



FEDERAL ELECTION COMMISSION

1325 K STREET NW
WASHINGTON, DC 20463

April 23, 1979

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *BC*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
KRASNOFF FOR CONGRESS COMMITTEE (LA/1)

Attached please find a copy of the final audit report for the Krasnoff for Congress committee which was approved by the Commission on February 12, 1979.

As of this date, all informational copies of the report have been received by all parties involved and this report may be released to the public.

Attachment as stated

cc: FEC Library
RAD
Public Record





FEDERAL ELECTION COMMISSION

1275 K STREET NW
WASHINGTON, DC 20463

REPORT OF THE AUDIT DIVISION ON KRASNOFF FOR CONGRESS

I. Background

A. Overview

This report is based on an audit of the Krasnoff for Congress ("the Committee") and the Candidate's reports 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 11, 1977, in support of Sanford Krasnoff, a candidate in the 1977 Special Election held to fill a vacancy in the Office of United States Representative from the First Congressional District of Louisiana. The Committee maintained its headquarters in New Orleans, Louisiana.

The audit covered the period June 1, 1976, the inception date of the Candidate's campaign through September 30, 1977, the final coverage date of the latest report filed by the Candidate at the time of the audit. The Candidate reported a beginning cash balance at June 1, 1976 of \$-0-, total receipts for the period of \$120,807.98, total expenditures for the period of \$110,675.57 and a closing cash balance at September 30, 1977 of \$10,132.41. During this period, the Committee reported receipts and expenditures of \$-0-.

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



B. Key Personnel

The principal officers of the Committee were Mr. Sanford Krasnoff, Chairman, and Mrs. Dorothy Luckow Krasnoff, Treasurer, during the period of audit.

C. Scope

Except as set forth in Findings A and B, 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

It is the opinion of the Audit staff, based upon examination of the reports and statements filed and records presented, that the Candidate, Sanford Krasnoff, has not conducted his activities in compliance with the Federal Election Campaign Act, 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 Candidate's disclosure reports for the audit period.

A. Deposits and Expenditures

Section 437b(a)(1) of Title 2, United States Code, in part, states that each candidate shall designate one or more national or State banks as his campaign depositories. The principal campaign committee of such candidate, and any other political committee authorized by him to receive contributions or to make expenditures on his behalf, shall maintain a single checking account and such other accounts as the committee determines to maintain at its discretion at a depository designated by the candidate and shall deposit any contributions received by such committee into such account. No expenditure may be made by any such committee on behalf of a candidate or to influence his election except by check drawn on such account, other than petty cash expenditures.

Our review of the Candidate's bank records disclosed that there was a total of \$4,300.00 in reported receipts that were not deposited into the Candidate's personal checking account which he designated as his only campaign depository. The Candidate used \$3,800.00 of these receipts for the campaign expenditures described in (1) and (3) below.

According to the Candidate, the following items relate to the \$4,300.00 mentioned above:

(1) On July 14, 1976, \$1,500.00 was paid to a vendor from another checking account. The \$1,500.00 payment represented a contribution from the Candidate to his campaign.

(2) A contribution from an individual for \$500.00 was deposited into another unidentified account.

(3) On August 25, 1977, the Candidate borrowed \$20,000.00 from the Bank of New Orleans, which the Candidate contributed to his campaign. Only \$17,700.00 was deposited into the campaign's checking account. The remaining \$2,300.00 was used for a campaign expenditure to the Postmaster by a certified check issued by the Bank of New Orleans.

We recommended that the Candidate and/or Committee:
1) provide to the Audit staff a copy of the cancelled check to support the \$1,500.00 disbursement to a vendor and to identify the bank account on which the check was written; 2) provide us a copy of the deposit slip, and identify the bank account in which the \$500.00 received on September 1, 1976, was deposited; and 3) provide us a copy of the certified check to the Postmaster for \$2,300.00

On March 28, 1978, we received a letter from the Candidate with a copy of the \$1,500.00 check to the vendor written on his law office account.

B. Additional Information

Section 104.12(b)(1) and (3) of Title 11, Code of Federal Regulations, in part, requires each candidate, political committee, or other person required to file any report or statement, to maintain records which shall provide in sufficient detail the necessary information and data from which the filed reports and statements may be verified, and to keep those records and reports available for audit, inspection, or examination by the Commission or its authorized representatives for a period of not less than 3 years from the end of the year in which the report or statement was filed.

