

CONGRESSIONAL AUDIT REPORT

Candidate/Committee: Rudasill, Elbert - 3/29/79

State: North Carolina

District: 02

Location: Rocky Mount

Political Party Affiliation: Democrat

Major Opponent(s): L. H. Fountain

Other Candidates Audited: L. H. Fountain - 5/11/78  
J. Russell Kirby  
Henry Thorpe - 5/1/78

Votes Cast: General Election - N/A

Primary Election -	L. H. Fountain	38,274	-	51.6
	J. Russell Kirby	24,639	-	33.2
	Elbert Rudasill	4,381	-	5.9
	Henry B. Thorpe, Jr.	6,865	-	9.3

Total Receipts for Period: \$8,002.50

Total Expenditures for Period: \$7,952.80

First Elected (if applicable): N/A



FEDERAL ELECTION COMMISSION

1325 K STREET NW  
WASHINGTON, DC 20463

March 22, 1979

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *R/C*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -  
RUDASILL FOR CONGRESS COMMITTEE (NC/2)

Attached please find a copy of the final audit report for the Rudasill for Congress Committee (NC/2) which was approved by the Commission on January 26, 1979.

As of this date, March 22, 1979, two copies of the report have been transmitted (1 certified return receipt requested, and 1 first class mail); however, neither the return receipt or the first class have been returned. Since copies of the report were mailed on January 29, 1979, it is my opinion that effective receipt has occurred and therefore the audit report may be released publicly.

Attachment as stated

cc: FEC Library  
Reports Analysis Division  
Public Record ✓





## FEDERAL ELECTION COMMISSION

1325 K STREET NW  
WASHINGTON DC 20463

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

#### I. Background

##### A. Overview

This report is based on an audit of the Rudasill 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 March 6, 1976, in support of Elbert G. Rudasill, Candidate for election to the Office of United States Representative from the Second Congressional District of North Carolina. The Committee maintained its headquarters in Henderson, North Carolina.

The audit covered the period from March 10, 1976 through December 31, 1977. During this period the Committee reported a beginning cash balance of \$-0-, total receipts of \$8,002.50, total expenditures of \$7,952.80 and a closing cash balance of \$49.70. 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.

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1/ The reported totals are for the period March 10, 1976 through September 6, 1976 and have been adjusted for mathematical errors by the Audit staff. However, we were unable to verify these totals. See Finding D(1) for further explanation.



B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Charles Jeffress, Chairman, Elizabeth Blackwell, Treasurer from March 1, 1976 to July 5, 1976; Barbara C. Harris, Treasurer from July 6, 1976 to August 31, 1976; and Elbert G. Rudasill, Treasurer, from September 1, 1976 to present. 2/

C. Scope

Except as set forth in Findings A, B, and C, the audit included such tests as verification of total 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

Based on the examination of disclosure reports and records presented, it is the opinion of the Audit staff that the Rudasill for Congress Committee has not conducted its activities in compliance with the Federal Election Campaign Act of 1971, as amended, in certain material aspects noted below; and as noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express an opinion on the representations contained in the Committee's disclosure reports for the audit period.

A. Recordkeeping for Receipts

Section 432(c)(1) and (2) of Title 2, United States Code, states that the treasurer of a political committee shall keep a detailed and exact account of all contributions made to or for such committee, to include identification of every person making a contribution in excess of \$50 with the date and amount thereof and, if a person's contributions aggregate more than \$100, the account shall include occupation, and the principal place of business (if any).

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2/ See Finding D(2) for further explanation.

Section 104.12(b) of Title 11, Code of Federal Regulations, requires in part, that each political committee and candidate required to file reports under the Act shall: 1) maintain records with respect to the matters reported, including vouchers, worksheets, receipts, bills and accounts, which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, and 2) keep those records available for audit or inspection by the Commission or its authorized representative for a period not less than three (3) years.

During our audit we examined the Committee's receipt records which consisted of a looseleaf notebook containing the contributors' names and addresses, dates and amounts of contribution(s), covering the period from March through September 1976. We were unable to compare the bank records for the audit period to the Committee's other contributor records since only part of the bank records were available. A comparison was made between available receipt records and receipts contained in the Committee's reports. Our test revealed that the Committee did not have records to support a total of \$1,645.06 in reported receipts. We discussed this with the Candidate, and he stated that this amount probably represented contributions from himself to the campaign. However, since both the bank and contributor records were incomplete, we were unable to verify this.

On February 23, 1978, we requested the Candidate to provide copies of the missing bank records for our examination. On March 10, 1978, the Candidate provided one (1) statement and the accompanying checks. At that time he agreed to obtain the additional bank records from the Committee's depositories and provide them for our examination. However, as of this date, the Candidate has not provided any additional records. Despite efforts, the staff has been unable to make any contact with the Candidate since March 10, 1978.

B. Recordkeeping for Expenditures

Section 432(c)(3) and (4) and (d) of Title 2, United States Code, states that a treasurer of a political committee shall keep a detailed and exact account of all expenditures made by or on behalf of such committee, to include identification of every person to whom any expenditure is made, the date and amount thereof. Further, the treasurer shall obtain and keep a receipted bill, stating the particulars for every expenditure made in excess of, or in the aggregate in excess of \$100 in a calendar year. Section 102.9(c)(4) of Title 11, Code of Federal Regulations states that when a receipted bill is not available, the treasurer may keep the cancelled check(s) showing payment of the bill; and the bill, invoice or other contemporaneous memorandum of the transaction.

Section 104.12(b) of Title 11, Code of Federal Regulations requires in part, that each political committee required to file reports under the Act shall: 1) maintain records with respect to the matters reported, including vouchers, worksheets, receipts, bills and accounts, which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, and 2) keep those records available for audit or inspection by the Commission or its authorized representatives for a period not less than three (3) years.

