



FEDERAL ELECTION COMMISSION

1125 K STREET NW
WASHINGTON, DC 20463

REPORT OF THE AUDIT DIVISION ON THE SHRIVER FOR PRESIDENT COMMITTEE

I. Background

This report covers an audit of the Shriver 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 R. Sargent Shriver on July 15, 1975. The principal officers of the Committee at the time of the audit were William McCormick Blair, Jr., Arthur Rooney, Sr. and Chesterfield Smith, Co-Chairpersons, Leveo Sanchez, Treasurer from July 15, 1975 to April 15, 1976; William P. Kelly, Treasurer from April 15, 1976 to November 7, 1977 and Alan J. Spatz, Treasurer from November 7, 1977 to present. The Committee maintains its headquarters in Washington, D.C.



The audit covered the period from July 15, 1975 through June 30, 1977. During the period the Committee reported beginning cash of \$-0-; receipts of \$1,379,319.12; expenditures of \$1,385,423.26 and ending cash of \$4,550.97. ^{1/}

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.

Findings and Conclusions

A. Committee Reports

Section 434(b) of Title 2 of the United States Code requires the full disclosure of all financial activity by the Committee during the reporting period.

Our review of Committee files confirmed that Committee reports were incomplete for the months of February and March, 1976. The summary pages were omitted for the March report and blank for the February report. In addition, the itemized schedules submitted for those periods were incomplete. Specifically, a loan and loan repayment in the amount of \$50,000 was not disclosed. Also, a sample of expenditures made during the period July 15, 1975 through June 30, 1976 were tested for proper itemization on disclosure reports. The majority of the sample items which were not properly itemized were expenditures made during February and March of 1976.

On January 24, 1979, the Committee filed a comprehensive amendment covering this period disclosing the required information.

Recommendation

This matter had been referred to the Office of General Counsel for their review and consideration as MUR (Matter Under Review) 904 and was closed after the Committee filed amendments disclosing the information.

B. Other Matters

Presented below is another matter noted during the audit for which the Audit staff feels no Commission action is warranted.

^{1/} These figures are stated as originally reported, although it has been noted that they are arithmetically incorrect.

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The Committee received a loan in the amount of \$50,000 in February, 1976 (see A above). The proceeds of this loan were paid directly to one (1) vendor and two (2) state committees by the bank without first being deposited into a Committee depository as required by Section 437b of Title 2 of the United States Code.

C. Unqualified Campaign Expenses

Section 9038(b)(2) of Title 26 of the United States Code provides that if the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than: to defray the qualified campaign expenses with respect to which such payment was made; or to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray qualified campaign expenses it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary or his delegate an amount equal to such amount.

Section 9032(9)(A) of Title 26 of the United States Code defines a qualified campaign expense as a purchase, payment, distribution, loan, advance, deposit, or gift of money or of anything of value incurred by a candidate, or by his authorized committee, in connection with his campaign for nomination or election; and neither the incurring or payment of which constitutes a violation of any law of the United States or the state in which the expense is incurred or paid.

Section 432(d) of Title 2 of the United States Code requires that the treasurer obtain and keep a receipted bill stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

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1. Insufficiently Documented Expenditures

A sample of Committee expenditures made between July 15, 1975 and June 30, 1976 was tested to determine if sufficient supporting documentation had been maintained. This test indicated that 18.68% of the sample items (totaling \$48,196.51) was supported by documentation insufficient to establish the expenditures' connection to the campaign. In addition, all records needed to complete the audit were not presented during the initial fieldwork. Numerous attempts by the Audit staff to contact the Committee accountant (who has custody of the records and on November 7, 1977 was designated Treasurer of the Committee) were unsuccessful. Therefore, on March 20, 1978, the Commission issued a subpoena requiring production of the records not previously made available. The treasurer responded by presenting additional material for our review, however, the documentation presented did not adequately reduce the number of insufficiently documented expenditures contained in our original sample. As a result, additional fieldwork was conducted to review supporting documentation for expenditures on a 100% basis for the period July 1, 1975 through June 30, 1977.

There remained 17 expenditures totaling \$9,011.81 which lack documentation sufficient to establish connection to the campaign.

In addition, records in support of Committee accounts maintained in Massachusetts and Mississippi remain incomplete. Originally the amount of insufficiently documented expenditures made from the Massachusetts account was \$15,320.21. This amount had been reduced to \$11,119.10.

At the time of the initial fieldwork records available for the Mississippi account consisted of copies of bank statements obtained by the Audit staff through direct contact with an individual who had been involved with the Mississippi campaign. Subsequently sufficient documentation was presented for a portion of the \$5,164.07 in expenditures. There remained a total of \$4,015.62 in expenditures from the Mississippi account which are supported by documentation insufficient to establish connection to the campaign.

