



FEDERAL ELECTION COMMISSION

1125 K STREET NW  
WASHINGTON, DC 20463

January 30, 1979

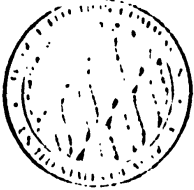
MEMORANDUM

TO: PRESS OFFICE  
THROUGH: BOB COSTA *RJC*  
FROM: JUDY HAWKINS  
SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -  
DAVID CRANE FOR CONGRESS COMMITTEE

Attached please find a copy of the final audit report for the David Crane for Congress Committee (IN/6) which was approved by the Commission on January 22, 1979.

As of today, January 30, 1979, all informational copies of the report have been received by all parties involved, and this report may be released publicly. This release will complete the 6th District of Indiana.

cc: Library  
RAD  
Public Record



## FEDERAL ELECTION COMMISSION

1325 K STREET, N.W.  
WASHINGTON, D.C. 20543

### REPORT OF THE AUDIT DIVISION ON THE DAVID CRANE FOR CONGRESS COMMITTEE

#### I. Background

##### A. Overview

This report is based on an audit of the David Crane 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, 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 August 6, 1975 as a political committee supporting David Crane, candidate for the U.S. House of Representatives from the 6th District of Indiana. The Committee was designated by the candidate as his principal campaign committee for the 1976 election on July 18, 1976. The Committee maintained its headquarters in Greenwood, Indiana.

The audit covered the period January 1, 1975 through June 30, 1977. <sup>1/</sup> During that period, the Committee reported a beginning cash balance of \$-0-, total receipts of \$193,069.42, total expenditures of \$179,910.03 and a closing cash balance at December 31, 1976 of \$13,159.39. <sup>2/</sup>

<sup>1/</sup> The Committee filed FEC Form 3A for the period 1/1/77 through 6/30/77.

<sup>2/</sup> Totals are as originally reported. Corrected comprehensive amendment filed on 6/23/78 restated total receipts to \$207,834.20, total expenditures to \$194,269.87 and cash on hand as of December 31, 1976 to \$13,564.33. Beginning cash on hand remained at \$-0-.



B. Key Personnel

The principal officers of the Committee during the period of the audit were Robert J. Witham, Co-Chairman; Mary Tarzian, Co-Chairman; John W. Bailey, Jr., Treasurer and Harold C. Ducote, Assistant 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 David Crane 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 Advance Payments

Section 434(b)(9) and (10) of Title 2, United States Code require a committee to disclose the identification of each person to whom expenditures have been made, including those for personal services, salaries and reimbursed expenses, by or on behalf of such committee or candidate within the calendar year in an aggregate amount or value in excess of \$100, together with the amount, date, and purpose of each such expenditure.

Section 432(b) of Title 2, United States Code, states, in part, that all funds of a political committee shall be segregated from, and may not be commingled with, any personal funds of officers, members, or associates of such committee.

Our examination revealed that on October 20, 1976 and October 28, 1976, the Committee disbursed a total of \$20,000 to the Campaign Manager. Examination of memoranda, copies of checks and other documentation disclosed that the Campaign Manager used these funds for campaign expenditures during the period from October 2, 1976 through November 16, 1976. We reviewed copies of checks from the Campaign Manager's personal bank account which indicated that he made 32 expenditures to 14 vendors totaling \$16,526.86, for advertising, printing, postage, staff and management services. In addition, the Campaign Manager retained \$3,375 as payment for services rendered. The remaining balance of \$98.14 was not accounted for. Eighteen of these expenditures totaling \$15,857.80 (including three (3) payments to one (1) vendor totaling \$10,659.83) were each in excess of \$100.

During discussions with Committee officials it was disclosed that the \$20,000 was disbursed to the Campaign Manager to provide the Committee adequate operating funds during a period when there was no one available to sign Committee checks. Committee checks required two (2) signatures and due to the absence of the Assistant Treasurer during most of October 1976, only one (1) person was available to sign checks.

We suggested that in the future, an additional Committee agent should be temporarily added as an authorized signatory on the Committee's bank account thereby precluding the need for this type of activity to reoccur. The Committee agreed that this was a simpler solution and that our suggestion would be used in the future.

We advised the Committee of the reporting requirements contained in the Commission's September 29, 1976 "Notice to All Candidates and Committees" (see Exhibit A), and suggested that the Committee amend their reports to show the ultimate vendor/payee itemization as appropriate rather than showing "lump sum" advances as originally reported. In regard to this special reporting requirement for advances to Committee personnel, Committee officials stated that they were unaware that the Committee had not complied with the requirements of the Act. However, the Committee agreed to file an amendment disclosing the particulars of the above mentioned advance payments. On June 23, 1978, the Commission received the Committee's amended schedules as requested.

