



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

January 13, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RK*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT
REPORT - MICHIGAN REPUBLICAN
STATE COMMITTEE

Attached please find a copy of the final audit report of the Michigan Republican State Committee which was approved by the Commission on July 9, 1980.

Informational copies of the report have been received by all parties involved and this report may be released to the public as of today, January 13, 1981.

Attachment as stated

cc: FEC Library
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~~Public Record~~

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REPORT OF THE AUDIT DIVISION ON THE MICHIGAN REPUBLICAN STATE COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Michigan Republican State 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, 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 Comptroller General of the United States on July 10, 1975, as a state committee representing the Michigan Republican Party. The Committee maintains its headquarters in Lansing, Michigan.

The audit covered the period January 1, 1976, through September 30, 1978. The Committee reported beginning cash on January 1, 1976, of \$1,210.42, total receipts of \$1,636,628.79, total expenditures of \$1,606,146.64, and ending cash on September 30, 1978, of \$34,904.57. ^{1/}

This audit report is based on documents and working papers supporting each of the 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.

^{1/} Difference of \$3,212.00 resulting from the Committee's overstatement of beginning cash for 1977.

B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Mr. William F. McLaughlin, Chairman, and Mr. Leo Farhat, 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. Other matters noted during the audit were referred to the Commission's Office of General Counsel on February 5, 1980 for consideration.

B. Disclosure of Transfers-In

Section 434(b)(4) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each political committee from which the reporting committee received any transfers of funds, together with the amounts and dates of all transfers.

During the course of the audit it was determined that the Committee did not itemize 140 transfers from political organizations, totaling \$45,726.26. This represents approximately 35% of the number and 3% of the dollar amount of all transfers received.

The Committee agreed to file an amended report itemizing the transfers as required.

Recommendation

Based upon the Audit staff's recommendation, the Committee filed amendments on January 15, 1980, itemizing the transfers. Therefore, we recommend no further action be taken on this matter.

C. Transfers From Non-Federal Account

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

Section 102.6(a)(2) of Title 11 Code of Federal Regulations states, in part, that any political committee which has made transfers to or on behalf of any candidate for Federal office shall either:

(i) Establish a separate Federal campaign committee which shall register as a political committee. The Federal campaign committee shall establish a segregated Federal account in either a national or State bank; or

(ii) Establish a single committee with a single account to make contributions to Federal and non-Federal candidates, but only if all contributions received are permissible under the Act...

In addition, Section 102.6(b)(2) states, in part, that the committee in (a)(2)(i) and (ii) of this section may not receive transfers from an account or committee established by a State committee, subordinate committee established by a State committee, or another political committee, except from a committee set out in paragraph (a)(i) and (ii) of this section.

During the course of the audit it was determined that the Committee received a transfer of \$8,787.48 on July 31, 1978, from the Michigan Republican State Finance Committee (MRSFC) non-Federal account, an unregistered committee. The State of Michigan does not prohibit the acceptance of contributions from labor unions for state and local elections.

The Committee agreed to reimburse the MRSFC state (non-Federal) account the amount of the transfer.

Recommendation

Based upon the Audit staff's recommendation, the Committee reimbursed the MRSFC state account the amount of the transfer and provided evidence of the reimbursement. Therefore, we recommended no further action be taken on this matter.

