



FEDERAL ELECTION COMMISSION

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

February 14, 1979

MEMORANDUM

TO: FRED S. EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
HOLLAND IN CONGRESS COMMITTEE (SC/5)

Attached please a copy of the final audit report for the Holland In Congress Committee (SC/5) which was approved by the Commission on January 25, 1979.

As of this date, February 14, 1979, all informational copies of the report have been received by all parties involved and this report may be released to the public. With the release of this report, the 5th District of South Carolina is complete.

cc: FEC Library
RAD
✓ Public Records

Attachment as stated





FEDERAL ELECTION COMMISSION

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REPORT OF THE AUDIT DIVISION ON THE HOLLAND IN CONGRESS COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Holland In 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 Office of the Clerk of the United States House of Representatives on February 4, 1974 in support of Kenneth L. Holland for the Office of Representative of the 5th Congressional District of South Carolina. On June 1, 1976, the Committee was designated by the Candidate as his principal campaign committee for the 1976 election. The Committee maintains its headquarters in Camden, South Carolina.

The audit covered the period from January 1, 1975, the effective date of the Act as amended, through June 30, 1977, the final coverage date of the latest report filed by the Committee. ^{1/} During this period the Committee reported a beginning cash balance of \$2,527.32, total receipts of \$161,808.77, total expenditures of \$162,054.56 and a closing cash balance of \$2,281.52.

^{1/} The report filed for the second quarter of 1977 indicates a closing date of July 1, 1977.



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 were Margaret B. Bethea, Chairman, and James D. Green, Treasurer.

C. Scope

The audit included such tests as verification of 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. 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 Holland In 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. Matters Referred to Office of General Counsel

1. Corporate Contributions

Section 441b(a) of Title 2, United States Code states that it is unlawful for any political committee knowingly to accept or receive any contribution from any corporation.

Section 103.3(b) of Title 11, Code of Federal Regulations requires that contributions which appear to be illegal shall be, within 10 days (1) returned to the contributor: or (2) deposited into the campaign depository, and reported in which case the treasurer shall make and retain a written record noting the basis

for the appearance of illegality. The treasurer shall make his or her best efforts to determine the legality of the contribution. Refunds shall be made when a contribution cannot be determined to be legal within a reasonable time, and the treasurer shall so note by amending the current report or noting the change on the candidate's or committee's next required report.

Our examination of the Committee's contribution records revealed that the Committee received 18 contributions from 16 possible incorporated entities totaling \$1,395. Four (4) of the contributions totaling \$950 were in excess of \$100.

This matter was referred to the Office of General Counsel on January 25, 1978 where Matter Under Review 525-78 was initiated. Nine (9) contributions from eight (8) incorporated entities were refunded by the Committee and evidence of the refunds was provided. The Committee supplied sufficient additional information to document that the remaining contributions were not drawn from corporate sources.

On August 14, 1978, the Commission found reasonable cause to believe that the Committee had violated Section 441b(a) of Title 2 of the United States Code by accepting contributions from eight (8) incorporated entities.

2. Fundraising Activities

Section 434(b)(3), (6), (9) and (11) of Title 2 of the United States Code requires a committee to report: the total sum of individual contributions made to such committee during the reporting period; the total amount of proceeds from the sale of tickets to and mass collections at each dinner, luncheon, rally and other fundraising events; the identification of each person to whom expenditures have been made by such committee within the calendar year in an aggregate amount in excess of \$100, including the amount, date and purpose of each such expenditure; and, the total sum of expenditures made by such committee during the calendar year.

Section 437b(a)(2) of Title 2 of the United States Code requires a committee to deposit all contributions received by the committee in its designated campaign depository and that no expenditure in excess of \$100 to any person in connection with a single purchase or transaction may be made by such committee except by check drawn on its designated campaign depository.

