



FEDERAL ELECTION COMMISSION  
WASHINGTON D.C. 20463

September 4, 1985

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICER

FROM: ROBERT J. COSTA *RJC*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT - 1984  
DEMOCRATIC NATIONAL CONVENTION COMMITTEE, INC.

Attached please find a copy of the final audit report of the 1984 Democratic National Convention Committee, Inc. which was approved by the Commission on August 26, 1985.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: FEC Library  
RAD  
Public Record  
Office of General Counsel

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# FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

## REPORT OF THE AUDIT DIVISION ON THE 1984 DEMOCRATIC NATIONAL CONVENTION COMMITTEE, INC.

### I. Background

#### A. Overview

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This report is based on an audit of the 1984 Democratic National Convention 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 9008(g) of Title 26 of the United States Code which directs the Commission to conduct an examination and audit of the payments for presidential nominating conventions no later than December 31 of the calendar year in which the presidential nominating convention involved is held.

The Committee registered with the Federal Election Commission on June 9, 1983 as a national committee of the Democratic Party designated by the Democratic National Committee as the convention committee of the Democratic Party. The Committee maintains its headquarters in Washington, D.C. The audit covered the period December 2, 1982, the earliest date of financial activity by the Committee, through September 30, 1984, the final coverage date of the most recent report filed at the time of the audit. During the period, the Committee reported an opening cash balance of \$-0-, total receipts of \$8,137,144.02, total disbursements of \$6,639,601.02 and a closing cash balance on September 30, 1984 of \$1,497,543.00. In addition, certain receipts and disbursements were reviewed through December 13, 1984.

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 the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers for the period audited were Ms. Ursula Culver from inception through June 20, 1984 and Mr. Paul G. Kirk from June 20, 1984 through September 30, 1984.

C. Scope

The audit included tests such as verification of total reported receipts, disbursements 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. Finding and Recommendation Related to Title 2 United States Code

Disclosure of Receipts and Disbursements

Section 9008.8(b)(4)(ii) of Title 11 of the Code of Federal Regulations states, in relevant part, that a convention committee, established by a national party committee, shall file convention reports as required under 2 U.S.C. § 437 and 11 C.F.R. § 9008.12.

According to 2 U.S.C. § 437(2), each-committee which represents a national political party in making arrangements for the convention of such party shall file with the Commission a full and complete financial statement, in such form and detail as it may prescribe, of the source from which it derived its funds, and the purpose for which such funds were expended.

11 C.F.R. § 9008.12(b)(2)(ii) states, in part, that the "first quarterly report shall be filed on FEC Form 4 no later than 10 days after the end of the calendar quarter in which a committee either receives payment under 11 C.F.R. § 9008.8 or for parties which do not accept public funds, no later than 10 days after the calendar quarter in which the committee receives contributions or makes expenditures to defray convention expenses."

The instructions to FEC Form 4 state, in relevant part, that all loans received by the committee must be itemized on Schedule A to include the full name and mailing address of the creditor, the date and the amount of each loan. Further, a convention committee must provide on Schedule B the full name and mailing address of the payee, the date, and the amount of each convention expenditure to include loan repayments aggregating in excess of \$200 and the purpose of the expenditure.

During the audit the following matters were noted:

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(1) The Committee's first disclosure report (7-1 to 9-30-83) failed to report the receipt of four bank loans totaling \$400,000.00. These loans were from two banks and represented amounts drawn against lines of credit totaling \$600,000.00. The amounts and dates of these receipts were; 12-2-82 - \$150,000.00; 2-25-83 - \$100,000.00; 4-29-83 - \$100,000.00; and 6-15-83 - \$50,000.00. These loans were deposited into Committee accounts, but were disclosed by the DNC Services Corp. (DNC) on its disclosure reports. The DNC reports did not indicate that the amounts were related to convention activity.

