



FEDERAL ELECTION COMMISSION

1275 K STREET NW
WASHINGTON, D.C. 20463

February 1, 1979

MEMORANDUM

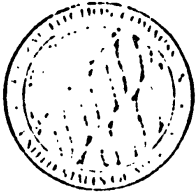
TO: PRESS OFFICE
THROUGH: BOB COSTA *RPC*
FROM: JUDY HAWKINS *JH*
SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
FUND FOR A CONSERVATIVE MAJORITY

Attached please find a copy of the final audit report for the Fund for a Conservative Majority which was approved by the Commission on January 25, 1979.

As of this date, February 1, 1979, all 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: Library
RAD
Public Record



FEDERAL ELECTION COMMISSION

1125 K STREET NW
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE FUND FOR A CONSERVATIVE MAJORITY

I. Background

A. Overview

This report is based upon an audit of the Fund for a Conservative Majority ("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)(3) 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 originally registered with the Secretary of the Senate on August 1, 1972, under the name of Young America's Campaign Committee. On January 10, 1977, the Commission received an amended Statement of Organization reflecting a change in the Committee's name to "The Fund for a Conservative Majority". The Committee maintains its headquarters in McLean, Virginia.

The audit covered the period January 1, 1975, the effective date of the Act as amended, through March 31, 1977, the final coverage date of the latest report filed by the Committee at the time of the audit. During that period, the Committee reported beginning cash of \$19,643.31, receipts of \$587,908.20, expenditures of \$599,345.07, and ending cash of \$8,212.44.

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

B. Key Personnel

The principal officers of the Committee were Wayne J. Thorburn, Chairman, and Ronald F. Docksai, Treasurer, January 1, 1975 through September 28, 1975; and Ron Robinson, Chairman, and John Buckley, Treasurer, from September 29, 1975 through the close of the period covered by the audit.

C. Scope

The audit included such tests as verification of 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 on the examination of disclosure reports and records presented, that the Fund for a Conservative Majority has not conducted its activities in compliance with the Federal Election Campaign Act of 1971, as amended, and that the disclosure reports, as originally filed, do not fairly present the financial activity of the Committee for the period audited.

A. Reporting of Independent Expenditures

Section 434(b) (9) and (13) of Title 2 of the United States Code requires a political committee to report on a separate schedule the identity of the person to whom independent expenditures are made, the amount, date, and purpose of each independent expenditure in excess of \$100, and the name, address and office sought by each candidate on whose behalf such expenditure was made; and, to certify whether such independent expenditure is made in cooperation, consultation, or concert with, or at the request or suggestion of, any candidate or any authorized committee or agent of such candidate.

Our review of the Committee's records disclosed expenditures totaling \$39,655.26 made on behalf of Ronald Reagan which the Committee failed to identify as independent expenditures on its disclosure reports. In addition, the Committee failed to file the required Treasurer's Certification of Independence in connection with these expenditures and for an additional \$39,655.26 of expenditures which were properly identified on its reports (also on behalf of Ronald Reagan).

We recommended that the Committee file the required Schedules E for the independent expenditures which they failed to report properly, and a separate Certification of Independence for those which were previously identified as such. We received the requested documents from the Committee on September 7, 1977.

In accordance with Commission policy, this matter was referred to the Office of General Counsel on October 14, 1977, where Matter Under Review #503(78) was instituted.

On February 23, 1978, the Commission found reason to believe that the Committee had violated 2 U.S.C. Section 434(b) (9) and (13), and the Committee was notified accordingly. After allowing a reasonable period for Committee response, on May 17, 1978, the Commission found reasonable cause to believe that the Committee had violated the cited section of the Act. The Commission then entered into a conciliation process with the Committee which culminated in a revised conciliation agreement, containing a civil penalty of \$3,000, being accepted and signed by the Committee on October 31, 1978, and approved by the Commission on November 21, 1978.

Based on the Committee's efforts toward compliance and the recommendation of the Office of General Counsel, the Commission voted on January 5, 1979, to close the file on this matter and take no further action.

B. Best Efforts to Obtain Contributor Information

Section 434(b) (2) of Title 2, United States Code requires political committees to include in their reports to the Commission the full name, mailing address, occupation and principal place of business of each person who has made one or more contributions to the committee within the calendar year aggregating in excess of \$100, together with the amount and date of such contributions. Part 102.8(e) of the Commission's Regulations further specifies that it is the duty of the treasurer of a political committee to use his best efforts to obtain the required information and to keep a complete record of the efforts to do so.

