



FEDERAL ELECTION COMMISSION

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WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE JACKSON FOR PRESIDENT COMMITTEE

I. Background

This report covers an audit of the Jackson for President Committee ("the Committee") undertaken by the Audit Division of the Federal Election Commission 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(a)(8) of Title 2 and Section 9038(a) of Title 26 of the United States Code.

Section 438(a)(8) directs the Commission "to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of this chapter, and with respect to alleged failures to file any report or statement required under the provisions of this chapter, and to give priority to auditing and field investigating of the verification for, and the receipt and use of, any payments received by a candidate under Chapter 95 or Chapter 96 of the Internal Revenue Code of 1954." Section 9038(a) of Title 26 states that "after each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under Section 9037."

The Committee was established as the principal campaign committee of Senator Henry M. Jackson in December, 1974. The principal officers of the Committee at the time of the audit were Ms. Zmira Goodman and C. Peter McColough, Co-Chairpersons, and Mr. Walter T. Skallerup, Jr., Treasurer. The Committee maintains its headquarters in Washington, D.C.



The audit covered the period from January 1, 1975, through June 30, 1977. During that period the Committee reported beginning cash of \$938,982.08; receipts of \$5,613,395.58; expenditures of \$6,486,470.51; and ending cash of \$65,907.15.

This audit report is based on documents and working 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.

II. Findings and Conclusions

A. Contributions Not Deposited Within 10 Days of Date of Receipt

Section 103.3(a) of the Commission's Disclosure Regulations requires that all contributions received by a candidate, his or her authorized political committee(s), and any other political committee(s) shall be deposited in a checking account in the appropriate campaign depository by the candidate, or by the treasurer of the Committee or his or her agent, within 10 days of the candidate's or treasurer's receipt thereof.

During the course of the audit, it was noted that on numerous occasions the Committee had deposited checks that had been received months prior to the deposit date. In some instances, the checks were found to have been held from six (6) months to over one (1) year. The latest Committee deposit containing these contributions occurred in September 1976. The Committee advised that they followed this practice when contributions requiring additional information to ensure compliance with Sections 441a and b of the Act were received. Letters requesting the necessary information were sent to the contributors and the contribution checks were held by the Committee in a locked file drawer until a response was received. Depending upon the nature of the response, the contributions were then either returned to the contributor or deposited into the Committee's checking account. If no response was received, the contribution was returned to the contributor.

For reporting purposes, the Committee disclosed the dollar amount of contributions held in this manner in a letter attached to the summary pages of their disclosure reports. For example, the following balances were reported as held by the Committee in this manner: as of 12/31/75 - \$45,400.00; 1/31/76 - \$81,395.00; 2/29/76 - \$36,750.00; 4/30/76 - \$17,630.00.

The Committee treasurer feels that, prior to acceptance and deposit of contributions, sufficient documentation should exist to determine whether or not the contribution is from a prohibited source. He, therefore, takes the position that a contribution is neither received or accepted until such documentation exists.

At the conclusion of the audit, it was noted that all such outstanding contributions had been deposited in the Committee's account and properly reported.

Recommendation

Based on these facts, it is our recommendation that no action by the Commission in this matter is necessary.

B. Disclosure of Occupation and Principal Place Of Business of Persons Whose Contributions Aggregate In Excess Of \$100.00 During the Calendar Year

Section 432(c)(2) of Title 2 of the United States Code requires that the treasurer of a political committee keep a detailed and exact account of occupation and principal place of business (if any) if a person's contributions aggregate more than \$100.00 during the calendar year, and Section 434(b)(2) requires that the treasurer disclose this information in reports filed with the Commission. Section 434(b) further states that where best efforts to obtain this information have been demonstrated, the committee will be deemed to be in compliance with this section.

During the audit, it was determined that the occupation and/or principal place of business was either omitted or insufficient on the Committee reports for approximately 25% of the contributors.

Procedures to obtain additional information from contributors (such as occupation and principal place of business) were employed by the Committee. A standard form letter was sent to the contributors requesting the additional information, and was followed by a phone call if no response to the letter was received. Committee officials stated that only about one-half of the letters they sent were returned, and that in many cases follow-up phone calls to the contributors were unsuccessful. They feel that the procedures employed to obtain additional contributor information were adequate and that they made every reasonable effort to acquire all of the information necessary to comply with the Act.

Further, on February 2, 1977, the Committee submitted amendments to their reports of receipts and expenditures previously filed with the Commission. The amendments include additional information on the occupation and principal place of business of the contributors.

Recommendation

Based on the Committee's attempt to secure the required information, our recommendation is that the Committee has demonstrated their best effort and the disclosure of contributors complies with the requirements of Sections 434(b)(2) and 432(c)(2) of Title 2 of the United States Code.

III. Matching Fund Repayment

A. Section 9038(b)(3) of Title 2 of the United States Code states in part that "After all obligations have been liquidated, that portion of any unexpended balance remaining in the candidate's accounts which bears the same ratio to the total unexpended balance as the total amount received from the matching payment account bears to the total of all deposits made into the candidate's accounts shall be promptly repaid to the matching payment account."

On June 24, 1976, the Commission notified Senator Jackson of its preliminary determination that his candidacy terminated on June 16, 1976 for purposes of making qualified campaign expenditures. This letter further requested a statement of the total net outstanding campaign obligations on June 16, 1976. On April 18, 1977, the Committee comptroller responded to our letter and after review of the information received, the Committee was able to substantiate that all of the Committee debts and obligations were incurred prior to the Candidate's date of ineligibility. As of June 16, 1976, the Committee maintained a net surplus of \$57,118.07.

The Audit staff has computed the amount of repayment as follows:

<u>Total Matching Payments</u>	X	Net Surplus	=	Repayment
<u>Total Deposits</u>				
\$1,980,555.00	X	\$57,118.07	=	\$17,603.78
\$6,425,732.84				

Recommendation

Based on the above computation, we recommended a repayment of \$17,603.78 of the Committee's net surplus. On December 28, 1977, the Committee Treasurer hand delivered a certified check, drawn on the account of the Jackson for President Committee and made payable to the United States Treasurer in the amount of \$17,603.78. This represents payment in full of the Committee's repayment obligation under Section 9038(b)(3) of Title 26 of the United States Code.

IV. Auditor's Statement

Except for the matters specifically noted in this report, the audit disclosed that the Jackson for President Committee conducted their activities in conformity with the Federal Election Campaign Act of 1971, as amended, and in conformity with Chapter 96 of Title 26, U.S.C., in all material aspects.