During our audit we examined the Committee's expenditure records which consisted of check stubs, cancelled checks, <sup>3/</sup> paid bills, receipts and other memoranda. We compared the check stubs from one of the Committee's bank accounts and other available supporting documentation to the expenditures itemized on the Committee's reports. Our test revealed that the Committee was unable to provide cancelled checks for 30 of the 41 itemized expenditures totaling \$4,324.47 (74.6% of itemized expenditures) and was unable to provide any other supporting documentation for five (5) of the 30 expenditures totaling \$2,066.29 (35.7% of itemized expenditures). However, due to the incompleteness of the records we were unable to perform any other tests to verify that the Committee had reported all of their activity or that the reported activity was properly disclosed.

On February 23, 1978, we requested the Candidate to provide copies of the missing bank records and other supporting documentation for our examination. On March 10, 1978, the Candidate provided one (1) bank statement and the accompanying checks (included in totals above) and documentation for nine (9) expenditures (included in totals above). At that time he agreed to obtain the additional bank records from the Committee's banks and provide them for our examination. He also agreed to attempt to obtain the missing documentation and submit them to us for examination. However, as of this date, the Candidate has not provided any additional records and despite efforts, the staff has been unable to make any contact with the Candidate since March 10, 1978.

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3/ We noted that none of the records (including bank statements, cancelled checks, deposit tickets, debit and credit memoranda, and check stubs) for a second bank account were available and that the bank records (including bank statements, cancelled checks, deposit tickets, and debit and credit memoranda) from the first bank account were materially incomplete.

C. Reporting of Receipts and Expenditures

Section 434(a)(1) and (b) of Title 2, United States Code requires each treasurer of a political committee supporting a candidate for election to Federal office to file with the Commission reports containing specific information on their receipts, expenditures and beginning cash for a reporting period.

During our examination we reviewed records and documents apparently indicating that the Candidate had made contributions to the Committee and made campaign related expenditures that had been reported by the Committee. We reviewed receipted bills, invoices and other memoranda totaling \$2,112.53. The Committee reported \$1,578.44 of this amount as a debt and obligation, however, we were unable to verify if any of the \$2,112.53 was ever reported as a receipt or expenditure by the Committee.

We also noted a loan dated August 10, 1976 from the Candidate totaling \$2,053.37 itemized on the Committee's 30 day post-primary report. The Candidate explained to us that this loan represented the amount of cash expenditures made by him during the reporting period for which he had hoped to be reimbursed. He indicated that these expenditures were included on the Committee's report for that period. The Candidate submitted copies of receipted bills and invoices for seven (7) of the nine (9) itemized expenditures totaling \$1,181.92, which were apparently made by him. The Committee/Candidate was unable to provide any supporting documentation or evidence of payment for two (2) of the itemized expenditures totaling \$356.00, nor for \$515.45 of the reported unitemized expenditures apparently made by the Candidate.

During discussions with the Candidate regarding Committee reimbursement of his expenditures, the Candidate indicated that he and the Treasurer would agree on an amount "he felt like" rather than the full amount, however, he stated that he felt that "all amounts personally expended by him were included on the reports somewhere".

However, due to the incompleteness of the records we were unable to verify that the Committee had reported all of the Candidate's campaign related financial activity or that the reported activity was properly disclosed.

Summary

Due to the lack of response to our requests for records noted above, the matters contained in Findings A, B and C were referred to the Commission's Office of General Counsel on May 19, 1978 for their review. On May 23, 1978, Matter Under Review 613-78 was initiated.

During the period May 23, 1978 through January 18, 1979, the Office of General Counsel made numerous attempts to contact the Candidate to afford him an opportunity to submit the documentation requested by the Audit staff. No contact was made with the Candidate and on January 18, 1979, the Commission, by a vote of 5-0, found probable cause to believe that the Rudasill for Congress Committee violated:

- 1) 2 U.S.C. 432(c)(1)(2) by failing to maintain records in support of \$1,645.06 in reported receipts;
- 2) 2 U.S.C. 432(c)(3) by failing to maintain detailed and accurate accounts with regard to thirty (30) itemized expenditures;
- 3) 2 U.S.C. 432(d) by failing to retain adequate supporting documentation for thirty (30) itemized expenditures; and
- 4) 2 U.S.C. 437b(a)(1) and (b) relating to eight (8) cash expenditures in excess of \$100.00.

Furthermore, the Commission authorized the General Counsel to institute civil suit with respect to the items noted above on January 18, 1979.

D. Other Matters

Included below are other matters noted during the course of the audit for which no Commission action is recommended.

1. During a review of Committee reports filed with the Commission we noted that the Committee did not file any disclosure reports subsequent to September 6, 1976. Discussions with the Candidate confirmed that no further reports had been filed, but no explanation was offered for this omission. At our recommendation on March 14, 1978, the Committee filed reports covering the period September 7, 1976 through December 31, 1977. 4/

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4/ The reports indicated receipts of \$-0- and expenditures of \$194 during this period. However, the staff was unable to verify these amounts.



2. We also noted that the Candidate had not filed a Statement of Candidacy designating the Committee to serve as his principal campaign committee, and that the Committee did not file an amended Statement of Organization when the treasurer changed in September 1976. The Candidate was unable to offer an explanation for this omission, but agreed to file these statements. On March 14, 1978, the Commission received a Statement of Candidacy and an amended Statement of Organization.

3. Our examination of the Committee's solicitation literature, consisting of a mass mailing brochure revealed that it did not contain the required notification as per Section 435(b) of Title 2 of the United States Code. The Committee was advised of the required notification for all solicitation literature in accordance with this section of the Act.



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.  
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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 # 613.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