Our review of the Committee records, FEC reports, as well as discussions with the treasurer revealed that:

(1) for 168 contributors itemized (69.1% of total) during the audit period, the Committee failed to provide the contributor's occupation and principal place of business;

(2) the Committee received routine Commission Requests for Additional Information (RFAI) requesting this information in connection with seven (7) reports;

(3) the Committee made a second attempt to obtain this information for only two of the seven RFAI's (reducing the above percentage to 53.5%), failing to maintain a complete record of their efforts;

(4) in letter responses to two other RFAI's (concerning the 10 day pre- and 30 day post-election reports), the Committee stated they had used their best efforts to obtain the missing information, but, as was subsequently disclosed, these best efforts referred only to the original request on the donor reply card sent out with the solicitation letter; and,

(5) in 44 instances on three (3) FEC reports (7/10, 8/10 and 10/10/76) a "best efforts" stamp had been used on those itemized contributors lacking the required information, but that this also referred only to the original request in the solicitation packet.

It was the opinion of the Audit staff that the Committee failed to make a reasonable best effort to obtain the contributor's occupation and principal place of business in the majority of cases. Accordingly, we recommended that the Committee make a second attempt to obtain the required information from the contributor, document these efforts and file a comprehensive amended report with the additional information.

This matter was also included in the 10/14/77 referral to the Office of General Counsel where it was made a part of Matter Under Review 500(78).

On February 23, 1979, the Commission found reason to believe that the Committee had violated 2 U.S.C. 434(b)(2), and notified the Committee accordingly. After allowing a reasonable period for Committee response, on May 17, 1979, the Commission was unable to believe that the Committee

had violated the cited section of the Act. This matter was also included in the conciliation process which followed. In response, the Committee submitted on August 22, 1978, information on contributor occupation and principal place of business which reduced the Committee's deficiency rate to 37.5% and indicated a second attempt had been made to reach all of the contributors involved. On December 15, 1978, the Committee further filed an amended report showing name, address, and the occupation and principal place of business for those contributors on whom information was obtained.

This matter was included in the conciliation agreement accepted and signed by the Committee on October 31, 1978, and approved by the Commission on November 21, 1978.

Based on the recommendation of the Office of General Counsel, the Commission voted on January 5, 1979, to close the file on this matter and take no further action.

C. Reporting of Receipts

Section 541(b)(3) of Title 2, United States Code, requires that a political committee disclose in its reports the total sum of individual contributions made to such committee during the reporting period.

Our review of the Committee's records and disclosure reports revealed that the Committee had deleted receipts totaling \$11,796.85 from their 1975 year-end report by a subsequent amendment filed in April, 1976. Available evidence and partial confirmation by the Treasurer lead the Audit staff to conclude that these receipts were raised in 1975 for a special project involving independent expenditures against a clearly defined candidate for the 1976 Presidential Election.

To date we have received conflicting explanations from the Committee as to why these receipts were deleted. It is the opinion of the Audit staff that Committee officials at that time mistakenly believed that these 1975 receipts were ultimately not reportable to the Commission, and hence, deleted them from 1975 year-end totals by amendment. These receipts were subsequently included in 1976 77 report totals.

We recommended that the Committee, through comprehensive amendments, re-insert these 1975 receipts into the total receipts for that year, adjusting the 1976 totals accordingly. On September 7, 1977, and January 31, 1978, the Committee filed the requested amendments accurately reflecting the correct information.

Recommendation

Since the Committee has complied with our recommendation in this matter, we recommend no further action.

D. Documentation for Expenditures

Section 432(d) of Title 2, United States Code, states in part that the treasurer shall keep a receipted bill, stating the particulars, for every expenditure made by a political committee in excess of \$100 in amount, and for any such expenditures to the same person if the aggregate amount of such expenditures to that person during a calendar year exceeds \$100.

Section 102.9(c)(4) of the Federal Election Commission's Regulations states that when a receipted bill is not available, the treasurer may keep the cancelled check(s) showing payment of the bill, and the bill, invoice or other contemporaneous memorandum of the transaction containing the particulars of the expenditure.

During our review of Committee records, it was discovered that in 147 cases (36.0% of the total number of expenditures requiring such documentation), the Committee had failed to retain a receipted bill or the cancelled check(s) and either the original bill, invoice or a contemporaneous memorandum for expenditures in excess of \$100 or which aggregated in excess of \$100.

