



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

May 20, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *R/C*

FROM: JUDY HAWKINS *JH*

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

Attached please find a copy of the final audit report of the State Republican Executive Committee of Texas which was approved by the Commission on May 8, 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, May 20, 1980.

Attachment as stated

cc: FEC Library
✓ RAD
Public Record



FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

FINAL REPORT OF THE AUDIT DIVISION ON THE STATE REPUBLICAN EXECUTIVE COMMITTEE OF TEXAS

I. Background

A. Overview

This report is based on an audit of the State Republican Executive Committee of Texas ("the Committee"), undertaken by the Audit Division of the Federal Election Commission ("the 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 U.S. General Accounting Office on April 17, 1972 as the State committee representing the Texas Republican Party. The Committee maintained its headquarters in Austin, Texas.

The audit covered the period from January 1, 1976 through November 22, 1976, the final coverage date of the termination report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance on January 1, 1976 of \$2,217.80; total receipts for the period of \$633,789.32; total expenditures for the period of \$567,575.23; and a closing cash balance on November 22, 1976 of \$68,431.89.

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 Mr. Ray Hutchinson, Chairman, and Mr. R. Doug Lewis Treasurer for the periods January 1, 1976 through September 17, 1976, and November 12, 1976, through November 22, 1976. The Treasurer for the period September 17, 1976 through November 12, 1976 was Ms. Polly Sowell.

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. Description of Audit Findings and Recommendations

A. Disclosure of Residual Funds

Section 433(d) of Title 2 of the United States Code states, in part, that any committee which disbands or determines it will no longer receive contributions or make expenditures during the calendar year in an aggregate amount exceeding \$1,000 shall so notify the Commission.

In addition, Section 102.4(a) of Title 11 of the Code of Federal Regulations states, in part, that any political committee which seeks to disband or determines that it will no longer receive contributions or make expenditures during the calendar year in an aggregate amount exceeding \$1,000 shall file a notice of termination on FEC Form 3 or by letter (containing the same information) with the Commission. The notice shall contain a final report of receipts and disbursements, including a statement as to the disposition of residual funds if the Committee is disbanding.

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 to which the reporting committee made any transfer of funds, together with the amounts and dates of all transfers.

The Committee reported a closing cash on hand balance of \$68,431.89 on its date of termination. The Committee's termination report, however, did not disclose the final disposition of these residual funds. A review of the bank records revealed that the Committee made nine (9) additional expenditures after terminating totaling \$13,250.42 and did not report two (2) transfers totaling \$55,000.00 made during 1976.

Based on the Audit staff's recommendation the Committee filed an amended report on April 21, 1980 disclosing the expenditures and transfers.

Recommendation

The Audit staff recommends no further action on this matter.

B. Disclosure of Transfers Received

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 transfer of funds, together with the amounts and dates of all transfers.

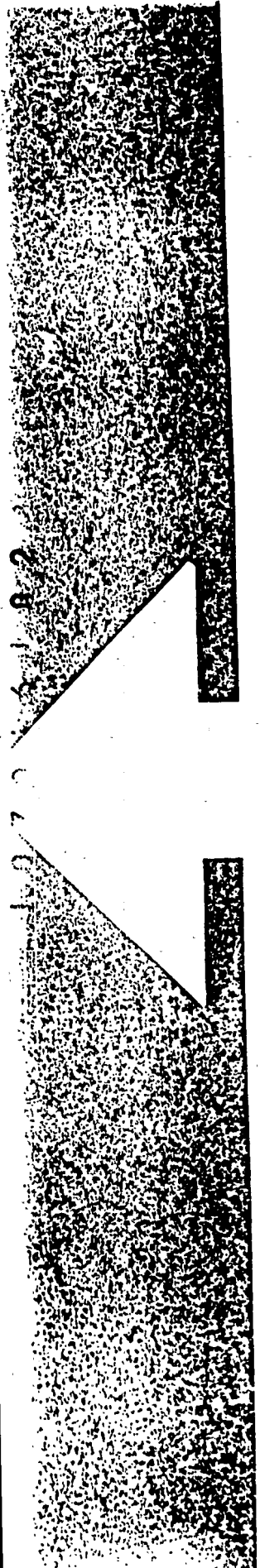
In addition, Section 104.2(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that each report shall disclose the identification of each political committee or other political organization from which the reporting committee received any transfer of funds in any amount together with the amounts and dates of all transfers.

During the course of the audit, it was determined that the Committee did not disclose approximately \$14,400.00 in receipts and expenditures processed through an account which the Committee had established for the purpose of making salary expenditures. This account was funded by transfers from a Committee account and from the Republican Party of Texas, an unregistered state election committee, neither of which accepted corporate or labor union contributions. The undisclosed activity represents transfers-in and salaries paid related solely to the state election committee.

Recommendation

The Audit staff recommends that no action be taken in this matter based on the following facts: 1) The unreported expenditures were for state activity 2) The account was used only for salary expenses; 3) The account was funded only by transfers within the party; and 4) Neither committee accepted corporate or labor union contributions.

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