



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

A83-117

REPORT OF THE AUDIT DIVISION  
ON THE  
DEMOCRATIC STATE COMMITTEE, SPECIAL ACCOUNT (DE)

I. Background

A. Overview

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This report is based on an audit of the Democratic State Committee, Special Account (DE) ("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(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

The Committee registered with the Federal Election Commission on October 15, 1980 and maintains its headquarters in Wilmington, Delaware.

The audit covered the period January 1, 1981 through December 31, 1982. The Committee reported a beginning cash balance on January 1, 1981 of \$34.23; total receipts for the period of \$84,469.00; total disbursements for the period of \$84,864.00 and an ending cash balance on December 31, 1982 of \$932.00.<sup>1/</sup>

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<sup>1/</sup> The Committee filed a report covering January 1, 1981 through June 30, 1981 disclosing a cash balance of \$34.23 and no financial activity. No report was filed for the period July 1, 1981 through December 31, 1981. During the course of the audit the Committee presented the auditors a copy of the report filed with the State of Delaware covering January 1, 1981 through December 31, 1981 disclosing a beginning cash balance of \$770.21; total receipts of \$20,969.00; and total expenditures of \$20,412.33. The Audit staff verified that Committee reports filed with the Commission for 1982 materially reflect the Committee's financial activity for 1982 (also see Section II, Introduction to Findings, concerning 1981 activity).

This report is based on documents and workpapers 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 Treasurer of the Committee during the period covered by the audit was Mr. Clifford B. Hearn, Jr.

**C. Scope**

The audit included such tests as verification of total reported receipts and disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures deemed necessary under the circumstances.

**II. Audit Findings and Recommendations**

**Introduction to Findings**

The Committee supplied the Audit staff with all bank records, supporting documentation, cancelled checks, reports filed with the State of Delaware, and audit workpapers prepared by an accounting firm for calendar years 1981 and 1982. The Audit staff reviewed these Committee records and verified that for the period January 1, 1981 through September 30, 1982, the Committee did not make any expenditures in connection with Federal elections. Expenditures consisted of administrative expenses such as telephone, printing, photocopying, and accounting; support of state and local candidates; and expenditures in connection with their annual fundraising dinner held in May 1981 and again in May 1982. The majority of the Committee's receipts were proceeds resulting from ticket sales for these dinners.

During the exit conference with the Audit staff, Committee officials stated that the Committee had registered in 1980 to support President Carter, but the bank account used for that activity had been closed. Officials said they should have terminated after the 1980 campaign, but had not because of an oversight. Based on the review of records and assertions made by the Committee, it is the opinion of the Audit staff that the Committee should not be treated as a political committee until October, 1982. Therefore all findings noted below only pertain to Committee activity from October 1, 1982 through December 31, 1982.

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A. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel.

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