




FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A87-1

April 19, 1988

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
MUNICIPAL BOND INVESTORS COMMITTEE

Attached please find a copy of the final audit report of
Municipal Bond Investors Committee which was approved by the
Commission on April 8, 1988.

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: Office of General Counsel
Office of Public Disclosure ✓
Reports Analysis Division
FEC Library

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FEDERAL ELECTION COMMISSION
WASHINGTON DC 20463

A87-34

REPORT OF THE AUDIT DIVISION
ON
MUNICIPAL BOND INVESTORS COMMITTEE

I. Background

A. Overview

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This report is based on an audit of the Municipal Bond Investors Committee ("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 2 U.S.C. § 438(b) 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 March 9, 1987, and maintains its headquarters in Miami Lakes, Florida.

The audit covered the period from the Committee's inception, February 19, 1986 through December 31, 1986. The Committee reported an opening cash balance of \$-0-; total receipts of \$91,570.00; total disbursements of \$70,531.00 and a cash on hand balance at December 31, 1986 of \$21,039.

This 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.

B. Key Personnel

The Treasurer of the Committee during the period audited was Mr. C. Richard Lehmann.

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.

II. Audit Findings and Recommendations

A. Misstatement of Financial Activity

Section 434(b) of Title 2 of the United States Code states in part that each report filed under this section by a political committee shall disclose for the reporting period and calendar year, the total amount of all receipts and all disbursements.

A reconciliation of bank activity to reported activity revealed that the Committee's reported receipts were understated by a net amount of \$36,528.83 and reported disbursements were understated by a net amount of \$36,965.86, representing 28.51% of reportable receipts and 34.38% of reportable disbursements.

The misstatement of receipts was the result of:

- Over reporting a loan received, (\$3000)
- Unreported refund, \$500
- Unreported receipts, \$39,028.83

The misstatement of disbursements was primarily the result of:

- Unreported disbursements, \$36,868.83

The Committee Treasurer stated that the unreported receipts and disbursements were in many cases due to the Committee making expenditures on behalf of other entities associated with the Committee which were subsequently reimbursed by those entities. Since the transactions netted out the Treasurer felt it was not necessary to report the receipts and disbursements. The Committee treasurer stated that an amended report would be filed correcting the misstatements noted above.

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In the interim audit report, the Audit staff recommended that within 30 days of receipt of the report the Committee file a comprehensive amendment correcting the misstated activity. On March 22, 1988, the Committee filed a comprehensive amendment correcting the misstated activity.

Recommendation #1

The Audit staff recommends no further action be taken on this matter.

B. Contribution Made in Excess of Limit

Section 441a(a) (1) (A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$1,000.

Person is defined at 2 U.S.C. § 431(11), in part, to include an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons.

Section 441a(a) (2) of Title 2 of the United States Code states that no multicandidate political committee shall make contributions to any candidate and his authorized political committee with respect to any election for Federal office which, in the aggregate, exceed \$5,000.

Section 441a(a) (4) states, in part, that for purposes of paragraph (2), the term "multicandidate political committee" means a political committee which has been registered for a period of not less than 6 months, which has received contributions from more than 50 persons, and except for any State political party organization, has made contributions to 5 or more candidates for Federal office.

Prior to filing a statement of organization with the Commission on March 9, 1987, the Committee made four contributions totalling \$6,931.46 (3/24/86, \$1,500; 9/8/86, \$1,000^{1/}; 9/16/86, \$2,500^{1/}; 10/13/86 \$1,931.46^{1/} in-kind) to Friends of Bob Torricelli, Inc.

^{1/} Friends of Bob Torricelli, Inc. is the principal campaign committee for Congressman Robert G. Torricelli 9th District N.J. The Congressional primary date in New Jersey was June 3, 1986, therefore, these contributions are considered to have been made with respect to the 1986 general election.

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Since the Committee did not qualify as a multicandidate committee at the time the contributions were made it was limited to \$1,000 per election.^{2/} The Committee has therefore exceeded the contribution limit to the Torricelli campaign by \$4,931.46. It should be noted that a \$500 refund was received by the Committee from the Torricelli Committee on June 3, 1986.

Regarding the in-kind contribution noted above, Committee files contained a letter dated 10/13/86, addressed to Friends of Torricelli which indicated that \$1,931.46 in printing and postage was paid on behalf of Friends of Torricelli. Committee bank records contained a check dated 10/9/86 payable to the Committee Treasurer's corporation for \$1,931.46. The Committee Treasurer stated that he paid the expenses and was later reimbursed by the Committee however, the Treasurer did not provide any documents to support his payment of the original expenses.

In the interim audit report, the Audit staff recommended that within 30 days of receipt of the report the Committee provide evidence that the direct contributions, totaling \$3,000, are not excessive or seek a refund of the remaining \$2,500 in excessive contributions. In addition the Audit staff recommended that the Committee provide evidence that the \$1,931.46 payment made on behalf of the Torricelli Committee is not an excessive contribution or seek a refund. A copy(s) (front and back) of the check(s) used to pay the \$1,931.46 in original invoices is to be provided to the Audit staff within the 30 day period. On March 24, 1988, the Committee provided the Audit staff with a copy of a refund check in the amount of \$4,431.46 received from the Torricelli Committee.

Recommendation #2

The Audit staff recommends no further action be taken in this matter.

C. Matters Referred to Office of General Counsel

Certain other matters noted during the audit have been referred to the Office of General Counsel.

^{2/} Had the Committee filed a statement of organization timely, it would have attained multi-candidate status on August 19, 1986.

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