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

(1) During our audit, the Candidate did not make available copies of any deposit slips for the period June 1, 1976 to September 30, 1977. The Candidate also did not make available his copies of loan agreements with the Bank of New Orleans.

(2) Since the Candidate used his personal checking account as his campaign depository, there was a total of \$33,911.09 in receipts deposited in the account that, according to the Candidate, were not related to the campaign. The Candidate's records did not disclose the source of these receipts to verify that they were not campaign related. It appears that the Candidate has commingled campaign funds with his personal funds.

We requested the Candidate to provide us the records noted in (1) above, and to identify the source of receipts noted in (2) above. On March 28, 1978, we received copies of the loan agreements. We received another letter on March 30, 1978, which explained why the Candidate would not comply with our request for copies of the deposit slips. He stated the bank would provide the deposit slips to him, if he guaranteed to pay the cost of gathering the material, but it would not give the Candidate an estimate of the costs involved. Accordingly, Mr. Krasnoff was not willing to incur the cost to comply with our request.

C. Supporting Documentation of Expenditures

Section 102.9(c) of Title 11, Code of Federal Regulations, requires, in part, that the candidate and treasurer obtain and keep a receipted bill from the person to whom the expenditure is made, stating the particulars, for every expenditure made by or on behalf of the candidate in excess of \$100, and for any such expenditures in a lesser amount if the aggregate amount of such expenditures to the same person during the calendar year exceeds \$100. When a receipted bill is not available, the treasurer may keep a cancelled check with a bill, invoice, or contemporaneous memorandum.

Our examination revealed that the Candidate did not maintain sufficient documentation to support 29 (61.70%) of the 47 expenditures aggregating in excess of \$100 to payees during the calendar year. The 29 expenditures totaled \$42,613.82 (33.99% of the \$109,292.33 in total itemizable expenditures).

We recommended that the Candidate obtain and furnish to the Audit staff copies of adequate supporting documentation for these expenditures, or evidence of their best efforts to obtain it. On March 30, 1978, the respondent furnished copies of letters to vendors requesting additional documentation for eight (8) expenditures totaling \$9,962.06.

Summary

Due to the insufficient 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 8, 1978, for their review. On June 8, 1978, Matter Under Review 596 was initiated.

During the period June 8, 1978, through January 9, 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. In August and September of 1978 the candidate provided to the Office of General Counsel letters to vendors, committee agents and political clubs requesting documentation for 30 expenditures totaling \$45,613.82. On September 27, 1978, the Office of General Counsel concluded that the Candidate had made a best efforts attempt to obtain documentation for the expenditures and recommended that no further action be taken regarding the finding of a violation of 2 U.S.C. 432(d). (See Finding C) On October 4, 1978, the Commission, by a vote of 4-0, approved the Office of General Counsel's recommendation.

On January 18, 1979, the Commission, by a vote of 5-0, found probable cause to believe that, with regards to the matters contained in Findings A and B, the Krasnoff for Congress Committee violated:

- 1) 2 U.S.C. 437b(a)(1) by failing to deposit certain campaign receipts in designated accounts and failing to make certain expenditures from the designated campaign checking account.
- 2) 2 U.S.C. 432(b) by commingling campaign funds with personal funds.

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

D. Other Matters

The following matters were noted during the audit for which no further action is recommended.

(1) The Candidate did not have examples of his campaign literature available for our review during our field work. Following our request, the Candidate provided two (2) examples of this information on March 30, 1978. Our review of the literature revealed that the Candidate had not included the authorization required by Section 441d(1) of Title 2, United States Code, on one of the examples. According to the Candidate, he was not aware of the requirement.

(2) The Candidate received eight (8) contributions totaling \$1,400.00 which were not deposited within 10 days of receipt as required by Section 103.3(a), Title 11, Code of Federal Regulations. These contributions were received between July 11, 1977 and August 20, 1977 and were not deposited until September 1, 1977.

During the audit the Candidate stated that there was a delay in depositing the contributions because the contributor checks were delivered to his office, which he seldom went to during the campaign. We informed the Candidate of the requirements of Section 103.3(a).



FEDERAL ELECTION COMMISSION

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

1 0 7 1 6 0 9 5 5

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 # 596.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



