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FEDERAL ELECTION COMMISSION  
WASHINGTON, DC 20463

December 16, 1980

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *REC*

FROM: RICK HALTER

SUBJECT: PUBLIC ISSUANCE OF FINAL (POST-PRIMARY)  
AUDIT REPORT OF THE DOLE FOR PRESIDENT  
COMMITTEE

Attached please find a copy of the final audit report (post-primary) of the Dole for President Committee which was approved by the Commission on November 6, 1980.

Informational copies of the report have been received by all parties involved and the report may be released to the public as of today, December 16, 1980.

Attachment as stated

cc: FEC Library  
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Public Record

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FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

REPORT OF THE AUDIT DIVISION  
ON  
THE DOLE FOR PRESIDENT COMMITTEE, INC.

I. Background

A. Overview

This report is based on an audit of the Dole For President Committee, Inc. ("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 state, in relevant part, that the Commission may conduct other examinations and audits from time to time as it deems necessary.

The Committee registered with the Federal Election Commission as the principal campaign committee for the Honorable Robert J. Dole on February 21, 1979. <sup>1/</sup> The Committee maintained its headquarters in Alexandria, Virginia.

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<sup>1/</sup> The Committee registered as the Dole For President (Exploratory Committee) on February 21, 1979. Successor committee names are Dole For President Committee and Dole For President Committee, Inc.

The audit covered the period from inception through March 27, 1980, the date determined by the Commission to be the date of ineligibility for purposes of incurring qualified campaign expenses. 2/ At the time of the completion of the audit, the Committee had reported its financial activity through February 29, 1980. That activity plus our reconciliation of the activity for the remainder of the period through March 27, 1980, revealed the following:

Opening Cash Balance	\$ -0-
Total Receipts	1,421,330.38
Total Expenditures	1,393,290.48
Closing Cash Balance	= 34,659.73 3/

This report is based upon documents and working papers which support each of the 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 Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the Committee during the period audited were Gerald Nash, Chairman and Ann Dore McLaughlin, Treasurer.

C. Scope

The audit included such tests as verification of reported receipts, expenditures and individual transactions; review of required supporting documentation; 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

On August 1, 1980, the interim post-primary audit report was received by the Committee for response within 30 days of receipt. On August 12, 1980, the Committee requested a 30 day extension of the response time due to the need for additional time to obtain copies of cancelled cashier's checks and because minor time-related problems were encountered with vendors. The Commission, on August 19, 1980, denied the Committee's request for a 30 day extension of time to respond to the interim post-primary audit report. References within this report to corrective action taken by the Committee relate only to materials and information submitted by the Committee within the 30 day response period which ended on September 2, 1980.

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- 2/ In addition, a review was performed of the expenditures made by the Committee and to verify the Committee's net outstanding campaign obligations as of August 31, 1980.
- 3/ Apparent overstatement of \$6,619.83 in ending cash due to various arithmetical errors in reported receipts activity.

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A. Findings Relating To Title 2 of The United States Code

1. Limitations On Contributions

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

During the review of the Committee's contribution records, the Audit staff noted ten (10) contributors who exceeded the \$1,000 contribution limitation by a total of \$6,131.00.

Committee officials believed they could provide additional documentation to allocate the contributions to more than one individual.

The Committee provided evidence that indicated that one (1) contribution in the amount of \$2,000.00 should have been attributed to various individuals in a partnership. In addition, the Committee stated that on August 18, 1980 letters were mailed to each individual in Attachment A requesting whether the contributor desired a refund of the excess or that the contribution be attributed to the contributor's spouse.

Recommendation

The Audit staff recommends that the documentation, any amendments relating thereto and copies of refund checks (front and back) be presented to the Audit staff when received by the Committee. Any refunds made should be reflected on the next disclosure report filed.

2. Transfers-In and Earmarked Contributions

Former Section 434(b)(4) states, in relevant part, that each report shall disclose the name and address of each political committee from which a transfer of funds was received, together with the date and amount.

Section 104.17(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that each report shall disclose the identification of each political committee from which a transfer of funds was received, together with the amounts and dates of all transfers, including aggregate year to date transfers.

Section 110.6(c)(3) of Title 11 of the Code of Federal Regulations states, in part, that the recipient of earmarked contributions shall disclose on his next report each conduit through which the contributions passed.

The Audit staff's review of the Committee's receipt records revealed that 77 transfers-in and earmarked contributions totaling \$8,003.00 from political committees and/or individuals were either not itemized or reported as required.

Recommendation

The Committee filed an amendment on September 2, 1980 adequately disclosing the transfers-in and the earmarked contributions. The Audit staff therefore recommends no further action on this matter.