Our examination of the Committee's records of fundraising events revealed that:

a. The Committee did not deposit \$2,728.01 received from four (4) fundraisers out of \$36,971.79 received from all fundraising events during the period of the audit. \$1,836.01 of this amount was used to pay expenses at these events including four (4) contributor checks totaling \$475 which were cashed. \$892 was used to pay the Candidate's filing fee.

b. The Committee did not report \$1,499.61 of the amount not deposited.

c. \$2,115.37 (including \$923.37 not reported) of the funds not deposited by the Committee was used to make five (5) cash expenditures each in excess of \$100 and each involving a single purchase or transaction.

We recommended to the Committee that they file a comprehensive amendment to disclose the \$1,499.61 in unreported receipts and expenditures. On January 16, 1978, the Commission received the Committee's amended reports. The Committee also provided a written explanation disclosing the details surrounding the undeposited contributions and the cash expenditures.

This matter was referred to the Office of General Counsel on January 25, 1978 where Matter Under Review 525-78 was initiated. On August 14, 1978, the Commission found reasonable cause to believe that the Committee violated Section 437b(a)(1) of Title 2 of the United States Code for failure to deposit all contributions into a designated campaign depository and for failure to make all committee expenditures by means of checks drawn on a campaign depository.

3. Timely Depositing of Contributions

Section 103.3(a) of Title 11, Code of Federal Regulations requires that all contributions received by a committee shall be deposited in a checking account in the appropriate campaign depository, by the treasurer of the committee or his or her agent within 10 days of the treasurer's receipt thereof.

Our examination of the Committee's contribution records revealed that a total of \$19,383.71 (11.82% of total contributions) was not deposited within the 10 days as required.

Our review consisted of examination of the dates on copies of contributor checks and deposit tickets attached thereto. Although we allowed extra time for the late receipt of these contributions due to mail and/or other possible delays, we still found that these deposits were untimely.

During our examination we noted in particular two (2) transactions in which the contributions were not deposited for between three and one-half (3½) to seven (7) months.

a. On June 28, 1975, the Committee received an \$800 contribution, of which \$300 was not deposited until January 28, 1976. We were unable to determine if this contribution was received in the form of a check, money order or cash.

b. On October 14, 1975, the Committee received \$3,525 from a fundraiser of which \$1,650 in checks was deposited on November 6, 1975; \$300 in cash was deposited on January 28, 1976; \$683 in cash was deposited on April 13, 1976 and \$892 was never deposited (see Finding A. Part 2a, for further explanation).

On January 25, 1978, this matter was referred to the Office of General Counsel where Matter Under Review 525-78 was initiated. On August 24, 1978, the Commission found reasonable cause to believe that the Committee violated Section 437b(a)(1) of Title 2 of the United States Code for failure to deposit the contributions within a reasonable time.

On September 8, 1978 the Commission closed the file on these matters after receiving a signed conciliation agreement from the Treasurer of the Committee together with the payment of a \$200 civil penalty.

B. Receipts and Expenditures Not Reported

Section 434(b)(8) of Title 2, United States Code, requires a committee to disclose the total sum of all receipts made by or for such committee during the reporting period. Section 434(b)(11) of Title 2, United States Code, requires a committee to disclose the total sum of expenditures made by such committee during the calendar year.

Our examination of the Committee's records of contributions and expenditures revealed that the Committee understated their receipts and expenditures by \$2,190.49 as a result of not reporting certain transactions.

We were able to determine that the understatement in receipts resulted from unreported contributions totaling \$2,830.49 (including \$1,499.61 from fundraising events), less the incorrect reporting of bank adjustments and the return of unpaid contributor checks totaling \$640.

The understatement of expenditures resulted from unreported expenditures totaling \$3,198.63 (including \$1,499.61 from fundraising events), less an overstatement of expenditures totaling \$1,008.14, which the Committee reported in an attempt to correct its receipts and expenditures to agree with the correct ending cash balance.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 16, 1978, the Commission received the Committee's amended reports.

