



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

A85-20

November 12, 1985

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICER

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

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -  
MAINE DEMOCRATIC STATE COMMITTEE

Attached please find a copy of the final audit report of  
Maine Democratic State Committee which was approved by the  
Commission on November 1, 1985.

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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### Report of the Audit Division on the Maine Democratic State Committee

#### I. Background

##### A. Overview

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This report is based on an audit of the Maine Democratic State 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(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 March 19, 1984, and maintains its headquarters in Augusta, Maine.

The audit covered the period, January 1, 1984 through December 31, 1984. The Committee reported a beginning cash balance on January 1, 1984, of \$19,874.94; total receipts for the period of \$232,617.58; total disbursements for the period of \$251,770.05 and an ending cash balance on December 31, 1984, of \$722.47.

This report is based on documents and work 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 Treasurers of the Committee during the period covered by the audit were: Mr. Anthony Buxton from inception to October 17, 1984 and Mr. David McKellar from October 17, 1984 to December 31, 1984.

C. Scope

The audit included such tests as verification of total reported receipts, 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. However, the receipt records made available for the Audit staff's review were not maintained in a manner which allowed testing for correct aggregate contribution totals, proper itemization and contribution limitations.

II. Audit Findings and Recommendations

Introduction to Findings

The Committee provided the Audit staff with bank records, supporting documentation, cancelled checks, and ledgers of contributions and disbursements for both its Federal and non-Federal accounts. The Audit staff reviewed those records and verified that for the period, January 1, 1983 through July 31, 1984, the Committee did not participate in activity connected with any Federal elections. The initial Federal activity occurred on August 17, 1984, with a \$1,000.00 contribution to a Congressional candidate. An additional \$1,535.00 was contributed to the same candidate on September 26, 1984.

The Audit staff reviewed all federal activity occurring after July 31, 1984. Therefore, all findings noted below pertain to Federal activity from August 1, 1984 through December 31, 1984, processed through the Committee's three Federal accounts.

A. Recordkeeping

Section 432(c)(1), (2), (3) and (d) of Title 2, of the United States Code, states that the treasurer of a political committee shall keep an account of all contributions received by or on behalf of such political committee; the name and address of any person who makes any contribution in excess of \$50, together with the date and amount of such contribution by any person; the identification of any person who makes a contribution or contributions aggregating more than \$200 during a calendar year, together with the date and amount of any such contribution. The treasurer shall preserve all records required to be kept by this section and copies of all reports required to be filed by this subchapter for 3 years after the report is filed.

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Section 431(13)(A) of Title 2 of the United States Code states that the term "identification" means - in the case of an individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 102.17(c)(4)(ii) of Title 11, Code of Federal Regulations requires the fundraising representative to collect and retain contributor information with regard to gross proceeds as required under 11 C.F.R. §102.8 and to forward such information to participating political committees.

The auditors review of the Committee's bank statements for the period August 1, 1984 through December 31, 1984, disclosed \$106,902.61 in receipts, however, a review of the Committee's ledger and other supporting documentation for receipts revealed \$90,424.71. Committee officials could not provide the auditors with an explanation for the \$16,477.90 difference, which represents 15.4% of total receipts.

The Committee participated in a joint fundraiser with the Democratic National Committee (DNC) during which house parties were held on behalf of Mondale-Ferraro throughout the state to raise GOTV funds. The gross proceeds from the fundraisers were not deposited into any Committee accounts but were forwarded to the DNC. The Committee could not provide the auditors a complete listing of contributions raised at the fundraising events.

Committee officials stated that they would make an effort to obtain the required information from the DNC.

In the interim report the Audit staff recommended that the Committee provide copies of receipt records to support the difference of \$16,477.90. In addition, the Audit staff recommended that the Committee provide documentation regarding contributions received from the fundraising event.

On September 24, 1985, the Committee provided records to substantially support the \$16,477.90 in receipts. The Committee also provided supporting documentation regarding contributions raised at the fundraising events.

#### Recommendation

The Audit staff recommends no further action on this matter.

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**B. Reporting of Receipts and Expenditures**

Section 434(b)(2) and (4) of Title 2 of the United States Code states, in part, that each report shall disclose for the reporting period and calendar year, the total amount of all receipts and disbursements.

Section 434(b)(3)(A) of Title 2 of the United States Code, requires disclosure of the identification of each person (other than a political committee) who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code states that the term "identification" means - in the case of any individual, the name, the mailing address, and the occupation of such individual, as well as the name of his or her employer.

Section 102.17(c)(8)(i)(B) of Title 11, Code of Federal Regulations states, in part, that after distribution of net proceeds from a joint fundraiser, each participating political committee shall report its share of net proceeds received as a transfer-in from the fundraising representative. Each participating political committee shall also file a memo Schedule A itemizing its share of gross receipts as contributions from original contributors to the extent required under 11 C.F.R. § 104.3(a).

Section 434(b)(5)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee together with the date, amount, and purpose of such operating expenditure.

The Audit staff's review of the Committee's bank statements disclosed adjusted receipts and disbursements totaling \$106,902.61 and \$138,032.08 respectively. A portion (\$15,031.85) of the total receipts represents the Committee's share of the proceeds from the joint fundraiser with the DNC (See Finding A).

The Committee's disclosure reports filed for the period January 1, 1984 through December 31, 1984 contained incomplete information regarding the Committee's financial activity during that period.

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In the interim report the Audit staff recommended that the Committee file comprehensive reports disclosing receipts and disbursements for the period January 1, 1984 through December 31, 1984. In addition, the Audit staff also recommended that the Committee disclose its share of the net proceeds received from the fundraising representative as a transfer-in, along with a memo schedule A disclosing the contributions as required by 11 CFR § 102.17(c)(8)(i)(B).

On September 24, 1985 and October 17, 1985, the Committee filed a comprehensive report disclosing the receipts and disbursements as required. In addition, the Committee disclosed the transfer-in of the net proceeds along with supporting Schedules A as required.

Recommendation

The Audit staff recommends no further action on this matter.

C. Reporting of Beginning Cash on Hand

Section 104.3(a)(1) of Title 11, Code of Federal Regulations states, in part, that each report filed shall disclose the amount of cash on hand at the beginning of the reporting period.

Under 11 C.F.R. § 104.12 political committees which have cash on hand at the time of registration shall disclose on their first report the source(s) of such funds including the information required by 11 CFR § 104.3(a)(1). The cash on hand balance is assumed to be composed of those contributions most recently received by the committee. The committee shall exclude from funds to be used for Federal elections any contributions not permissible under the Act.

The Committee's April 15th Quarterly report (January 1, 1984 - March 31, 1984) indicated a cash on hand balance of \$19,874.94. In a letter dated January 23, 1985, the Commission's Reports Analysis Division asked the Committee to disclose the source of the cash on hand. The Committee responded by filing a disclosure report covering the period January 1, 1983 through June 30, 1983, which did not disclose the source of the cash on hand.

The Audit staff reviewed contributions received by the Committee and determined that the cash on hand balance on January 1, 1984 was comprised of contributions permissible under the Act.

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In the interim audit report the Audit staff recommended that the Committee file a comprehensive report disclosing the source of the cash-on-hand at January 1, 1984. In addition, the Audit staff recommended that the report should contain a memo Schedule A identifying the source of the \$19,874.94.

On September 24, 1985, the Committee filed a comprehensive report disclosing the source of cash on hand on January 1, 1984, along with the requisite Schedules A.

Recommendation

The Audit staff recommends no further action on this matter.

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