



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 21, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *BC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
HUDSON COUNTY REGULAR DEMOCRATIC ORGANIZATION

Attached please find a copy of the final audit report of the Hudson County Regular Democratic Organization which was approved by the Commission on January 9, 1981.

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

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

FINAL REPORT OF THE AUDIT DIVISION ON THE HUDSON COUNTY REGULAR DEMOCRATIC ORGANIZATION

I. Background

A. Overview

This report is based on an audit of the Hudson County Regular Democratic Organization ("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, at the time of the audit, directed 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 October 12, 1976. The Committee maintained its headquarters in West New York, New Jersey.

The audit covered the period October 6, 1976 through December 31, 1976, the final coverage date of the Committee's termination report. The Committee reported a beginning cash balance at October 6, 1976 of \$21,594.54, total receipts for the period of \$21,431.00, total expenditures for the period of \$35,460.80, and a closing cash balance on December 31, 1976 of \$7,564.74.

This 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 the report and were available to Commissioners and appropriate staff for review.

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B. Key Personnel

The principal officers of the Committee during the period covered by the audit were: Bernard M. Hartnett, Jr., Chairman; Joseph J. Simunivich, Treasurer.

C. Scope

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. Audit Findings and Recommendations

A. Disclosure of Cash on Hand at Beginning of Reporting Period

During the period of the audit, Section 434(b)(1) of Title 2 of the United States Code, stated that each report shall disclose the amount of cash on hand at the beginning of the reporting period.

For the period covered by the audit, proposed Section 104.10 ¹/₁ of Title 11 of the Code of Federal Regulations stated that political committees and candidates which have cash on hand at the time of registration (which the committee or candidate anticipates using in an election) shall disclose on their first report the source(s) of these funds. The cash balances are assumed to be composed of those contributions most recently received by the committee or candidate. The committee shall exclude from funds to be used for Federal elections any contributions not permissible under the Act.

Our review of Committee records and disclosure reports revealed that the Committee did not identify the source of its reported beginning cash on hand, which amounted to \$21,594.54. Our analysis disclosed that the Committee's beginning cash on hand was comprised of a transfer from the state party committee and a transfer from the Regular Hudson County Dinner Committee - 1975. Both transfers occurred on September 29, 1976.

We recommended in our interim audit report that the Committee amend their disclosure reports to identify the sources of beginning cash on hand.

¹/₁ The cited section of the Code of Federal Regulations became effective on April 13, 1977.

On November 28, 1980, we received a letter from the Committee which identified the sources of beginning cash on hand.

Recommendation

Based on the response received from the Committee, the Audit staff recommends no further action in this matter.

B. Retention of Supporting Documentation for Expenditures

For the period covered by the audit, Section 432(d) of Title 2 of the United States Code required the treasurer of a political committee 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.

For the period covered by the audit, proposed Section 102.9(c)(4) 2/ of Title 11 of the Code of Federal Regulations stated that when a receipted bill is not available, the treasurer may keep the cancelled checks showing payment of the bill, and the bill, invoice or other contemporaneous memorandum of the transaction supplied to the committee by the payee containing the identification of the person to whom the expenditure was made, the date, amount, and the particulars of the expenditures.

For the period covered by the audit, proposed Section 102.9(e) of Title 11 of the Code of Federal Regulations stated that a treasurer shall use his or her best efforts to obtain the required information, and shall keep a complete record of the efforts to do so. If there is a showing that best efforts have been made, the reporting committee shall be deemed to be in compliance with Section 102.9.

Our review of Committee expenditure records revealed that the Committee did not have available documentation for 18 expenditures totaling \$18,958.76. These expenditures were each in excess of, or aggregated in excess of \$100. The auditors examined cancelled checks for each expenditure. Of these 18 expenditures, 10 (totaling \$4,850) were made to nine (9) local Democratic Organizations for get-out-the-vote purposes; eight (8) (totaling \$14,108.76) were made to five (5) individuals or vendors. These 18 expenditures represent 78% of the number and 91% of the dollar value of expenditures requiring documentation.

2/ The cited section of the Code of Federal Regulations became effective on April 13, 1977.

In our interim audit report we recommended that the Committee obtain and submit to the Audit staff receipted bills, invoices, or contemporaneous memoranda for each of the 18 expenditures, or demonstrate that the Committee has made its best efforts to obtain said documentation.

On November 28, 1980, the Committee submitted evidence of their efforts to contact payees for verification of the reported purpose of 9 expenditures totaling \$4,850. The Committee submitted contemporaneous memoranda for expenditures totaling \$12,400. For the remaining expenditures (totaling \$1,708.76), the Committee presented an explanation of their nature and a statement that the Committee has made their best efforts to obtain the required documentation.

Recommendation

Based upon the documentation presented by the Committee, the Audit staff recommends no further action in this matter.

C. Disclosure of Disposition of Residual Funds

For the period covered by the audit, proposed Section 102.4(a) 3/ of Title 11 of the Code of Federal Regulations required that a committee seeking to disband shall file with the Commission a notice of termination which shall contain a final report of receipts and disbursements, including a statement as to the disposition of residual funds if the committee is disbanding.

The Committee filed a termination report of receipts and disbursements on February 3, 1977, which reported an ending cash on hand balance of \$7,564.74. The report did not include a statement disclosing the disposition of these residual funds.

Our review of expenditures subsequent to the Committee's termination date, indicated that the residual funds on hand as of the Committee's termination were not used in connection with Federal elections.

In our interim audit report we recommended that the Committee file a statement with the Commission indicating that the residual funds were not expended in connection with Federal elections.

On November 28, 1980, the Audit staff received a letter from the Committee stating that the residual funds were not utilized for any Federal election.

3/ The cited section of the Code of Federal Regulations became effective on April 13, 1977.

Recommendation

Based on the response to the interim audit report, the Audit staff recommends no further action in this matter.

D. Disclosure of Transfers of Funds

During the period of the audit, Section 434(b)(4) of Title 2 of the United States Code required that each disclosure report disclose the name and address of each political committee or candidate to which the reporting committee made any transfer of funds, together with the amounts and dates of all transfers.

Our examination of expenditure records revealed that the Committee did not disclose 11 transfers totaling \$6,100. These transfers represent 48% of the number and 29% of the dollar value of all expenditures requiring itemization.

In our interim audit report we recommended that the Committee amend its disclosure reports to reflect these transfers.

On November 28, 1980, the Committee filed an amendment to its disclosure reports which adequately reflected the transfers.

Recommendation

Based on the response to the interim audit report the Audit staff recommends no further action in this matter.

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