



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

A85-36

September 22, 1986

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT-
GEORGIA DEMOCRATIC ELECTIONS COMMITTEE-FEDERAL

Attached please find a copy of the final report of the Georgia Democratic Elections Committee-Federal which was approved by the Commission September 9, 1986.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: FEC Library
RAD
Public Record
Office of General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A85-36

REPORT OF THE AUDIT DIVISION
ON
GEORGIA DEMOCRATIC ELECTIONS COMMITTEE - FEDERAL

I. Background

A. Overview

This report is based on an audit of the Georgia Democratic Elections Committee - Federal ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance 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 section, 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 June 14, 1976, as the Georgia Federal Elections Committee. On December 5, 1984, the Committee notified the Commission that it had changed to its current name. The Committee maintains its headquarters in Atlanta, Georgia. The audit covered the period January 1, 1983 through December 31, 1984. The Committee reported a cash balance on January 1, 1983 of \$2,201.78; total receipts of \$185,227.80; total disbursements of \$179,939.28; and a cash balance on December 31, 1984 of \$7,490.30.

This audit report is based on documents and workpapers which support each of its 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 the Commissioners and appropriate staff for review.

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B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were Mr. Paul Weston from January 1, 1983 through March 30, 1984; Ms. Carole Dabbs from March 31, 1984 through November 29, 1984 and Mr. Wayne Reece from November 30, 1984 through the present.

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 as deemed necessary under the circumstances. Although the contribution records provided by the Committee met the recordkeeping requirements of 2 U.S.C. § 432(c) and 11 C.F.R. § 102.9(a), the records were not maintained in a manner which allowed testing for correct aggregate contribution totals, proper itemization and compliance with the Act's contribution limitations.

II. Audit Findings and Recommendations

A. Prohibited Transfers

Transfers from Non-Federal Accounts

Section 441b(a) of Title 2 of the United States Code prohibits corporations and labor unions from making contributions or expenditures in connection with elections to any political office, primary election or political convention or caucus held to select candidates for any political office, or for any political committee knowingly to accept or receive any contribution prohibited by this section.

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that when a party committee establishes a separate federal account no transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-Federal elections.

During the period audited, the Committee received two transfers totaling \$7,000 from the Democratic Party of Georgia's (the Party) non-Federal accounts. Committee records indicate that one \$2,000 transfer to the Committee was a loan. The loan was disclosed as a debt to the Party on the Committee's disclosure reports.

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According to Committee officials, the remaining \$5,000 transfer was part of a \$20,000 contribution from an individual. Committee officials had instructed the bank to deposit \$5,000, as designated by the contributor, into the Committee's account and deposit the remaining \$15,000 into the Party's non-Federal account. However, the entire \$20,000 contribution was deposited into the non-Federal account and \$5,000 was subsequently transferred to the Committee account.

In the interim audit report, the Audit staff recommended that the \$2,000 transfer noted above be repaid to the non-Federal account. If funds were not available, the Audit staff recommended that the Committee continue to report the \$2,000 as a debt to the non-Federal account until funds are available.

On June 30, 1986, the Committee presented the Audit staff with a copy of a check in the amount of \$2,000, representing the repayment of the aforementioned loan received from the non-Federal account.

With respect to the \$5,000 transfer from the non-Federal account, the Audit staff recommended that the Committee present evidence that the \$5,000 transfer was not made with funds prohibited by the Act or transfer the \$5,000 back to the non-Federal account. If the Committee did not have funds available to make the transfer, the Audit staff recommended that the amount (\$5,000) be disclosed as a debt to the non-Federal account until such time as funds are available.

In their response to the interim audit report, the Committee reiterated that it had "instructed the bank to deposit [\$]15,000 in the state account and [\$]5,000 in the federal account." Instead of following the Committee's instructions, the bank deposited the entire \$20,000 in the state account and then transferred \$5,000 to the federal account. The Committee provided evidence (copies of Committee bank records and other internal records) which confirmed that the \$5,000 transfer was virtually contemporaneous with the \$20,000 deposit and, therefore in the Audit staff's opinion, the transfer was acceptable.

In addition, the response to the interim audit report stated that the Committee has "initiated changes in procedure that will help ensure compliance with federal [and] state election laws." One change involves a plan for eliminating "the proliferation of bank accounts."

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Recommendation

The Audit staff recommends no further action on this matter.

B. Itemization of Contributions from Political Committees

— Section 434(b)(3)(B) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each political committee which makes a contribution to the reporting committee during the reporting period, together with the date and amount of any such contribution.

The Committee did not itemize 13 contributions from 13 political committees totaling \$3,315.00. This represents 45% of the number and 10% of the amount of contributions received from political committees.

In the interim report, the Audit staff recommended that the Committee amend its disclosure reports to itemize these contributions received from political committees.

On July 29, 1986, the Committee submitted an amended disclosure report which properly itemized the contributions.

The Committee's response to the interim report also included a plan for changes to the Committee's recordkeeping procedure which in its opinion, would ensure that necessary contributor information would be collected for federal and state reports.

Recommendation

The Audit staff recommends no further action on this matter.

C. Allocation of Administrative Expenses

Section 106.1(e) of Title 11 of the Code of Federal Regulations states that "Party committees and other political committees which have established Federal campaign committees pursuant to 11 CFR 102.5 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis."

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Although the Committee recognized its obligation to pay administrative expenses, it had no formal system for allocating administrative expenses between the Federal and non-Federal accounts. The Audit staff reviewed the Committee's disbursement records and calculated a ratio for allocating administrative expenses based on the amount of funds expended on Federal and non-Federal elections. The allocation ratio calculated was 16% for Federal and 84% for the non-Federal portion of administrative expenses. The Committee's share of administrative expenses for 1984 ^{1/} as calculated by the Audit staff was \$24,334.59.

The Committee paid some vendors directly for administrative expenses. These expenses were split with the Party's non-Federal account, with the Committee paying 30% and the non-Federal account(s) paying 70%. In addition, the Committee made some payments to the Party's non-Federal account for reimbursement of administrative expenses. Committee officials had no explanation for how these payment amounts were calculated. The amount of administrative expenses paid by the Committee directly to vendors and to the non-Federal account(s) totals \$12,644.58. The remaining \$11,690.01 in administrative expenses allocable to the Committee was paid by the Party's non-Federal account(s).

In the interim report, the Audit staff recommended that the Committee reimburse the non-Federal account, \$11,690.01 representing the Committee's remaining share of 1984 administrative expenses paid by the non-Federal account or show by some reasonable method that that amount of administrative expenses was not allocable to the Committee. If the Committee did not have funds available to make the payment, the Audit staff recommended that the amount (\$11,690.01) be disclosed as a debt to the non-Federal account until such time as funds are available.

^{1/} The Party expended no funds in support of the Federal elections in 1983, therefore no portion of the administrative expenses in 1983 were allocable to the Committee.

In their June 30, 1986 response to the interim audit report, the Committee included a copy of a check in the amount of \$11,690.01 payable to the Georgia Democratic Party-State Account for the Committee's remaining share of administrative expenses. The Committee also included a formula for allocating expenses between the federal and state accounts, as well as procedures for implementing the formula.

Recommendation

The Audit staff recommends no further action on this matter.

D. Matter Referred to the Office of General Counsel

A matter noted during the audit has been referred to the Commission's Office of General Counsel.

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DOCUMENT
SEPARATOR

