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FEDERAL ELECTION COMMISSION  
WASHINGTON, DC 20463

December 18, 1980

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *RPC*

FROM: JOE STOLTZ *JS*

SUBJECT: PUBLIC ISSUANCE OF FINAL (POST-PRIMARY)  
AUDIT REPORT OF THE BAKER COMMITTEE

Attached please find a copy of the final (post-primary) audit report of the Baker Committee which was approved by the Commission on December 16, 1980.

Informational copies of the report have been received by all parties involved and this report may be released to the public as of today, December 18, 1980.

Attachment as stated

cc: FEC Library  
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FEDERAL ELECTION COMMISSION

WASHINGTON D.C. 20463

POST-PRIMARY REPORT OF THE AUDIT DIVISION  
ON  
THE BAKER COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Baker 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."

Section 9039(b) of Title 26 of the United States Code states, in part, that the Commission is authorized to conduct examinations and audits in addition to those required by Section 9038(a), which it determines to be necessary to carry out its responsibilities under this chapter.

In addition, 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 as the principal campaign committee for the Honorable Howard H. Baker, Jr. on January 31, 1979. <sup>1/</sup> The Committee maintains its headquarters in Washington, D.C.

The audit covered the period from the Committee's inception, January 29, 1979, through March 31, 1980, the final coverage date of the last report filed at the time of the audit. <sup>2/</sup> The Committee reported a beginning cash balance of \$-0-, total receipts for the period of \$7,165,761.30, total expenditures for the period of \$7,029,290.58 and a closing cash balance on March 31, 1980 of \$136,470.72.

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<sup>1/</sup> The Committee registered as the Baker Search Committee on January 31, 1979. On April 2, 1979, the Committee amended its name to the Baker Committee.

<sup>2/</sup> In addition, a review was made to determine the accuracy of the Committee's allocation of expenditures to the states through September 30, 1980 and to verify the Committee's reported net outstanding campaign obligations as of August 25, 1980.

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: Mr. James A. Haslam, II, Chairman, from January 29, 1979 to March 21, 1979; and the Honorable Richard G. Lugar, from March 21, 1979 to the present; and Mr. Stan Huckaby, Treasurer from January 29, 1979 to 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. Interim Audit Findings and Recommendations

A. Allocation of Field Personnel Payroll

Sections 441a(b)(1)(A) and 441a(c) of Title 2 of the United States Code provide that no candidate for the office of President of the United States who is eligible to receive and 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 candidate's authorized committee(s) which seek to influence the nomination of that candidate for the office of President of the United States with respect to a particular State shall be allocated to that State.

Section 106.2(b) of Title 11 of the Code of Federal Regulations states, in part, that expenditures for staff, media, printing and other services used in a campaign in a specific state should be attributed to that State.

During the threshold audit, our review of payroll expenditures disclosed that the Committee allocated net, as opposed to gross, pay to the states for the field personnel working on campaigns in the various states.

The Audit staff recommended that where appropriate the Committee amend their reports to allocate payroll withholding taxes to the states. On April 20, 1980, amended reports were filed for the period covering through September 30, 1979. Thereafter, the Committee adopted procedures to allocate the gross amounts of these expenditures as incurred.

Recommendation

Based on the Committee's response as noted above, the Audit staff recommends no further action in this matter.

B. Disclosure of Expenditures and Cash on Hand

Section 434(b)(4) of Title 2 of the United States Code, in part, requires a committee to disclose the total amount of all disbursements for the reporting period and the calendar year.

Section 434(b)(1) of Title 2 of the United States Code requires a committee to disclose the amount of cash on hand at the beginning of the reporting period.

Our review of Committee bank records revealed that the Committee's reported ending cash balance at March 31, 1980 was overstated by \$17,356.74. This overstatement was the result of misstatements of total receipts and total expenditures in each of the reporting periods covered by the audit. The misstatements were due largely to the following:

- (1) \$11,721.22 in expenditures were not reported;
- (2) in-kind contributions totaling \$4,400.52 were not included in the Committee's expenditure totals;
- (3) itemized expenditures on the Committee's 1979 year-end report were understated by \$235.00; and
- (4) two (2) \$500.00 contributions reported by the Committee were returned by the bank due to insufficient funds.