(2) Expenditures from Committee accounts totaling \$395,952.62 were not itemized/disclosed on the Committee's first report. These expenditures occurred between 12-3-82 and 6-29-83 and consisted of 17 payments to the DNC (totaling \$391,462.83); \$4,253.42 for interest on Committee loans, and \$236.37 in bank charges.

(3) The Committee's first report disclosed a 7-5-83 payment to the DNC in the amount of \$402,907.60 described as "Reimbursement for Convention expenses incurred August 1981 -June 1983". However, this amount was two payments to the banks in settlement of the loans discussed in (1) above. This entry was supported by a schedule breaking the amount down by expense category (i.e. Salaries, Fees, Taxes/Insurance, etc).

Committee officials informed the auditors that they interpreted the provisions of 11 C.F.R. § 9008.12(b) to preclude them from registering and reporting prior to one year before the convention. Therefore, they felt the activities prior to their registration required disclosure in the manner described above.

The Audit staff recommended that the Committee provide a written supplement to its 1984 October 15 Quarterly Report detailing the incurrence and disposition of the above mentioned loans, to include interest payments; and, to further provide a memo Schedule(s) B fully disclosing the above noted convention expenses made by the Committee and/or the DNC through June 30, 1983.

On August 12, 1985, the Committee submitted an amendment which complied with these requests.

#### Recommendation

The Audit staff recommends that no further action be taken on this matter.

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III. Finding and Recommendation With Respect to  
Title 26 of the United States Code

Unspent Portion of Fund Payment

Section 9008(h) of Title 26 of the United States Code states, in part, that the Commission shall have the same authority to require repayments from the national committee of a major party as it has with respect to repayments from eligible candidates under Section 9007(b).

In addition, 11 C.F.R. § 9008.10(e)(1) and (2) state that if any portion of the payment under 11 C.F.R. § 9008.3 remains unspent after all convention expenses have been paid, that portion shall be returned to the Secretary of the Treasury; the national committee or convention committee shall make an interim repayment of unspent funds based on the financial position of the committee as of the end of the sixth month following the last day of the convention, allowing for a reasonable amount as determined by the Commission to be withheld for unanticipated contingencies. If, after written request by the national committee or convention committee, the Commission determines, upon review of evidence presented by either committee, that amounts refunded are needed to defray convention expenses, the Commission shall certify such amount for payment.

Finally, 11 C.F.R. § 9008.10(g)(1) and (2) state, in part, that if the Commission determines that repayment is required, it shall give written notification of the amounts required and the reasons therefore; and the national committee shall repay to the Secretary, within 90 days of the notice, the amount of the repayment. Upon application submitted by the national committee, the Commission may grant a 90-day extension of the repayment period.

Our review of the Committee's financial position at the close of business December 13, 1984 revealed that the unspent portion of the fund payment totaled \$12,982.13. The financial position of the Committee is depicted below.

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Calculation of the Unspent Portion of the Entitlement of the  
1984 Democratic National Convention Committee, Inc.  
as of December 13, 1984

Amount of Federal Funds Received by the Committee		\$8,080,000.00
Less Disbursements for Convention Expenses to December 13, 1984		<u>7,955,550.47</u>
Undisbursed Fund		\$ 124,449.53
<u>Less:</u>		
Accounts Payable for Qualified Convention Expenses <u>1/</u>	\$101,467.40	
Estimated Winding Down Costs Through Projected Termination Date (January 31, 1985) <u>2/</u>	<u>10,000.00</u>	
		<u>111,467.40</u>
Repayment Amount		<u>\$ 12,982.13</u>

Recommendation

On January 17, 1985, the Committee presented its check in the amount of \$12,982.13, payable to the United States Treasury. Therefore, no further action is recommended at this time. The repayment amount is subject to change based upon a review of the receipt and disbursement activity subsequent to December 13, 1984.

1/ Contains a reserve of \$5,000.00

2/ Contains a reserve of \$1,076.40

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