Recommendation

Since the Committee has amended their reports to disclose this information, no additional action is recommended.

C. Itemization of Individual Contributions

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

Our examination of the Committee's contribution records revealed that the Committee did not itemize 24 contributions, (16.7% of itemizable contributions) totaling \$1,630 (4.4% of the dollar value of itemizable contributions), of \$100 or less from 15 contributors whose aggregate contributions exceeded \$100. The Committee was unable to provide a reason for the omission of these contributions from the reports.

The examination also revealed that five (5) additional contributions (3.5% of itemizable contributions) from five (5) contributors, totaling \$1,300 (3.5% of the dollar value of itemizable contributions), each in excess of \$100 were not itemized. Again, the Committee was unable to provide a reason for the omission of these contributions from the report.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 16, 1978, the Commission received the Committee's amended reports.

Recommendation

Since the Committee has amended their reports to disclose this information, no additional action is recommended.

D. Itemization of Transfers Received

Section 434(b)(4) of Title 2, United States Code, requires a committee to disclose the name and address of all political committees from which transfers are received, together with the amounts and dates of the transfers.

Our examination revealed that the Committee did not itemize 29 transfers (23.5% of all transfers) from 28 political action committees totaling \$3,890 (5.0% of the dollar value of all transfers). With the exception of two (2) transfers from two (2) political action committees totaling \$400, all transfers were \$100 or less. The treasurer of the Committee explained that, due to a misunderstanding of the statutory requirements, the Committee only itemized contributions from political committees which in the aggregate exceeded \$100.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 16, 1978, the Commission received the Committee's amended reports.

Recommendation

Since the Committee has amended their reports to disclose this information, no additional action is recommended.

E. Retention of Supporting Documentation
for Expenditures

Section 432(d) of Title 2, United States Code, provides that it shall be the duty of the treasurer to obtain and keep a receipted bill for every expenditure made by or on behalf of such committee in excess of \$100 in amount, and for any such 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 Title 11, Code of Federal Regulations provides that when a receipted bill is not available, the treasurer may keep the cancelled check and bill, invoice or other contemporaneous memorandum.

The Committee made at least 163 expenditures for which it was required to maintain supporting documentation. That total included 27 expenditures totaling \$10,479.63 (16.6% of total items requiring such documentation and 6.8% of the total dollar value of such items) for which the Committee had not kept a receipted bill, invoice or other contemporaneous memoranda as required. However, with the exception of two (2) expenditures totaling \$1,136.52, the Committee records did contain a cancelled check in support of each of those expenditures.

We recommended to the Committee that they obtain supporting documentation for the above stated expenditures and provide copies of them to the Commission.

Committee officials have since obtained the required documentation in support of 24 of the 27 items noted as inadequately supported. As a result, three (3) committee expenditures totaling \$679.17 remain inadequately supported. However, in the opinion of the Audit staff, the remaining unsupported expenditures are immaterial and the Committee has used its best efforts to obtain this information.

Recommendation

We recommend that the Committee be deemed to be in compliance with the Act and that no additional action be taken on this matter.

F. Itemization of Expenditures Aggregating
in Excess of \$100 in a Calendar Year

Section 434(b) (9) and (10) of Title 2, United States Code, requires that the Committee disclose the identification of each person to whom expenditures in an aggregate amount in excess of \$100 have been made during a calendar year, together with the amount, date, and purpose of each such expenditure.

Our examination of the Committee's expenditure records revealed that the Committee failed to itemize 15 expenditures totaling \$3,743.55, (9.2% of the total itemizable items and 2.6% of the total dollar value of such items) made to eleven individuals that were each in excess of, or aggregated in excess of, \$100. The Committee was unable to provide a reason for the omission of the expenditures from the report.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 16, 1978, the Commission received the Committee's amended reports.

Recommendation

Since the Committee has amended their reports to disclose this information, no additional action is recommended.

