



FEDERAL ELECTION COMMISSION

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

February 1, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *[Signature]*

FROM: JUDY HAWKINS *[Signature]*

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT-
KANSAS REPUBLICAN STATE COMMITTEE
AND KANSAS REPUBLICAN FEDERAL CAMPAIGN
COMMITTEE

Attached please find a copy of the final audit report of the Kansas Republican State Committee and Kansas Republican Federal Campaign Committee which was approved by the Commission on January 17, 1980.

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
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON THE
KANSAS REPUBLICAN STATE COMMITTEE
AND THE
KANSAS REPUBLICAN FEDERAL CAMPAIGN COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Kansas Republican State Committee and the Kansas Republican Federal Campaign Committee ("the Committees") 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 Kansas Republican State Committee registered with the Office of the Clerk of the United States House of Representatives on April 17, 1972, as a Federal campaign committee for the Kansas Republican Party. The Kansas Republican Federal Campaign Committee registered with the Federal Election Commission on October 25, 1977, as a Federal campaign committee for the Kansas Republican Party, specifically for fundraising. The Committees maintain their headquarters in Topeka, Kansas.

The audit covered the period January 1, 1976, through March 31, 1978, the final coverage date of the current report filed by the Committees at the time of the audit. During the period the Kansas Republican State Committee reported a beginning cash balance of \$28,504.02, total receipts of \$69,911.87, total expenditures of \$97,217.14, and a closing cash balance of \$1,198.75. The Kansas Republican Federal Campaign Committee reported a beginning cash balance of \$-0-, total receipts of \$501.00, total expenditures of \$3.00, and a closing cash balance of \$498.00. 1/

1/ On 6/30/78 the Kansas Republican Federal Campaign Committee terminated and transferred the residual funds, \$498.00, to the Kansas Republican State Committee.

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 Committees were Jack Ranson, Chairman and Damon Weber, Treasurer during the period covered by the audit.

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. Kansas Republican Federal Campaign Committee

Finding and Recommendation

Based upon examination of the reports and statements filed and the records presented, the Kansas Republican Federal Campaign Committee was not a political committee for the period audited as defined by Section 431(d) of Title 2 of the United States Code and therefore not subject to the reporting requirements of the Acc.

III. Kansas Republican State Committee

Findings and Recommendations

A. Reporting of Receipts and Expenditures

Section 434(b)(2) and (8) of Title 2, United States Code states, in part, that each report shall disclose the full name and mailing address (occupation and principal place of business) of each person who has made one or more contributions to such committee within a calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions and the total sum of all receipts for such committee.

Sections 434(b)(9) and (11) of Title 2, 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 within a calendar year in an aggregate amount or value in excess of \$100, the amount, date, and purpose of each such expenditure and the total sum of expenditures made by such committee.

The Committee's reports indicated that the Committee received contributions totaling \$25,000 on September 10, 1976, and \$20,000 on October 12, 1976, respectively. According to the Committee officials these contributions were originally dues to the Kansas Leadership Club (KLC), which is a club of the Kansas Republican Party to which members pay annual dues of \$2,500. All dues received are deposited into a separate savings account which, Committee officials stated, contained funds only permissible under the Act. The KLC account had activity totaling \$211,545.50 in receipts and \$137,350.00 in expenditures for the period March 25, 1976*, through March 31, 1978, however, the Committee only reported the aforementioned \$45,000 as individual contributions in its reports filed with the Commission. According to a Committee official, prior approval was granted by KLC members before their dues were transferred from the KLC savings account to the Committee's checking account.

The Committee provided for our review the KLC savings account records for the period March 25, 1976 through March 31, 1978. In addition, we reviewed copies of the KLC members' checks, whose 1976 dues were transferred to the Committee's checking account and it was determined that these funds were permissible under the Act.

During our conversations with Committee officials subsequent to the audit, the officials stated that the Committee had used the same procedures (converting KLC dues to Federal contributions) for the post audit period.

Based on the Audit staff's recommendation, the Committee filed amended reports for the years 1976, 1977 and 1978 on May 29, 1979, disclosing the activity of the KLC savings account. The KLC savings account was closed in August, 1979.

Recommendation

The Audit staff recommends no further action on this matter.

* Opening date of the account.

B. Allocation of Administrative Expenses

Section 434(b)(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 104.3(a) of Title 11, Code of Federal Regulations states, in part, that each in-kind contribution shall be valued at the usual and normal charge on the date received and reported if in excess of \$100 on the appropriate schedule of receipts and expenditures, identified as to its nature and listed as an "in-kind contribution".

