



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

February 3, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT
REPORT - GEORGE BUSH FOR PRESIDENT

Attached please find a copy of the final audit report of the George Bush For President committee which was approved by the Commission on January 22, 1981.

Informational copies of the report have been received by all parties involved and this report may be released to the public as of today, February 3, 1981.

Attachment as stated

cc: FEC Library
RAD
Public Record



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON GEORGE BUSH FOR PRESIDENT (COMMITTEE)

I. Background

A. Overview

This report covers an audit of the George Bush For President committee ("the Committee"), 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 9038(a) of Title 26 of the United States Code which 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."

In addition, Section 9039(b) of Title 26 of the United States Code and Section 9038.1(b) of Title 11 of the Code of Federal Regulations states that the Commission may conduct other examinations and audits from time to time as it deems necessary to carry out the provisions of this subchapter.

The Committee registered with the Federal Election Commission on January 5, 1979. The Committee maintains its financial headquarters in Houston, Texas and maintained its national political headquarters in Alexandria, Virginia.

The audit covered the period from January 1 through June 30, 1980. The Committee reported during the audit period: an opening cash balance of \$75,307.79; total receipts of \$16,760,929.42; total expenditures of \$16,753,914.29; and a closing cash balance of \$82,322.92. 1/ As of August 31, 1980, the Committee reported expenditures of \$13,565,496.18 subject to the overall limitation.

1/ In addition, a review was made to determine the accuracy of the Committee's reported net outstanding campaign obligations as of July 16, 1980 and July 18, 1980 and other limited audit procedures were performed for the period through August 15, 1980.

This report is based on documents and working papers which support 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 principal officers of the Committee during the period covered by the audit were: Mr. James A. Baker, III, Chairman from January 1, 1980 through the present; Mr. Thomas M. Roberts, Treasurer from January 1, 1980 through June 30, 1980; and Mr. W. Garrett Boyd, Treasurer from July 1, 1980 through the present.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation and analysis of Committee debts and obligations; review of contribution and expenditure limitations; and such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations

A. Allocation of Expenditures to States

Sections 441a(b)(1)(A), and 441a(c) of Title 2 of the United States Code provides that no candidate for the Office of President of the United States who has received matching funds may make expenditures in any one state aggregating in excess of the greater of 16 cents multiplied by the state voting age population or \$200,000.00, adjusted by the Consumer Price Index.

Section 106.2(a) of Title 11 of the Code of Federal Regulations states that expenditures made by a Presidential candidate's authorized committee which seek to influence the nomination of the candidate in a particular state shall be attributed to that state. This section further requires that the allocation of expenditures shall be reported on FEC form 3Pc.

Section 106.2(c) of Title 11 of the Code of Federal Regulations requires that an expenditure by a Presidential candidate for use in two or more states, which cannot be attributed in specific amounts to each state, shall be attributed to each state based on the voting age population in each state which can reasonably be expected to be influenced by such an expenditure.

1. Response to Threshold Audit Findings

The threshold audit report requested that the Committee's allocation of expenditures to state limitations be amended. These additional allocations were both for specific expenditures relating to specific states (\$192,947.06) and expenditures relating to two or more states to be allocated based on voting age population (\$289,050.38). Though the Committee disagreed with the recommended allocations, an amended report reflecting the requested changes was received on August 14, 1980.

2. Post Primary Audit

During the post primary audit a test of the Committee's allocation of expenditures to the state expenditure limitations was conducted. Though amounts which were not properly allocated were identified, no state limitation was exceeded.

On November 13, 1980 the Commission approved the Audit staff's recommendation that, since the Committee filed the requested amendments for the threshold audit, and since the misallocations to state limitations in the post primary period did not affect the Committee's compliance with the state expenditure limitations, no further action be required.

B. Expenditures Attributable to Exempt Legal and Accounting and Fundraising

Section 441a(b)(1)(A) and 441a(c) of Title 2 of the United States Code states, in part, that no Presidential candidate who is eligible to receive matching funds payments may make expenditures in excess of \$10,000,000 (as adjusted by the Consumer Price Index) during a campaign for nomination.

Section 431(9)(B)(vii)(II) of Title 2 of the United States Code and Section 100.8(b)(15) of Title 11 of the Code of Federal Regulations state, in part, that the term "expenditure" does not include the payment for legal or accounting services rendered to or on behalf of a political committee solely for the purpose of ensuring compliance with Title 2 of the United States Code or Chapters 95 and 96 of the Internal Revenue Code of 1954. Although they must be reported, these compliance expenditures are exempt from the limitations imposed by Section 441a(b)(1)(A) of Title 2 of the United States Code.

Section 431(9)(B)(vi) of Title 2 of the United States Code, and Section 100.8(b)(21) of Title 11 of the Code of Federal Regulations state, in part, that fundraising costs are not subject to the expenditure limitation of 441a(b) of Title 2 of the United States Code unless they exceed 20% of that limitation. All such costs, however, shall be reported in accordance with Section 434(b) of Title 2 of the United States Code.