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The final audit report was approved by the Commission on August 2, 1978 and the Committee received the Commission's final determination with respect to repayment on August 17, 1978. Further, the Committee requested and was granted an extension of 30 days to submit the information requested in the letter of audit findings.

On August 2, 1978, the Commission had determined that 17 expenditures, totaling \$9,011.81 identified during a 100% review of the Committee's headquarters bank accounts were unqualified campaign expenses. During the 30 day extension period, the Committee submitted adequate documentation which reduced the amount from \$9,011.81 to \$788.32. Furthermore, the amount of unqualified campaign expenses relating to the Massachusetts bank account was reduced from \$11,119.10 to \$4,487.36; while the amount of unqualified campaign expenses relating to the Mississippi bank account was reduced from \$4,015.62 to \$375.00. Thus, as of October 16, 1978, the amount of unqualified campaign expenses totaled \$5,650.68.

Since the expiration of the extension of time granted to the Committee, they submitted an additional \$2,091.95 of documentation in support of expenditures from the Massachusetts account reducing the amount of unqualified campaign expenses to \$2,395.41.

On January 17, 1979, the Commission determined that expenditures totaling \$3,558.73 (\$788.32 - 100% review; \$2,395.41 - Massachusetts account; and \$375.00 - Mississippi account) are considered unqualified campaign expenses and repayable in full to the United States Treasury.

The Candidate was notified of this determination by letter dated January 30, 1979, and received by Committee officials on February 10, 1979, thereby extending the 30 day objection period to March 12, 1979 and the 90 day repayment period to May 10, 1979.

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On March 21, 1979 and May 9, 1979, the Committee submitted documentation in support of expenses totaling \$2,588.73, sufficient to demonstrate that these disbursements were qualified campaign expenses. This submission reduced the balance of these unqualified campaign expenses to \$975.00.

2. Parking and Traffic Fines

During the review of Committee files it was determined that the Committee had paid traffic and/or parking violation fines totaling \$578.00.

The Commission determined that the expenditures for traffic and parking violation fines totaling \$578.00 be considered unqualified campaign expenses and repayable in full to the United States Treasury.

Repayment Summary

1. Insufficiently Documented Expenditures	
A. 100% review of expenditure records at Committee Headquarters	\$ 600.00
B. Mississippi Account	375.00
2. Traffic and Parking Violation Fines	<u>578.00</u>
<u>Total Repayment</u>	<u>\$1,553.00</u>

On September 27, 1979, the Committee remitted a check payable to the United States Treasury in the amount of \$1,553.00.

Recommendation

Since the Committee has repaid the entire obligation, we recommend no further action on this matter.

D. Net Campaign Obligations

Section 9033(b)(1) of Title 26 of the United States Code provides that if the Commission determines that any portion of the payment made to a candidate from the matching payment account was in excess of the aggregate amount of payments to which such candidate was entitled under Section 9034, it shall notify the candidate, and the candidate shall pay to the Secretary or his delegate an amount equal to the amount of excess payments.

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The Commission determined that Mr. Sargent Shriver's candidacy for the Democratic presidential nomination effectively terminated on May 11, 1976. The candidate was thus prohibited from making any expenditures from Federal matching funds after the above date which had not been incurred or contracted for prior to that date.

In response to our request of June 24, 1976 the Committee submitted a statement showing outstanding obligations of \$261,940.00 and assets of approximately \$15,000.00 on the candidate's date of ineligibility. As of January 21, 1977, the Committee submitted a statement showing outstanding campaign obligations of \$231,293.38 and assets of \$3,683.20. The candidate received \$10,642.00 in matching funds after January 21, 1977. Although the records presented did not allow us to verify the exact amount indicated outstanding, the Audit staff was able to verify that a substantial portion of the stated outstanding debt was larger than the amount of matching funds requested. Hence no payments in excess of eligibility were received by the candidate.

II. Auditor's Statement

Except for the matters specifically noted in this report, the audit disclosed that the Committee conducted its activities in conformity with the Federal Election Campaign Act of 1971, as amended, and in conformity with Chapter 96 of Title 26, United States Code, in all material aspects.



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WASHINGTON, D.C. 20043

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ADDITIONAL INFORMATION REGARDING THIS ORGANIZATION
MAY BE LOCATED IN A COMPLETED COMPLIANCE ACTION
FILE RELEASED BY THE COMMISSION AND MADE PUBLIC IN
THE PUBLIC RECORDS OFFICE. FOR THIS PARTICULAR
ORGANIZATION'S COMPLETED COMPLIANCE ACTION FILE
SIMPLY ASK FOR THE PRESS SUMMARY OF MUR # 204.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