Section 106.1(e) of Title 11, 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.

During our review of the Committees' reports and records, we determined that the administrative expenses were not allocated between the Federal and non-Federal committees. The State party committee (non-Federal) paid all of the administrative expenses, except for the salaries of four (4) individuals and the related payroll taxes of two (2) of these individuals, which were paid by the Kansas Republican State Committee (Federal).

The state of Kansas allows corporations to make contributions or expenditures in connection with state and local elections.

Based on the Audit Division's recommendation, the Committees developed a basis of allocating the administrative costs between the Federal committee and the non-Federal committee and submitted that basis to the Audit staff on May 29, 1979. In addition, the Committee filed amended reports disclosing the allocable costs. Based on the review of the information submitted, it is the opinion of the Audit staff that the Committee's basis for allocating their administrative expenses is not adequate.

The Committee's formula was based on determining the difference in administrative expenses between a base year (in this case 1977), and the calendar year being calculated. This difference was then multiplied by the ratio of contributions to Federal and State candidates to determine the amount of administrative expenses allocable to the Federal account. This method did not take into account the fixed administrative expenses that do not vary from an election to a non-election year, nor did it include possible expenditures made on behalf of Federal candidates and get-out-the-vote and voter registration expenses.

Recommendation

Although this method has not been deemed acceptable a review of activity in the savings account adopted by the Federal committee (see Finding A) discloses \$30,000 in 1976 and \$49,475 in 1977, respectively, in transfers from the savings account to the non-Federal account.

Administrative expenses actually paid by the Federal account exceed the amount calculated using the method proposed in Section 106.1(e) of the Commission's Regulations, based on total expenditures. Therefore, the Audit staff recommends no additional action on this matter for the period covered by the audit. However, we do recommend that the Committee formulate an allocation method for the future which encompasses its total allocable costs, including basic, non-election year recordkeeping and Committee maintenance.

C. Loan Repayment made from a Non-Federal to a Federal Account

Section 441b(a) of Title 2, United States Code states, in part, that it is unlawful for any corporation whatever, to make a contribution or expenditure in connection with any Federal election, or for any political committee, or other person to knowingly accept or receive any contribution prohibited by this section.

Section 102.6(b) of Title 11, Code of Federal Regulations states, in part, that each State committee which makes contributions or expenditures for, or on behalf of, any candidates in Federal elections may not receive transfers from an account or committee, except from an account or committee which is established either, (1) as a separate Federal campaign committee which is registered as a political committee and maintains a segregated Federal account, or (2) as a single committee with a single account which makes contributions to Federal and non-Federal candidates, but only if all contributions received are permissible under the Act.

A review of the activity in the savings account adopted as a committee account (Finding A) revealed loans totaling \$10,000 made from the account to the non-Federal account during 1977. The loans were repaid by the non-Federal account on February 22, 1978. The State of Kansas allows corporations to make contributions or expenditures in connection with State and local elections. As stated in Finding A the account was not maintained as an account of the Committee during the period of the audit, however, based on our recommendation all activity was subsequently reported.

Recommendation

Based on the fact that the Committee adopted the account upon our recommendation (Finding A) and since the Committee did not consider the savings account a Federal account at the time of the transaction, the Audit Division recommends that no action be taken on this matter.

D. Amendment to the Statement of Organization

Section 433(b) (9) of Title 2, United States Code states that a statement of organization shall include a listing of all banks, safety deposit boxes, or other repositories used.

Section 433(c) of Title 2, United States Code requires 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 examination revealed that the Kansas Republican State Committee had not filed an amendment to its Statement of Organization disclosing Mr. Damon Weber as the Committee Treasurer. However, on November 6, 1975, the Committee did notify the Secretary of State of Kansas.

On May 29, 1979, the Committee filed an amendment to its Statement of Organization disclosing Mr. Damon Weber as Committee Treasurer. The amendment also disclosed the depository in which the KLC account is maintained (Finding A).

Recommendation

The Audit staff recommends no further action on these matters.

E. Other Matters

Presented below is another matter noted during the audit for which the Audit staff feels no action is warranted. The Committee has been advised of the matter and informed of the related requirements of the Act.

The Kansas Republican State Committee made a \$6,500 deposit on March 9, 1976, directly into the Committee's savings account at the First National Bank of Topeka. Upon our request the Committee provided for our review copies of the contribution comprising the deposit. The Committee was made aware that Section 103.3(a) of the Commission's Regulations requires all contributions received by a political committee shall be deposited in a checking account in the appropriate campaign depository.

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