The Audit staff recommended that the Committee file amendments to correct the matters noted above. On December 15, 1980, comprehensive amendments were filed covering the period from October 1, 1979 through November 24, 1980.

Recommendation

Based on a review of the Committee's amendments, although not filed in a timely manner, the Audit staff recommends no further action in this matter.

### III. Repayment

Section 9038(b)(1) of Title 26 of the United States Code provides that if the Commission determines that any portion of the payments 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 an amount equal to the amount of the excess payments.

The Commission preliminarily determined March 5, 1980 to be the day on which the Honorable Howard H. Baker, Jr.'s candidacy terminated for the purpose of incurring qualified campaign expenses. The Candidate was so informed by letter and did not object to this determination.

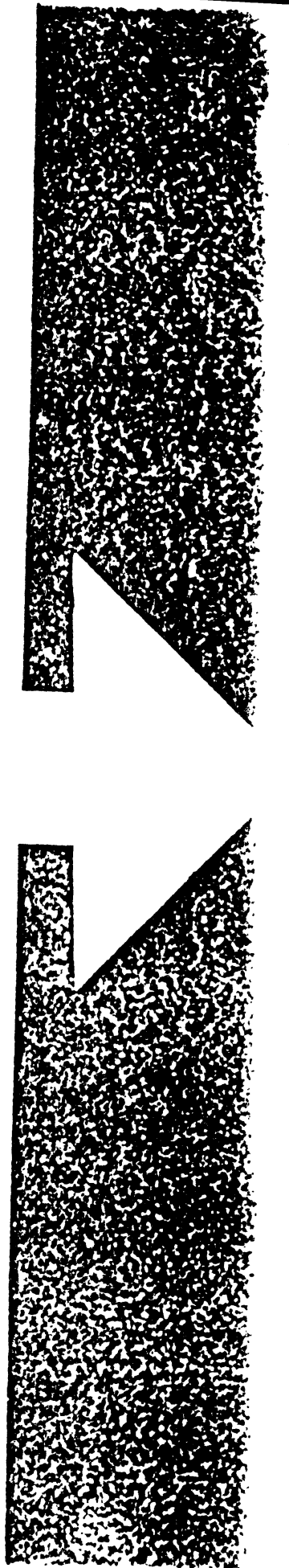
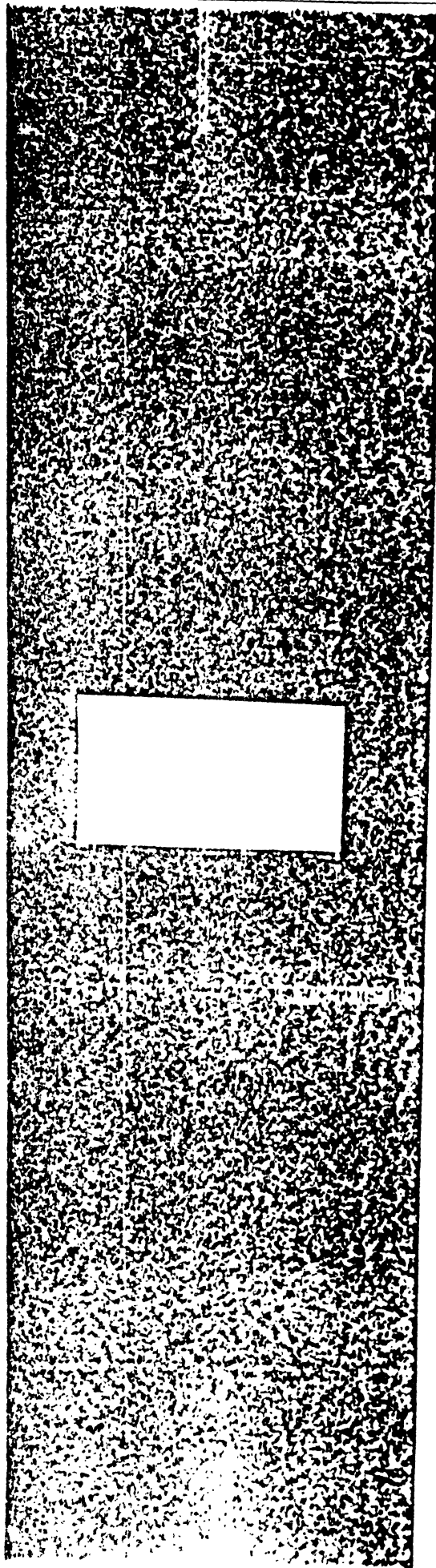
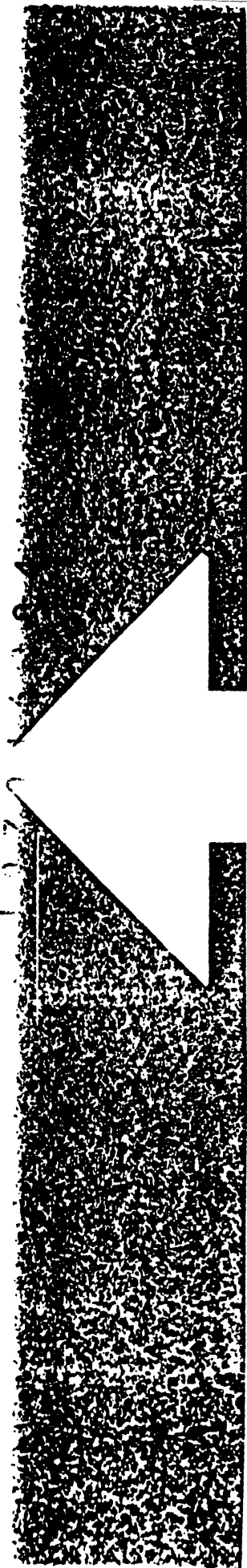
As of August 25, 1980, the Committee's reported net outstanding campaign obligations, as adjusted, totaled \$271,163.69. <sup>3/</sup> Based on this outstanding debt, the Committee received a matching fund payment of \$114,516.13. Therefore, as of that time the Candidate had received no matching fund payments in excess of his entitlement.

