign committee except by check drawn on such account.

During the course of the audit it was determined that in 1976, \$5,990.78 in expenses incurred on behalf of the Candidate's campaign were paid by International Two Thousand, Inc. The Committee's reports included \$5,953.70 of this amount as a debt owed to the corporation until March 31, 1977, when the Candidate assumed all remaining Committee debt and obligations. At the request of the Audit Division the Candidate filed an amended report disclosing the particulars of the expenditures. This matter was referred by the Audit Division to the Commission's Office of General Counsel on February 6, 1978, where MUR 540(78) was initiated.

The Candidate and corporation supplied sufficient additional information which resulted in the Commission finding no reasonable cause to believe that the Candidate or the corporation had violated Section 441b(a) of Title 2 United States Code by making or accepting corporate contributions in-kind. This finding was based on the fact that the campaign related expenditures made by the corporation were applied to the corporation's accounts payable to reduce a debt owed to the Candidate incurred prior to his candidacy.

However, the Commission did find reasonable cause to believe that the Committee had violated Section 437b(a)(1) of Title 2 United States Code by permitting the making of campaign related expenditures by means other than the use of checks drawn on a designated campaign depository. On September 25, 1978 the Commission closed the file in the matter after receiving a signed conciliation agreement from the Treasurer of the Committee together with the payment of a \$100 civil penalty.

B. Reporting of Expenditures

Section 434(b)(9) and (11) of Title 2, United States Code, states, in part, that each report filed by a candidate or political committee shall include the identification of each person to whom expenditures have been made by such committee within the calendar year in an aggregate amount or value in excess of \$100, the amount, date and purpose of each such expenditure and the total sum of expenditures made by such committee during the calendar year.

A review of the Committee's expenditure records and reports revealed that an expenditure to the Candidate of \$2,510.41 was reported but was never made. Two (2) contributions in-kind totaling \$2,258.18 were reported as receipts, but were not reported as expenditures.

The Treasurer stated that the items reported as in-kind represented expenditures made by the Candidate for which he was reimbursed by the Committee. The Treasurer was unable to offer an explanation for the expenditure which was reported but never made.

A comparison of the Candidate's expenditure records with his personal report revealed eight (8) unreported expenditures in addition to those mentioned in Finding A, made by the Candidate. Each of these expenditures was in excess of \$100 and totalled \$9,617.58.

The Candidate stated that he was uncertain how to report expenditures made by him.

Recommendation

The Audit staff recommends no further action on these matters since both the Candidate and Committee have filed amended reports correcting the overstatement of expenditures and itemizing the unreported expenditures.

C. Continuous Reporting of Debt

Section 434(b)(12) of Title 2, United States Code, states, in part, that a candidate shall report the amount and nature of debts and obligations owed by the Committee and continuously report the debts and obligations after the election until such debts and obligations are extinguished.

On July 29, 1976, the Candidate obtained a \$10,000 bank loan on behalf of his Committee. The loan was reported as an outstanding debt by the Candidate until it was paid on January 29, 1977.

The Candidate stated that on January 29, 1977 he obtained a personal loan and applied the proceeds to extinguish the campaign related loan. He was of the opinion that the personal loan did not require disclosure as a debt outstanding on Candidate reports.

Recommendation

The Audit staff recommends no additional action on this matter since the Candidate has filed an amended report disclosing the loan as a debt.

D. Reporting of Receipts

Section 434(b)(7) and (8) of Title 2, United States Code, states, in part, that a political committee shall include in its reports each refund and rebate in excess of \$100 and the total sum of all receipts by or for such committee during the reporting period.

A comparison of the Committee's receipt records and bank statements revealed that the Committee overstated its unitemized receipts by \$260. In addition, the Committee did not report four (4) refunds totaling \$447.77 one of which was in excess of \$100. The Treasurer offered no explanation for treatment of the above items.

Recommendation

The Audit staff recommends no further action in the matter since the Committee filed an amended report correcting the overstatement of receipts and reporting the four (4) refunds.

E. Maintenance of Supporting Documents for Expenditures

Section 432(d) of Title 2, United States Code, states that it is 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 the Commission's Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled check and the bill, invoice or other contemporaneous memorandum.

A review of the Committee's expenditure records revealed 19 expenditures, totaling \$12,911.64, all in excess of \$100, for which the Committee did not maintain a receipted bill, invoice or other contemporaneous memorandum. Those expenditures accounted for 22.89% of the total number of expenditures requiring supporting documentation and 35% of the total dollar value of such expenditures.

In addition, the Candidate's records disclosed eight (8) expenditures totaling \$9,617.58, all in excess of \$100, for which no bill, invoice or other contemporaneous memorandum was retained.

Recommendation

The Audit staff recommends no further action on this matter since the Candidate and Committee have provided supporting documentation for the 27 expenditures and submitted copies for review.

F. Reporting of In-Kind Contributions

Section 434(b)(2) of Title 2, United States Code, states, in part, that each report shall include the full name and mailing address, (the 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 the 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) of the Commission's Regulations states 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 schedule of receipts and expenditures, identified as to its nature and listed as an "in-kind contribution".

A review of the Candidate's receipt and expenditure records disclosed that an in-kind contribution for legal services totaling \$720.94 was received, but was not reported on the Candidate's reports.

The Candidate offered no explanation for not itemizing this in-kind contribution.

Recommendation

The Audit staff recommends no further action on this matter since the Candidate filed an amended report itemizing the in-kind contribution as a receipt and expenditure.

G. Disclosure of Repository

Section 433(b)(9) of Title 2, United States Code, requires that the Statement of Organization of a political committee include a listing of all banks, safety deposit boxes or other repositories used.

The original Statement of Organization filed by the Committee on July 8, 1976, and an amendment filed on August 11, 1976, listed no repositories, although the Committee had opened a checking account on July 6, 1976. However, the Candidate did designate the campaign depository on his Statement of Candidate filed on July 8, 1976.

The Treasurer offered no explanation for not including this information on the Statement of Organization, but expressed his willingness to disclose the depository in an amended Statement of Organization.

Recommendation

The Audit staff recommends no further action on this matter since the Committee filed an amended Statement of Organization disclosing the depository.

H. Negative Contributor Confirmation

A review of responses to contributor confirmation letters disclosed a negative response from a contributor reported as making a \$500.00 contribution to the Committee on July 27, 1976.

The Treasurer stated that the signature on the check was illegible, therefore, he may have made an error on the identity of the contributor.

Recommendation

The Audit staff recommends no further action in this matter since the Committee provided the Audit staff with additional information verifying the contributor's identity as correct.