B. Findings Relating To Title 26 of The United States Code

1. Undocumented Expenditures

Section 9038.2(a)(2) of Title 11 of the Code of Federal Regulations requires the candidate to repay any amounts determined to have been used for payments of other than qualified campaign expenses. Section 9033.1(a)(1) sets forth the documentation necessary to determine a qualified campaign expense as a receipted bill which is from the payee and states the particulars of the expenditure; or in the absence of such receipted bill a cancelled check negotiated by the payee plus one of the following documents generated by the payee which states the particulars of the expenditure; a bill, invoice, voucher or contemporaneous memorandum. Where these documents are not available, then the Commission will accept a voucher or contemporaneous memorandum from the candidate or committee. The Commission will accept a cancelled check stating the particulars of the expenditure, or the Commission may accept a cancelled check and collateral evidence to document the qualified campaign expenses.

The Audit staff identified 94 disbursements totaling \$172,260.33 which were made by Committee check, wire transfer or cashier's check and not adequately documented as to the particulars of the expenditures or verifiable as to representing qualified campaign expenses. The expenditures were made for purposes such as the following:

- a. Payments apparently made per contract:  
14 totaling \$89,846.85
- b. Advances and travel reimbursements:  
22 totaling \$21,373.07.
- c. Apparent salary or casual labor:  
10 totaling \$3,986.68.
- d. Other services:  
3 totaling \$19,677.32.

- e. State account expenses - Iowa:  
33 totaling \$26,050.53.
- f. State account expenses - New Hampshire:  
12 totaling \$11,325.88.

The Committee officials believed that they could obtain documentation for many of the expenditures noted above.

On July 29, 1980, the Commission made a preliminary determination that, absent a showing to the contrary, \$172,260.33 in expenditures be viewed as unqualified campaign expenses and the value repaid in full to the U.S. Treasury. The Committee submitted documentation for a portion of the expenditures during the 30 day response period. A review of this information revealed that adequate documentation was not submitted for the following expenditures (see Attachment B): a) Payments apparently made per contract: 3 totaling \$11,325.02; b) Advances and travel reimbursements: 12 totaling \$8,763.66; c) Apparent salary or casual labor: 2 totaling \$2,401.00; d) Other services: 1 totaling \$9,229.55; e) State Account expenses - Iowa: 15 totaling \$7,821.59; f) State account expenses - New Hampshire: 10 totaling \$10,525.88 for a total of all categories of \$50,066.70.

#### Recommendation

The Audit staff recommends that the Committee be afforded 30 days from receipt of this report to provide additional documentation. No materials will be accepted after this period at which time the final repayment to the U. S. Treasury will be determined. Further, it is our opinion that should the Committee be unable to provide the required documentation, the undocumented expenditures should be viewed as unqualified campaign expenses and the value be repaid in full to the U. S. Treasury.

Recommended repayment amount - item B.1 - \$50,066.70.

#### 2. Determination Of Net Outstanding Campaign Obligations

Section 9034.5(b) of Title 11, Code of Federal Regulations requires that the candidate submit a Statement of Net Outstanding Campaign Obligations (NOCO) which contains, among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs within 15 days of the candidate's date of ineligibility.

The Committee filed a Statement of Net Outstanding Campaign Obligations on April 11, 1980. On July 29, 1980, the Commission approved the Audit staff's recommendation that the Committee's net outstanding campaign obligations as of March 27, 1980 was \$6,734.27 (deficit).<sup>4/</sup> In addition, there were several categories of unverified debts on the Committee's NOCO statement.

<sup>4/</sup> The date of March 27, 1980 is the date determined by the Commission to be the date of ineligibility for purposes of incurring qualified campaign expenses.

As a result of audit work performed after the 30 day response period to the interim audit report, the Audit staff determined that as of 6/30/80 the Committee was not entitled to any further matching funds based on net outstanding campaign obligations.

DOLE FOR PRESIDENT COMMITTEE, INC.  
STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS  
MARCH 27, 1980

Assets

Cash-on-hand and in banks	\$ 34,659.73	
Accounts receivable	<u>54,795.24</u>	
Total Assets	\$ <u>89,454.97</u>	<u>\$89,454.97</u>

Obligations

Accounts payable and winding down costs	<u>(\$149,845.87)</u>	
Total Obligations	<u>(\$149,845.87)</u>	<u>(\$149,845.87) 5/</u>
Net Outstanding Campaign Obligations - (Deficit)		<u>(\$ 60,390.90)</u>

Therefore, as of 3/27/80, the candidate was entitled to a maximum of \$60,390.90 in matching funds, reduced by the amount of private contributions received after his date of ineligibility.

