



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20546

AK006369

May 31, 1995

MEMORANDUM

TO: RON M. HARRIS, PRESS OFFICER
PRESS OFFICE

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

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
THE NORTH CAROLINA DEMOCRATIC VICTORY FUND

Attached please find a copy of the final audit report and related documents on the North Carolina Democratic Victory Fund which was approved by the Commission on May 23, 1995.

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, D.C. 20461

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REPORT OF THE AUDIT DIVISION
ON THE
NORTH CAROLINA DEMOCRATIC VICTORY FUND

I. Background

A. Overview

This report is based on an audit of the North Carolina Democratic Victory Fund ("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 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 Commission on February 24, 1983, and maintains its headquarters in Raleigh, North Carolina.

The audit covered the period January 1, 1987, through December 31, 1988. The Committee reported a beginning cash balance on January 1, 1987, of \$2,045; total receipts for the period of \$488,214 ^{1/}; total disbursements for the period of \$461,453; and an ending cash balance \$28,806.

^{1/} The sum of the amounts reported for each reporting period totaled \$478,214; however, the sum of 1987 and 1988 calendar year to date totals for disbursements was \$488,214. The difference (\$10,000) resulted from errors in the reporting and itemization of receipts from other political committees on the 1988 October Quarterly report. The figures cited in this report are rounded to the nearest dollar.

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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 Treasurers of the Committee during the period covered by the audit were Mr. Russell Walker, from January 1, 1987 through September 25, 1988, and Mr. Larry Shaw from September 26, 1988 through January 31, 1989. The current Treasurer is Lyndo Tippett.

C. Scope

The audit included such tests as verification of total reported receipts and disbursements and individual transactions; review of required supporting documentation; an analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances; with the exception that although disbursement records appeared to be in compliance with the requirements of 2 U.S.C. §432(c), available supporting documentation allowed for only a limited analysis of expenditures relative to get-out-the-vote and phone bank activities conducted by the Committee.

II. Audit Findings and Recommendations

A. Disclosure of Contributions from Political Committees

Section 434(b)(3)(B) of Title 2 of the United States Code states, in part, 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 Audit staff identified three contributions, totaling \$42,965, which were under reported by \$32,665.

Also noted were three contributions, totaling \$18,690, itemized on Committee disclosure reports as having been received from three political committees; however, based upon the available information these transactions did not occur^{2/}.

^{2/} The Audit staff reviewed disclosure reports filed by these political committees and noted that no such contributions were reported by these committees.

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Finally, the Committee did not itemize two \$5,000 contributions; one from UAW V Cap dated August 18, 1988 and the other from the Committee on Letter Carriers Political Education, dated July 5, 1988. Both contributions were deposited on September 16, 1988.

At the Exit Conference, the Committee was presented a schedule of the disclosure errors. On May 17, 1990, the Committee amended its disclosure reports correcting the disclosure of the contributions noted above.

Recommendation #1

The Audit staff recommends no further action with respect to this matter.

B. Disclosure of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code requires, in part, that each report under this section shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee.

Section 104.11(b) of Title 11 of the Code of Federal Regulations states, in part, that any debt or obligation, the amount of which is over \$500 shall be reported as of the time of the transaction.

1. Loan Payment Not Itemized

The Committee signed a loan agreement with United National bank on August 30, 1988 and obtained a \$60,000 loan advance on August 31, 1988 which it itemized properly on Schedule A. The loan principal was repaid on September 20, 1988 but repayment was not disclosed on Schedule C or itemized on Schedule B as required at that time. The Audit staff notes that the amount of the repayment was reported on Line 24 of the Detailed Summary Page on the Committee's 12 Day Pre-General disclosure report, and was reported on Schedule C on the Committee's 30 Day Post-General disclosure report. The interest payment was itemized properly under operating expenditures.

On May 17, 1990 the Committee filed amended Schedules B and C to correct the irregularities noted above.

2. Disclosure of Debts for Administrative Expenses

The Committee reported debts owed to/from the North Carolina Democratic Executive Committee for the non-federal share of administrative expenses during 1987 and 1988. The Audit staff reviewed the total administrative expenses for 1987 and

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1988. Based on the Audit staff's analysis of the shared equitable payment for administrative expenses, the debt disclosed as owed to the North Carolina Democratic Executive Committee does not exist. Furthermore, under 11 C.F.R. § 102.5(a)(1), the non-federal account is prohibited from reimbursing the Committee 3/.

On April 18, 1990 the Committee amended its April 15 1990 Quarterly report to reflect that no debts are owed to/from the North Carolina Democratic Executive Committee for the non-federal share of administrative expenses.

Recommendation #2

The Audit staff does not recommend any amending action with respect to these transactions; however, the Committee should implement adequate procedures to assure accurate disclosure in accordance with the Regulations at 11 C.F.R. §104.11(b).

C. Other Matters

Other matters noted during the audit have been referred to the Commission's Office of General Counsel.

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3/ Unless otherwise noted, citations to the Commission's Regulations refer to those sections in place during the period covered by the audit.

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