



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20541

April 18, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
DEMOCRATIC CAMPAIGN COMMITTEE

Attached please find a copy of the final audit report of the Democratic Campaign Committee which was approved by the Commission on April 7, 1980.

Informational copies of this report have been received by all parties involved and this report may be released to the public as of today, April 18, 1980.

Attached as stated

cc: FEC Library
RAD
Public Record \

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE DEMOCRATIC CAMPAIGN COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Democratic Campaign 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 July 21, 1975 as the '76 Democratic Campaign Committee, the Federally reporting account of the Michigan Democratic Party 1/. The Committee maintains its headquarters in Detroit, Michigan.

The audit covered the period January 1, 1976 through November 27, 1978, the final coverage date of the latest report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance on January 1, 1976 of \$10,933.67, total receipts for the period of \$452,548.13, total expenditures for the period of \$463,842.12 and a closing cash balance on November 27, 1978 of \$1,439.21 2/.

1/ The Committee amended its Statement of Organization on March 10, 1977 to reflect its new name, the Democratic Campaign Committee.

2/ Discrepancy in reported figures due to errors in reporting ASDC activity (See Finding D).

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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 during the period audited were Ms. Eileen Marz, Chairman, from January 1, 1976 through August 27, 1978, Mr. Thomas A. Roach, Chairman, from August 28, 1978 through the present, and Mr. Morley Winograd, 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. Audit Findings and Recommendations

A. Allocation of Administrative Expenses

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any labor organization to make a contribution or expenditure in connection with any Federal election to a political office, and it is unlawful for any political committee to knowingly receive any such contribution from a labor organization.

Section 106.1(e) of Title 11 of the Code of Federal Regulations states, in part, that party committees which have established Federal Campaign Committees pursuant to Section 102.6 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis.

The Committee maintained separate accounts for Federal and non-Federal activity but only disclosed the activity of its Federal account in its reports.

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During the review of the Committee's reports and records, we determined that the State party committee (non-Federal) paid the majority of the administrative expenses during the period of the audit (1/1/76-11/27/78). The State party committee does accept contributions from labor unions which are permissible under Michigan state law. The Democratic Campaign Committee did, however, reimburse the State party committee for the administrative expenses during the audit period.

The Committee officials explained that the Committee does not become involved in any Federal activity until the elections begin. The Committee then reimburses the State party committee for their share of administrative expenses related to that period of time when they are actually involved with Federal activity.

Based on the Audit staff's recommendation the Committee submitted on October 13, 1979, documentation detailing its method of allocating administrative expenses. The Committee used two (2) methods to allocate administrative expenses for the period covered by the audit. For calendar year 1976, the administrative expenses computed were the actual expenses for salaries based on payroll time charges and overhead costs based on the space occupied by the Committee. For the remainder of the period, the Committee's administrative expenses were determined by the ratio of the total amount of Federal receipts to the total of all receipts for both the Federal and state committees. The Committee will continue to allocate its administrative expenses based on the receipts method in the future. The Audit staff finds the Committee's methods of allocating administrative expenses to be reasonable. In addition, the Committee provided documentation verifying the payments to the State Party committee for the Federal portion of administrative expenses.

Recommendation

The Audit staff recommends no further action on this matter.

However, the Audit staff does recommend that the administrative expenses continue to be allocated on a reasonable basis and that the Committee reimburse the account paying its share of administrative expenses on a timely basis.

B. Preservation of Receipts

Section 432(d) of Title 2 of the United States Code states, in part, that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or behalf of a political committee in excess of \$100 in amount, and for such expenditures in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

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In addition, Section 102.9(c)(4) of the Code of Federal Regulations states, in part, that when a receipted bill is not available, the treasurer may keep the cancelled check showing payment of the bill; and the bill, invoice or other contemporaneous memorandum.

Our review of the Committee's expenditure records disclosed 251 expenditures, totaling \$105,384.27 each in excess of or aggregating in excess of \$100 that were lacking the required supporting documentation. However, the cancelled checks were retained by the Committee. This represents 82% of the dollar amount and 47% of the number of expenditures requiring supporting documentation.

The Committee officials stated that the majority of the documentation was available and was retained at the headquarters of the Michigan Democratic Party in Lansing, Michigan.

Based on the Audit staff's recommendation the Committee submitted copies of supporting documentation and/or its best efforts to obtain such documentation for the Audit staff's review. The Committee provided documentation for 96% of the above expenditures totaling \$103,436.39.

Recommendation

The Audit staff recommends no further action on this matter.

C. Disclosure of Transfers

Section 434(b)(4) of Title 2 of the United States Code and Section 104.2(b)(4) of Title 11 of the Code of Federal Regulations state, in part, that each report shall contain the name and address of each political committee or other political organization from which the reporting committee received, or to which that committee made, any transfer of funds, together with the amounts and dates of all transfers.

During the audit, it was determined that the Committee did not itemize 50 transfers received from political committees/organizations, totaling \$23,665. This represents 31% of the number and 11% of the dollar amount of all transfers received.

In addition, the Committee did not itemize 7 transfers made to political committees, or organizations, totaling \$245.25. This represents 9% of the total number and .1% of the dollar amount of all transfers made.

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On October 13, 1979, the Committee filed amended reports disclosing the 50 transfers received totaling \$23,665.00, and the seven (7) transfers made totaling \$245.25, as recommended by the Audit staff.

Recommendation

The Audit staff recommends no further action on this matter.

D. Disclosure of Total Receipts and Expenditures

Section 434(b)(8) and (11) of Title 2 of the United States Code states, in part, that each political committee shall report the total sum of all receipts by or for such committee, and the total sum of expenditures made by such committee during the calendar year.

During our review of the Committee's reports and records, we determined that during 1977 the Committee reported receipts totaling \$55,610.15 and expenditures totaling \$57,409.68 that represented contributions received and expenditures made in relation to a regional telephone bank set up by the Association of State Democratic Chairpersons (ASDC) to raise money on behalf of participating State party committees. The actual contributions received and expenditures made were processed through an account maintained by ASDC.

This situation resulted in an overstatement of reported receipts and expenditures and an understatement of ending cash for 1977, since the Committee in actuality neither received the contributions nor made the expenditures. In January, 1978, the Committee adjusted its beginning cash on hand to correct the understatement.

Based on the Audit staff's recommendation, the Committee, on October 13, 1979, filed an amended report deleting the above, receipts totaling \$55,610.15 and the above expenditures totaling \$57,409.68 from their reports.

Recommendation

The Audit staff recommends no further action on this matter based on the Committee's above actions.

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