Shown below is a recapitulation of private contributions and matching funds received or due the Committee for the period 3/28/80 through 6/30/80 the date, in our opinion, on which all debts were effectively eliminated (i.e., funds were available to the Committee to extinguish such debts).

Application of Private Contributions, Matching Funds & Joint Fundraising Receipts March 28, 1980 through June 30, 1980

Private Contributions (3/28-5/21/80)	\$ 14,123.13	
Matching Fund Receipts (5/21/80)	<u>23,910.91</u>	
Remaining entitlement as of 5/21/80		<u>(\$ 22,356.86)</u>
Private Contributions (5/22-6/30/80)	\$ 6,505.00	
Joint Fundraising Receipts as of 6/30/80:		
1980 United Republican Committee		12,490.51 <u>6/</u>
1980 Republican Presidential Unity Committee (net proceeds as of 6/30/80=\$264,028.30 x 4.5% up to remaining entitlement)		<u>3,361.35 7/ 8/</u>
Remaining entitlement as of 6/30/80	\$ - 0 -	

- 5/ Excluded from this amount are reimbursement requests from three (3) individuals totaling \$731.82 and invoices from two (2) vendors totaling \$2,376.32 all of which are disputed by the Committee. The Committee stated that they feel that services were not rendered and therefore do not intend to make payment. In addition, this total is based on a Settlement of Debt filed with the Commission on July 10, 1980 between the Committee and two (2) of their vendors. This Settlement of Debt is subject to the Commission's approval.
- 6/ The joint fundraising dinner was held on June 16, 1980. The net proceeds were disbursed on August 1, 1980 and received by the Committee on August 6, 1980. It is our opinion that monies became available to pay off debts on or before 6/30/80 since the joint fundraising committee is an authorized committee of the candidate.
- 7/ The joint fundraising dinners sponsored by this committee were held on June 13, 20 and 27, 1980. For purposes of calculating remaining entitlement, it is our opinion that monies became available to pay off debts on or before 6/30/80 for the Candidate's pro rata portion of the reported net proceeds collected by the joint fundraising committee as of 6/30/80 since the joint fundraising committee is an authorized committee of the candidate.
- 8/ The joint fundraising agreement pertaining to the 1980 Republican Presidential Unity Committee stipulates that funds will be disbursed only to the extent necessary to satisfy outstanding debts of the participating candidates. However, the actual distribution of the net proceeds is not determinable at this time. As of 9/30/80, the 1980 Republican Presidential Unity Committee has not made any distribution.

Recommendation

Since the Committee's assets were sufficient to extinguish all debts as of June 30, 1980, it is the recommendation of the Audit staff that the Committee is not entitled to any further matching funds (see 11 C.F.R. 9034.1(b)).



3. Apparent Unqualified Campaign Expense

Section 9038(b)(2)(A) of Title 26 of the United States Code states, in part, that the candidate shall pay to the Secretary of the Treasury an amount equal to the amount expended from the matching payment account which was used for any purpose other than to defray qualified campaign expenses (also see 11 C.F.R. 9038.2(a)(2)(i)).

Section 9032(9)(A) & (B) of Title 26 of the United States Code define the term "qualified campaign expense" to mean "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 for election, and neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which the expense is incurred or paid."

The Audit staff's review of the vendor files revealed a payment of \$6,312.03 to the Virginia Department of Taxation on February 29, 1980. The purpose of the expenditure, as stated on the copy of the check, was "Virginia withholding tax, plus interest and penalty." Our review of copies of Form VA-5, Employer's Return of Virginia Income Tax Withheld, attached to the check copy revealed that state taxes had apparently not been withheld on Committee salaries for the period April through December, 1979.\* Due to the late filing of withholding taxes, the Committee paid \$1,115.97 in penalty to the State of Virginia. The remainder of the check amount, \$5,196.06, represented taxes which should have been withheld over the period and interest.

We feel that the assessment of penalty in the amount of \$1,115.97 was due to the Committee's non-compliance with State law and was not incurred in the normal course of a candidate's campaign for nomination for election. We therefore believe that this expenditure was not a qualified campaign expense.

On July 29, 1980, the Commission made a preliminary determination that expenditures made for penalties due from non-compliance with tax laws be viewed as unqualified and the value repaid in full to the U. S. Treasury.

Recommended repayment amount - item B.3 - \$1,115.97

\* The Committee had not established an escrow account for deposits of withholding taxes.