#### Recommendation

Since no payments in excess of the Candidate's entitlement were made, the Audit staff recommends no action on this matter at this time.

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<sup>3/</sup> This amount includes the Committee's estimated receivable for their share of the contributions received by the 1980 Republican Presidential Unity Committee, a joint fundraising Committee. Any adjustments in this amount resulting from actual proceeds being determined could alter the conclusion contained in the finding. The Committee also extended their projected termination date from October 31, 1980 to March 31, 1981 when preparing the August 25, 1980 Statement of Net Outstanding Campaign Obligations.



*Adm file*



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

April 16, 1981

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *AC*

FROM: JOE STOLTZ *JS*

SUBJECT: PUBLIC ISSUANCE OF ADDENDUM TO THE  
FINAL AUDIT REPORT ON THE BAKER COMMITTEE

Attached please find a copy of the addendum to the final audit report on the Baker Committee which was approved by the Commission on April 6, 1981.

Informational copies of the addendum have been received by all parties involved and the addendum may be released to the public as of today, April 16, 1981.

Attachment as stated

cc: FEC Library  
RAD  
Public Record



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 6, 1981

MEMORANDUM

TO: THE COMMISSIONERS

THROUGH: B. ALLEN CLUTTER *BAC*  
STAFF DIRECTOR

FROM: BOB COSTA *R/C*

SUBJECT: ADDENDUM TO FINAL AUDIT REPORT  
ON THE BAKER COMMITTEE

I. Summary of Issue and Recommendation

Based on an updated review of the Baker Committee's August 25, 1980 Net Outstanding Campaign Obligations (NOCO) statement, it has been determined that matching fund payments were received in excess of the Candidate's entitlement totaling \$104,074.58. This amount was determinable when the 1980 Republican Presidential Unity Dinner (a joint fundraising committee) completed, and the Audit staff verified, the calculation of the total net proceeds due the Baker Committee.

On March 2, 1981, a check in this amount made payable to "Treasury of the United States" was received by the Federal Election Commission.

Since the Baker Committee refunded the amount received in excess of the Candidate's entitlement, the Audit staff recommends no further action. Further, it is recommended that this document be placed on the public record as an addendum to the publicly released final audit report after receipt by the Committee.

II. Background

Section 9038(b)(1) of Title 26 of the United States Code states that if the Commission determines that any portion of the payments 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 an amount equal to the amount of the excess payments.



The Final Audit Report on the Baker Committee ("the Committee") was released publicly on December 18, 1980.

Finding III. on page 4 of the final audit report entitled "Repayment" stated that as of August 25, 1980, the Committee's NOCO, as adjusted, totaled \$271,163.69, and that based on this outstanding debt, the Committee received a matching funds payment of \$114,516.13. The \$271,163.69 NOCO total was footnoted to state that this amount included the Committee's estimated receivable for their share of the contributions received by the 1980 Republican Presidential Unity Committee (RPUC), a joint fundraising committee. Any adjustments in this amount resulting from actual proceeds being determined could alter the conclusion contained in the finding.

The finding concluded, subject to the above qualification, that as of August 25, 1980, the Candidate had received no matching fund payments in excess of his entitlement and therefore, the Audit staff recommended no action on the matter at that time.

Subsequently, the RPUC completed, and the Audit staff verified, the calculation of the total net proceeds due the Baker Committee. The calculation was done as specified in the Commission's November 6, 1980 decision concerning this joint fundraising effort. The first provision of that decision stated that contributions received by the candidate authorized joint fundraising committee are deemed monies available to pay candidates' net outstanding campaign obligations as of the date of receipt by the joint fundraising committee. In addition, the final provision stated that if by operation of the first provision, it was determined that a candidate has received matching payments in excess of those to which he was entitled, the Commission can seek repayment of the excess amount pursuant to 26 U.S.C. 9038(b)(1).

The actual net proceeds from the joint fundraising committee due The Baker Committee as of August 25, 1980, total \$252,821.71. The original August 25, 1980 Statement of Net Outstanding Campaign Obligations (NOCO) submitted by the Baker Committee contained an estimate of \$50,000.

### III. Support for Recommendation

When the actual receivable from the RPUC was determined, the Baker Committee's August 25, 1980 NOCO figures were again analyzed and adjusted as appropriate and the revised statement shown below was developed. The adjusted NOCO figures were discussed with a Committee official after the completion of the updated review.

Revised August 25, 1980 NOCO Statement

Assets:

Cash	37,269.56	
Accounts Receivable	86,655.97	
Monies due from RPUC <u>1/</u>	252,821.71	
Capital Assets	<u>2,000.00</u>	
 Total Assets		 <u>\$378,747.24</u>

Obligations:

Accounts Payable	141,758.33	
Estimated Winddown (Through projected date of termination - 3/31/81)	247,430.46	
 Total Obligations		 <u>\$389,188.79</u>
 NOCO		 <u>( 10,441.55)</u>
 Matching Fund Payment (9/4/80)		 <u>\$114,516.13</u>
 Amount in Excess of Entitlement		 <u>\$104,074.58</u>

Since the Committee refunded the amount received in excess of the Candidate's entitlement, the Audit staff recommends no further action.

IV. Staff Coordination

A copy of this memorandum was furnished to the Office of General Counsel for legal comment.

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1/ This amount represents the actual net proceeds from RPUC due the Baker Committee as of August 25, 1980.