1. Response to Threshold Audit Findings

The threshold audit report concluded that the allocations to exempt legal and accounting and fundraising categories were overstated. This conclusion was based on a review of the Committee's allocation of overhead expenses and the allocation of expenditures for accounting services. It was recommended the Committee amend their reports to correct a \$35,159.64 overallocation to exempt fundraising and a \$30,415.23 overallocation to exempt legal and accounting. On August 14, 1980, the Committee filed the requested amended reports.

2. Post Primary Audit

During the post primary audit a test of the Committee's allocation of expenditures to exempt legal and accounting and exempt fundraising was conducted. Though some overallocations were identified, the Committee's compliance with the overall expenditure limitation was not affected.

On November 13, 1980 the Commission approved the Audit staff's recommendation that, since the Committee has filed the amended reports requested in the threshold audit report, and since the overallocations in the post primary period did not affect the Committee's compliance with the expenditure limitations, no further action be required.

C. Failure to Itemize Refunds and Rebates

Section 434(b)(3)(F) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person who provides a rebate, refund, or other offset to operating expenditures to the reporting Committee in an aggregate amount or value in excess of \$200.00 within the calendar year together with the date and amount of such receipt.

For the period January 1, 1980 through June 30, 1980, the Audit staff found that the Committee failed to itemize 148 refunds and rebates totaling \$35,364.02. This represents 28.5% of the number and 5.1% of the dollar amount of refunds and rebates required to be itemized. Of this amount, 25 items totaling \$25,350.01 were in excess of \$200.00. The remaining items were in amounts less than \$200.00 but in the aggregate exceeded \$200.00 from each person.

Committee officials stated that they did not have a system to aggregate refunds and rebates. Committee officials also stated that they were informed by a consultant that receipts from sales of office equipment need not be itemized as refunds and rebates on the Committee's reports. On October 3, 1980, the committee filed an amendment itemizing the 148 refunds and rebates.

On November 13, 1980, the Commission approved the Audit staff's recommendation that since the committee filed an amendment itemizing the refunds and rebates, no further action be required.

D. Disclosure of Intermediary For Earmarked Contributions

Section 110.6(a) of Title 11 of the Code of Federal Regulations states that all contributions by a person made on behalf of or to a candidate, including contributions which are in any way earmarked or otherwise directed to the candidate through an intermediary or conduit, are contributions from the person to the candidate.

Section 110.6(b) of Title 11 of the Code of Federal Regulations states, in part, that for purposes of Section 110.6, earmarked means a designation, instruction, or encumbrance which results in all or any part of a contribution being made to a clearly identified candidate or a candidate's authorized committee.

Section 110.6(c)(3) of Title 11 of the Code of Federal Regulations requires the recipient of such earmarked contributions to disclose each intermediary or conduit through which the contribution passed.

Our review of earmarked contributions indicated that the intermediaries for 34 contributions totaling \$3,958.50 were not disclosed as required.

These 34 represent 21.79% of the number and 22.27% of the dollar value of earmarked contributions received by the Committee during the period covered by the audit.

On December 16, 1980, the Committee filed an amendment disclosing the intermediaries through which the 34 earmarked contributions passed.

Recommendation

Since an amendment disclosing the intermediaries has been filed, no further action is recommended.

E. Matters Referred to Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on December 24, 1980.

III. Repayment of Matching Funds

Section 9038(b)(1) of Title 26 of the United States Code requires that if the Commission determines that a candidate received matching funds in excess of the aggregate amount to which the candidate was entitled, the candidate shall pay to the Secretary of the Treasury an amount equal to the excess payments.

The Candidate became ineligible to incur further qualified campaign expenses on July 16, 1980, the date on which the Republican National Convention nominated a candidate for the Office of President.

As of July 18, 1980, the Committee's Net Outstanding Campaign Obligations as adjusted, totaled \$183,146.16. Based on this outstanding debt the Committee received a matching fund payment of \$107,591.73. Therefore, with the exception of the amount discussed below, the Candidate has received no matching fund payments in excess of his entitlement.

Based on the Audit Division holdback procedure for expedited payment of matching fund requests, the Committee received excess payments for matching fund submissions #11 and #12 totaling \$39,691.01. This resulted from the percentage of unmatchable contributions contained in these submissions exceeding the average percentage contained in the four (4) previous submissions. Since no subsequent matching fund requests had been received, the excessive amount had not been recovered. On September 25, 1980, the Committee voluntarily repaid the \$39,691.01 to the United States Treasury.

On November 13, 1980, the Commission approved the Audit staff's recommendation that since the committee repaid the excess matching funds, no further action be required.



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

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 # 1310.
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

2 4 0 7 0 1 5 2 3 3 0

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 # 1365 .
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