This matter was brought to the attention of the Committee and they were advised to improve their record retention procedures in the future. Committee representatives neither confirmed nor denied this information. We also recommended that the Committee make a reasonable effort to obtain the required documentation and to maintain the same in accordance with the documentation checklist or evidence of their efforts to obtain it.

On December 4, 1978, the Committee submitted satisfactory evidence of their efforts to improve their record retention procedures in this regard.

Recommendation

Since the Committee has complied with our recommendations in this matter, we recommend no further action.

E. Reporting of Earmarked Contributions

Section 441a(a)(8) of Title 2, United States Code, states in part with respect to earmarked contributions, that the intermediary or conduit shall report the original source and the intended recipients of such contributions to the Commission.

Our review of the Committee records showed the receipt of five (5) \$1,000 earmarked contributions solicited by the Committee in connection with independent expenditures made on behalf of Ronald Reagan. These contributions were solicited specifically for this purpose and the contributors in question were fully aware that their gifts would be going entirely for the benefit of the candidate involved. We recommended to the Committee that they amend the report in question to reflect the earmarked nature of the contributions by identifying the candidate on whose behalf they were received, together with the fact that they were to be used for the purpose of making independent expenditures on behalf of Ronald Reagan.

Recommendation

Since we received the Committee's amended schedules on September 7, 1977, showing the requested information, no further action is recommended on this matter.

F. Itemization of Contributions

Section 434(b)(2) of Title 2, United States Code, requires political committees to include in their reports the full name, mailing address, occupation and principal place of business of each person who has made one or more contributions to the committee within the calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of each contribution.

Our examination of Committee records indicated nine (9) contributions aggregating in excess of \$100 for a calendar year which were not itemized as required on the reports to the Commission. In addition, 17 (5) contributions were reported with incorrect amounts, resulting in an aggregate over-reporting of \$275. This represented 5.2% of the total number of itemized contributions for the period under audit.

We recommended to the Committee that they include the above omissions and make the necessary correcting adjustments in their comprehensive amendments for the periods involved. On September 7, 1977, we received amendments which contained the nine (9) omitted contributions referred to above. These amendments did not reflect the five (5) over-reported contributions. However, the Audit staff does not believe this discrepancy is material and warrants any further action.

Recommendation

Since the Committee has materially complied in this matter, we recommend no further action.

G. Itemization of Expenditures

Section 434(b) (9) of Title 2, United States Code, requires a political committee to identify each person to whom expenditures have been made within the calendar year in an aggregate amount exceeding \$100, and the amount, date, and purpose of each such expenditure.

During the course of our review of Committee records, it was observed that the Committee failed to itemize seven (7) expenditures in excess of \$100 each, totaling \$5,571.89. In addition, the Committee failed to itemize expenditures aggregating over \$100 for the calendar years as follows:

1. 1975 - 23 expenditures totaling \$774.91
(36.4% of total number of expenditures requiring itemization).
2. 1976 - 22 expenditures totaling \$839.03
(9.1% of total number of expenditures requiring itemization).

The Audit staff recommended to the Committee that they file comprehensive amendments for the years involved, reflecting the expenditures involved as required. We received the requested amendments including the information requested above on September 7, 1977.

Recommendation

Since the Committee has submitted the requested amendments, we recommend no further action on this matter.

H. Other Matters

Listed below are matters noted during the course of the audit for which the Audit staff recommends no further action:

1) During the examination of the Committee's records, the Committee was found to have maintained a bank account, now closed, during the audit period which it failed to disclose in its original Statement of Organization or any amendment thereto. However, the existence of the depository was disclosed by the Committee in its reports filed with the Commission through the reporting of interest earned.

2) Our review of the Committee's general solicitation efforts revealed that of the 15 multiple-piece solicitations used, 11 contained an altered form of the notice required by 2 U.S.C. 435(b) on only one (1) piece in the solicitation packet, two (2) solicitation packets had no notice at all, and two (2) were satisfactory.

3) Our review of the Committee's solicitations in connection with their independent expenditures on behalf of Ronald Reagan disclosed that of the two (2) solicitation packets sent out, neither letter contained the information required by 2 U.S.C. 434a(2) and only one (1) of the two (2) enclosed donor cards contained that information.

4) Our review of Committee records disclosed two (2) expenditures on behalf of the HomeWay for Congress Campaign which were not reported properly. In both cases, the HomeWay Campaign was reported as the recipient; however, the actual payee on the check was not identified as required.

The Committee was advised of the requirements of the Act regarding these matters. They responded affirmatively, noting that closer adherence would be achieved in the future.



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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION
MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 503.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



