



FEDERAL ELECTION COMMISSION

1201 STREET NW
WASHINGTON, DC 20541

REPORT OF THE AUDIT DIVISION OF THE DEMOCRATIC EXECUTIVE COMMITTEE OF FLORIDA

I. Background

A. Overview

This report is based on an audit of the Democratic Executive Committee of Florida ("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 Office of the Clerk of the United States House of Representatives on April 19, 1972. The Committee maintains its headquarters in Tallahassee, Florida.

The audit covered the period from January 1, 1976, through June 30, 1978, the final coverage date of the most recent report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance on January 1, 1976, of \$-0-, total receipts for the period of \$195,292.62, total expenditures for the period of \$194,808.92, and a closing cash balance on December 31, 1977, of \$34.91 1/2.

1/ The Committee was exempt from filing disclosure reports for the first two (2) quarters of 1978. However, FEC Form 28 was filed for each quarter.

This audit report is based on documents and working papers which support 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 audited were Ms. Ann M. Cramer, Chairperson from January 1, 1976, through March 31, 1976; Mr. Alfredo Duran, Chairman from April 1, 1976 to present and Mr. William H. Marshall, 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 records presented, that the Democratic Executive Committee of Florida has not conducted its activities in compliance with the Federal Election Campaign Act and that the reports and statements filed by the Committee do not fairly present the financial activities of the Committee for the period covered by the audit.

A. Expenditures by Subordinate Committees

Section 434(b)(9) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person to whom expenditures have been made by such committee or on behalf of such committee or candidate within the calendar year in an aggregate amount or value in excess of \$100, including the amount, date, and purpose of each such expenditure.

Section 110.7(b)(1) of Title 11, Code of Federal Regulations, states that the national committee of a political party, and a State committee of a political party, including any subordinate committee of a State committee, may each make expenditures in connection with the general election campaign of a candidate for Federal office in that State who is affiliated with the party.

In addition, Section 110.7(c)(1) and (2) of Title 11, Code of Federal Regulations states, in part, that for limitation purposes, State committee includes subordinate State committees. State committees and subordinate State committees combined shall not exceed the limits in paragraph (b)(2) of this section (in the case of a candidate for election to the office of Senator, the amount of two (2) cents multiplied by the voting age population of the State; or twenty thousand dollars). To ensure compliance with the limitations, the State committee shall administer the limitation in one of the following ways:

(1) The State central committee shall be responsible for insuring that the expenditures of the entire party organization are within the limitations, including receiving reports from any subordinate committee making expenditures under paragraph (b) of this section (in connection with the general election campaign of a candidate for Federal office), and filing consolidated reports showing all expenditures in the State with the Commission; or

(2) The State committee shall file with the Commission an annual statement setting forth the amounts each subordinate committee in the State will exceed on which Federal candidate, as approved by the State committee.

Section 432(3) 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 on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

In addition, Section 102.9(c)(4) of Title 11, Code of Federal Regulations states, in part, that instead of a receipted bill, the treasurer may keep the cancelled check showing payment of the bill; and the bill, invoice, or other contemporaneous memorandum supplied to the committee by the payee.

For the period September 21, 1976, through December 1, 1976, 12 county committees and one (1) local organization made expenditures on behalf of Senator Chiles, totaling \$5,571.67. In all instances the Committee disclosed this activity as transfers in, and the related expenditures were disclosed as transfers out to the committee, with the purpose being disclosure of expenditures made on behalf of Senator Chiles. Disclosure in this manner (transfers out) does not sufficiently identify the nature or purpose of these transactions.

Additionally, the Committee did not obtain cancelled checks, invoices or contemporaneous memoranda supporting the expenditures made by the subordinate committee.

Committee officials have obtained and submitted documentation supporting 14 expenditures, totaling \$5,071.67 and presented evidence of its efforts to obtain the remaining documentation for one (1) expenditure, totaling \$500. On July 23, 1979, Committee officials filed an amendment properly disclosing the expenditures made by the subordinate organization and deleting the erroneously reported transfers out.

Recommendation

In view of the above information, we recommend no further action in this matter.

B. Preservation of Receipts

Section 432(3) 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 on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

In addition, Section 102.9(c)(4) of Title 11, Code of Federal Regulations states, in part, that instead of a receipted bill, 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 the following:

1. Expenditures, totaling \$14,685.40 were not reported by the Committee on bills, invoices, or other contemporaneous memoranda.
2. This money was utilized, totaling \$7,230 was reported as contributions to Republican County Committees, for voter registration purposes. The Committee did not obtain and keep receipted bills, invoices, or other contemporaneous memoranda supporting the nature and amount of expenditures by the County Committees for this purpose.
3. Expenditures on salaries, totaling \$12,996 were reported as being made to individuals for election law expenses. Again, the Committee did not obtain and keep receipted bills, invoices, or other contemporaneous memoranda supporting the expenditures subsequently made by the individuals.

Committee officials submitted supporting documentation for 44 expenditures, totaling \$75,685.96, and presented evidence that 27 expenditures totaling \$49,620.00 for 36 other expenditures totaling \$10,065.64. Committee officials apparently overlooked 16 non-billable (2) expenditures, totaling \$620.

Continued

Based on the above information we recommend no further action on this matter.

C. Disclosure of Changes on Statement of Organization

Sections 433(b) (5) and (9) of Title 2 of the United States Code state, in part, that a statement of organization shall include the name, address, and position of the principal officers, and a listing of all banks or other repositories used.

In addition, Section 433(c) of Title 2 of the United States Code states that any change in information previously submitted in a statement of organization shall be reported to the Commission within a 10-day period following the change.

Our review of the Committee's records revealed that the Committee did not amend its statement of organization to disclose the current chairman. In addition, the Committee did not disclose its three (3) depositories. However, all receipts and expenditures attributable to the depositories were disclosed by the Committee.

Investigation

Since the Committee amended its statement of organization on May 8, 1970 disclosing the current Chairman and the Committee's depositories, we requested no further action on this matter.

D. Allocation of Administrative Expenses

Section 4113(2) of Title 2 United States Code states, in part, that each report shall disclose the full name and mailing address of each person who has made one or more contributions to or for 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 4113(a) of Title 11, Code of Federal Regulations states, in part, that each in-kind contribution shall be valued at the usual market value on the date the contribution is made. In excess of \$100 an in-kind contribution of value, and amount, identified as to its nature and identified as an "in-kind contribution."

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 disclosed only the Federal account's activity in its reports filed. During our review of the Committee's reports and records, we determined that the administrative costs were not allocated between the Federal and non-Federal accounts for the period covered by the audit (1/1/75-6/30/78). Committee officials stated that these costs were paid entirely by the non-Federal account.

Committee officials have advised us that administrative expenses for the period covered by the audit total \$7,451.60. The Committee has also indicated our question concerning its calculation which the audit staff has reviewed and determined to be reasonable. Additionally, Committee officials stated that in November, 1977, and December, 1979, the Committee transferred a total of \$71,000 to the non-Federal account. The transfers were recorded to the credit of the non-Federal account.

Recommendation

We recommend that the Committee transfer (\$71,000) to the non-Federal account once of the Committee's administrative expenses, to conform and no further action on this matter.