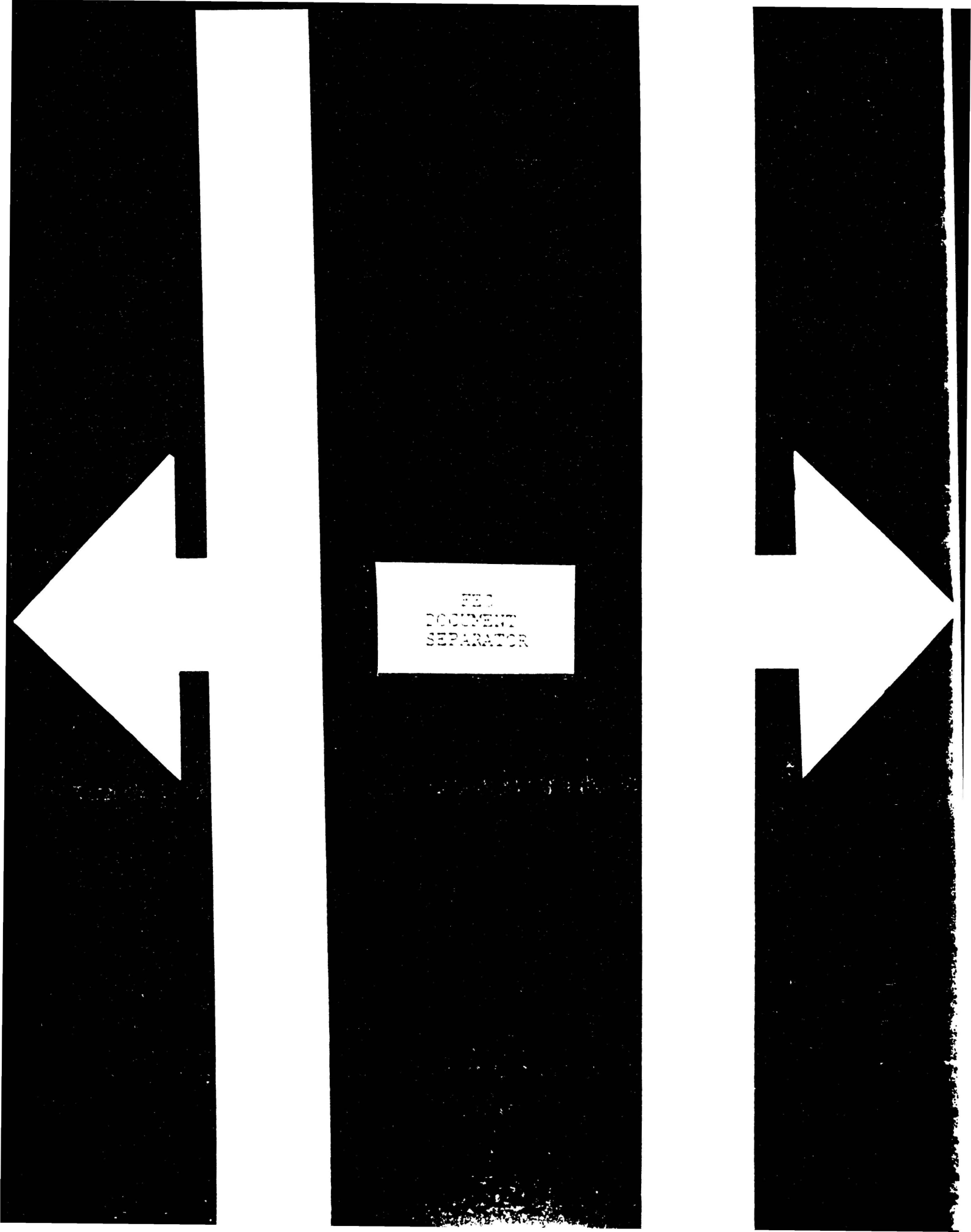


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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION
MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 525.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.





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DOCUMENT
SEPARATOR