Since the Committee amended their reports to disclose the requested information, we recommend no further action with respect to the disclosure; however, we referred the commingling issue to the Office of General Counsel on June 27, 1978, in accordance with Commission policy, where Matter Under Review #628(78) was instituted.

On October 25, 1978, the Commission found reasonable cause to believe that the Committee violated 2 U.S.C. 432(b) by authorizing the disbursement of \$20,000 in campaign funds to the campaign manager who acting as agent for the Committee commingled the funds with the monies in his personal checking account. In addition, the Commission found reason to believe that the campaign manager violated 2 U.S.C. 432(b) for commingling the campaign funds with the monies in his personal checking account. Letters of notification and conciliation agreements were sent to the two respondents on October 27, 1978. The agreements included a civil penalty of \$200 for each of the respondents. Both respondents signed their respective agreements and returned them together with two checks totaling \$400.

Based on the Commission policy and the recommendation of the Office of General Counsel, the Commission voted on December 14, 1978 to close the file and take no further action in this case.

B. Contributions In-Kind

Section 434(b)(2) of Title 2, United States Code, requires a committee to 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 such committee within the calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions. Section 434(b)(3) of Title 2, United States Code, requires a committee to disclose the total sum of individual contributions made to or for such committee or candidate during the reporting period and not reported under Section 434(b)(2).

Section 104.3(a) of Title 11, Code of Federal Regulations, requires that each in-kind contribution shall be valued at the usual and normal charge on the date incurred, 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."

During our review of the Committee's contribution records, it was noted that the Committee did not report ten (10) contributions in-kind from ten (10) individuals totaling \$1,309.83. Five (5) of these contributions totaling \$742.13 were each in excess of \$100. The Committee was unable to explain the omission of these contributions in-kind from their reports.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 13, 1978 and March 1, 1978 the Commission received the Committee's amended reports, which were not complete. However, on June 23, 1978, the Committee submitted an amended report as required.

#### Recommendation

Since the Committee has submitted the required information, we recommend no additional action.

#### C. Exempt Accounting Services

Section 431(e)(4) of Title 2, United States Code, exempts from the definition of "contribution" accounting services rendered to or on behalf of a political committee solely for the purpose of ensuring compliance with the provisions of the Act, but requires a committee to report the amounts paid or incurred for such accounting services in accordance with the requirements of Section 434(b) of the Act.

During our examination of the Committee's records, it was revealed that the Assistant Treasurer's accounting firm rendered accounting services to the Committee valued at \$13,286. The Committee did not include the value of these services in its original report. The Assistant Treasurer stated that this omission was due to an oversight on his part.

We recommended to the Committee that they file comprehensive amendments for the audit period to include the required information. On January 13, 1978 and March 1, 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 warranted.

D. Refunds and Rebates

Section 434(b)(7) of Title 2, United States Code, requires a committee to disclose each rebate or refund in excess of \$100.

During our examination we discovered four (4) undeposited checks totaling \$571.35 representing refunds from two (2) vendors received in December, 1976, and January, 1977. These refunds had not been included on the Committee's reports.

We advised the Committee to deposit these checks and to include these refunds on a comprehensive amendment to be filed with the Commission. These checks were deposited in September, 1977. On January 13, 1978, the Commission received the Committee's amended reports disclosing the refunds.

Recommendation

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

E. Itemization of Individual Contributions

Section 434(a)(1) of Title 2 of the United States Code requires a treasurer of a political committee supporting a candidate for election to Federal office to file with the Commission reports of receipts and expenditures on forms approved by it.

Section 104.2(a) of Title 11 of the Code of Federal Regulations, in relevant part, requires each report of receipts and expenditures filed by a political committee to be on FEC Form 3.

The Committee itemized all contributions received but did not report an aggregate calendar year-to-date figure for those individuals whose contributions totaled in excess of \$100 in a calendar year.

In early 1977, the Disclosure Division cancelled the sending of a reasonable cause to believe compliance letter because of assurances from the Committee that this matter would be corrected along with the filing of their January 31, 1977 report. During our fieldwork in October, 1977, the Committee

provided a computerized listing of contributions including the aggregation that had been previously omitted. We informed the Committee in a letter of audit findings that this listing contained material errors and omissions, and they agreed upon our recommendation to correct it and file it with the Commission in a reasonable amount of time. On March 1, 1978, the Committee submitted a second computerized listing which also contained material errors. On March 20, 1978, the Committee provided a third computerized listing containing the required information.

Recommendation

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





FEDERAL ELECTION COMMISSION

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

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 # 628.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



