



# FEDERAL ELECTION COMMISSION

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

## REPORT OF THE AUDIT DIVISION ON FOUNTAIN FOR CONGRESS COMMITTEE

### I. Background

#### A. Overview

This report is based upon an audit of the Fountain 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 Clerk of the House of Representatives on April 14, 1972, in support of the Honorable L. H. Fountain, candidate for re-election to the office of U.S. Representative from the Second (2nd) Congressional District of North Carolina. On March 25, 1976, the Committee was designated as the principal campaign committee for the 1976 election. The Committee maintains its headquarters in Rocky Mount, North Carolina.

The audit covered the period from January 1, 1975 through October 12, 1977. The Committee reported a beginning cash balance at January 1, 1975 of \$1,993.75, total receipts and expenditures for the period January 1, 1975 through December 31, 1976 of \$117,515.03 and \$116,613.90 respectively, and a closing cash balance at December 31, 1976 of \$2,897.87. <sup>1/</sup>

<sup>1/</sup> The Committee was exempt from filing disclosure reports for the first two quarters of 1977. FEC Forms 3a were filed on March 31, 1977 and June 30, 1977. The reported expenditures failed to include a \$2.06 bank charge which was reflected in the closing cash.

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 the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period of the audit were Chairman, Mr. W. W. Shaw, January 1, 1975 through July 9, 1976 and Mr. L. L. Gravely, July 10, 1976 through the present and Treasurer, Mr. Charles T. Lane.

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 Fountain 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. Corporate Contributions

Section 441b(a) of Title 2, United States Code, prohibits corporations from contributing to the political campaign of a Federal candidate and prohibits any candidate, political committee, or other person from knowingly accepting or receiving such contributions.

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Our examination of the Committee's contributor records revealed that one (1) corporate contribution of \$100 was accepted by the Committee. The Treasurer advised this had been accepted inadvertently since all other corporate contributions were returned.

We recommended that the Committee refund this contribution and provide the Audit staff with documentation of the refund. On October 21, 1977 the Committee refunded this contribution.

Recommendation

Since the Committee has refunded this contribution, it is the recommendation of the Audit staff that no further action be taken.

B. Commingling of Committee Funds

Section 432(b) of Title 2, United States Code, requires that all funds of a Committee be segregated from, and not commingled with, any personal funds of officers, members or associates of the Committee.

Our examination of the contribution records revealed that one (1) individual who raised funds for the Committee apparently forwarded personal checks for these contributions to the Committee's bookkeeper. These apparent commingled contributions totaled \$1,512.37.

We recommended that the Committee obtain a statement from this fundraiser certifying that the funds transmitted did not represent his personal funds, but included only funds collected on behalf of the Committee. On December 29, 1977, the Committee advised that this fundraiser had not deposited the funds in his personal account but rather in his "trustee" account, established under the laws of North Carolina and used in the fundraisers law practice. Although the Committee does not feel this is commingling, the Treasurer advised that this would not be done in the future.

Recommendation

It is the recommendation of the Audit staff that no further action be taken.

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CONGRESSIONAL AUDIT REPORT

Candidate/Committee: L. H. Fountain / Fountain for Congress Committee

State: North Carolina

District: 2

Location: Durham

Political Party Affiliation: Democrat

Major Opponent(s): Primary only - Russell Kirby, Bert Rudasill,  
Henry Thorpe

Other Candidates Audited: Kirby, Thorpe, Rudasill

Votes Cast: General Election - Fountain - Unopposed

Primary Election -	Fountain	38,274	Kirby	24,639
	Thorpe	6,865	Rudasill	4,381

Total Receipts for Period: \$117,515.08

Total Expenditures for Period: \$116,613.90

First Elected (if applicable): 1952

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