



FEDERAL ELECTION COMMISSION

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

May 31, 1979

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
VERMONT STATE DEMOCRATIC FEDERAL
CAMPAIGN COMMITTEE

Attached please find a copy of the final audit report for the Vermont State Democratic Federal Campaign Committee which was approved by the Commission on May 23, 1979.

As of this date, May 31, 1979, all informational copies of the report have been received by all parties involved and the report may be released to the public.

cc: FEC Library
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 Public Record



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FEDERAL ELECTION COMMISSION

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WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE VERMONT STATE DEMOCRATIC FEDERAL CAMPAIGN COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Vermont State Democratic Federal Campaign 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 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 with it.

The Committee registered with the Federal Election Commission on October 20, 1976. The Committee maintains its headquarters in Burlington, Vermont.

The audit covered the period from October 1, 1976, the initial coverage date of the first report filed, through March 31, 1978, the final coverage date of the latest report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance at October 1, 1976 of \$ -0-, total receipts for the period of \$26,667.21, total expenditures for the period of \$26,621.05, and a closing cash balance at March 31, 1978 of \$46.16.

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 were Ms. Carolyn Adler, Chairperson, and Mr. Wayne W. Jameson, 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. 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 the records presented, that, except for the deficiencies noted below, the reports and statements of the Vermont State Democratic Federal Campaign Committee fairly present the financial activities of the Committee for the period covered by the audit. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

A. Earmarked Contributions

Section 441a(a)(3) of Title 2 of the United States Code states, in part, that all contributions made by a person, either directly or indirectly, on behalf of a particular candidate, including contributions which are in any way earmarked or otherwise directed through an intermediary or conduit to such candidate, shall be treated as contributions from such person to such candidate. The intermediary or conduit shall report the original source and the intended recipient of such contribution to the Commission and to the intended recipient.

In 1976, the Vermont State Democratic Federal Campaign Committee ("VSDFCC") contracted for eight (8) separate \$1,000 bank loans to enable it to make transfers to candidates for Federal office. Each loan was endorsed by a different individual. The proceeds of each loan were deposited into VSDFCC's account and then transferred to the candidates by check. VSDFCC made no additional transfers to these candidates.

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In its disclosure reports, VSDFCC reflected each of these loans on a schedule of debts and obligations as a debt owed to the bank. VSDFCC disclosed each of the endorsers as a contributor along with the amounts of these loans on a schedule of proceeds from loans. The candidates who ultimately received the proceeds of the loans were reported on a schedule of transfers out. In their disclosure reports, the candidates reflected the receipts as transfers received from VSDFCC.

The Treasurer of VSDFCC was informed that the actual sources of these loans as well as the endorsers, should have been disclosed on the schedule of proceeds from loans, and he amended the disclosure reports accordingly.

The Treasurer of VSDFCC informed us that the endorsement of each \$1,000 loan was arranged by the candidate who was to ultimately receive the proceeds of the loan.

On April 6, 1979, the Audit staff notified the Vermont State Democratic Federal Campaign Committee that it should amend its reports to disclose these transactions as earmarked contributions from both the loan endorsers and VSDFCC and notify the recipient candidates of the earmarking.

Recommendation

Since the Audit staff received an amendment on May 2, 1979, disclosing the transactions as earmarked contributions and received a copy of the letters notifying the recipient candidates of the earmarking, it is the recommendation of the Audit staff that no further action be taken on this matter.

B. Acceptance of Apparent Prohibited Funds

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 in connection with any election to any political office, and it is unlawful for any political committee to knowingly accept any contribution prohibited by this section.

During the review of contributions, it was determined that VSDFCC received two (2) contributions totaling \$100.00 from two (2) apparent labor organizations. The Treasurer of

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VSDFCC informed us that he was encountering difficulties in obtaining replies to his requests for information from the labor organizations and requested to resolve the matter by refunding the contributions. Copies of the refund checks (front and back) were received by the Audit staff for review on November 27, 1978.

Recommendation

It is the recommendation of the Audit staff that no further action be taken on this matter, since the contributions have been refunded and evidence of the refunds provided accordingly.

C. Itemization of Transfers from Political Organizations/Committees

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

During the review of contributions, it was determined that VSDFCC did not itemize six (6) transfers (66.67% of the total number of transfers required to be itemized) from six (6) political organizations totaling \$400.00 (19.51% of the total dollar amount of transfers required to be itemized). The Treasurer of VSDFCC was informed that all transfers regardless of amount should be itemized. Pursuant to our request, the Committee filed an amended report on July 20, 1978 itemizing the required transfers.

Recommendation

Since the Committee amended its reports to itemize the transfers, it is the recommendation of the Audit staff that no further action be taken on this matter.

D. Disclosure of Fundraising Proceeds

Sections 434(b)(6)(A) and (B) of Title 2 of the United States Code require that a political committee disclose in its reports the total amount of proceeds from the sale of tickets to each dinner, luncheon, rally, and other fundraising event and mass collections made at such events.

During the course of the audit, it was determined that VSDFCC held a fundraising dinner at which \$18,107.50 in total proceeds were collected. Of this amount, \$2,750 was not disclosed on a schedule of receipts from sales and collections (Schedule D). Contributions in excess of or aggregating in excess of \$100.00 were itemized on the appropriate schedules of receipts. Pursuant to our request, the Committee filed an amended report on July 20, 1978 disclosing the total proceeds of the fundraiser on a schedule of receipts from sales and collections.

Recommendation

It is the recommendation of the Audit staff that no further action be taken on this matter, since the Commission received an amended report disclosing the total proceeds of the event.

II. Amendments to the Statement of Organization

Section 433(b) (5) and (6) of Title 2 of the United States Code states, in part, that the statement of organization shall include the name, address, and position of other principal officers and the name, address, office sought, and party affiliation of each candidate whom the committee is supporting and a listing of depositories.

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.

A review of the Vermont State Democratic Federal Campaign Committee reports revealed that VSDFCC did not amend its statement of organization to disclose the current chairman, current depository, and a candidate supported. The Treasurer of VSDFCC was requested to amend the statement of organization to disclose the aforementioned information. On July 20, 1978, the Commission received an amended statement of organization noting the changes as discussed above.

Recommendation

Since the Committee filed an amended statement of organization, it is the recommendation of the Audit staff that no further action be taken on this matter.

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