Recommendation

Based on the items listed in B.1 and B.3 above, the Audit staff recommends that the Committee repay to the U.S. Treasury \$51,182.67 within 90 days of receipt of this report or provide additional documentation within the first 30 days after receipt of this report which demonstrates that the items are not subject to repayment. A recapitulation of the components of the repayment amount appear below:

Undocumented Expenses - item B.1	\$50,066.70
Apparent Unqualified Expenses = item B.3	<u>1,115.97</u>
Total Repayment	<u>\$51,182.67</u>

C. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on May 21, 1980 and September 9, 1980.

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SEPARATOR



FEDERAL ELECTION COMMISSION

WASHINGTON, D. C. 20463

March 9, 1981

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF ADDENDUM  
TO FINAL AUDIT REPORT-THE DOLE  
FOR PRESIDENT COMMITTEE, INC.

Attached please find a memorandum from the Audit Division to the Commissioners which will serve as an addendum to the final audit report of The Dole For President Committee, Inc.

This above mentioned document was received by the Committee and all involved parties and may be released to the public as of today, March 9, 1981.

Attachment as stated

cc: FEC Library  
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✓ Public Record



FEDERAL ELECTION COMMISSION

WASHINGTON, DC 20463

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MEMORANDUM

March 4, 1981

TO: THE COMMISSIONERS

THROUGH: B. ALLEN CLUTTER, III  
STAFF DIRECTOR

FROM: BOB COSTA *BC*

SUBJECT: RESPONSE TO THE FINAL AUDIT REPORT-  
THE DOLE FOR PRESIDENT COMMITTEE, INC.

I. Summary of Issue and Recommendation

On January 14, and February 5, 1981, the Audit Division received from the Dole For President Committee, Inc., ("the Committee"), expenditure information in response to the final audit report. During the time since the close of the 30 day response period to the interim audit report, acceptable supporting documentation has been presented which reduces the amount repayable to the U.S. Treasury from \$51,182.67 (as cited in the final audit report) to \$3,369.44. The Audit staff recommends that the Commission approve this revised repayment amount.

Further, it is recommended that this document be placed on the public record as an addendum to the publicly released final audit report.

II. Background

On December 15, 1980, the Committee received a copy of the final audit report. The report afforded the Committee 30 days to respond to certain findings and conclusions contained therein.\*

Finding II.A.1. on page 3 of the final audit report contained a recommendation that the Committee provide documentation relating to nine (9) contributors who apparently exceeded the contribution limitation. During the period following the 30 day response to the interim audit report, the Committee provided evidence of either refund, or reattribution to a family member for all contributors noted. Therefore, no further action is recommended.

\* On March 3, 1981, the Commission determined that the expenditure information submitted on February 5, 1981 (after the close of the 30 day response period) would be considered in arriving at the final repayment amount.

Two (2) findings contained recommendations that the Committee repay a portion of the Federal funds that it received during the primary election campaign:

Finding II.B.3. on page 8 of the final audit report entitled "Apparent Unqualified Campaign Expense" concluded that the Committee made a payment of a tax penalty in the amount of \$1,115.97 which was due to the Committee's non-compliance with State law. On November 6, 1980, the Commission made a determination that the amount (\$1,115.97) of this expenditure was repayable to the U.S. Treasury pursuant to 26 U.S.C. 9038(b)(2). In its response, the Committee stated that it would not challenge the Commission's determination and would make a repayment in the amount specified.

Finding II.B.1. on pages 4 and 5 of the final audit report entitled "Undocumented Expenditures" stated that the Committee made expenditures, totaling \$50,066.70, for which it did not retain the requisite supporting documentation to show that the expenditures were qualified campaign expenses under 11 C.F.R. 9033.1(a)(1).

During the time from the end of the 30 day response period to the interim report, to and including February 5, 1981, the Committee submitted information/documentation relating to the expenditures mentioned above.

Specifically, the Committee provided cancelled checks, invoices, vouchers, and receipts to document \$47,813.23 of the expenditures noted in Finding II.B.1. of the final audit report.

Therefore, in the opinion of the Audit staff, the amount (\$51,182.67) cited in the final audit report as repayable to the U.S. Treasury should be reduced to \$3,369.44.

### III. Support for the Recommendation

Based on the Audit staff's review of the material submitted by the Committee, it is recommended that the Commission determine that the revised amount is repayable to the U.S. Treasury within 20 days of the Committee's receipt of this report.

### IV. Staff Coordination

A copy of this memorandum was furnished to the Office of General Counsel for their consideration.



## 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 # 1327.1251  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.



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