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FEDERAL ELECTION COMMISSION

1125 K STREET N.W.  
WASHINGTON, D.C. 20463

August 16, 1979

MEMORANDUM

TO: FRED HILAND  
PRESS OFFICE

THROUGH: *J. Hawkins* ROBERT J. COSTA

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -  
THE AMERICAN PARTY

Attached please find a copy of the final audit report of the American Party which was approved by the Commission on August 2, 1979.

As of this date all informational copies of the report have been received by all parties involved and this report may be released to the public as of today, August 16, 1979.

Attachment as stated

cc: FEC Library  
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## FEDERAL ELECTION COMMISSION

1325 K STREET, N.W.  
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### REPORT OF THE AUDIT DIVISION ON THE AMERICAN PARTY

#### I. Background

##### A. Overview

This report is based upon an audit of the American Party ("the Committee") undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy 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, United States Code, which directs the Commission to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of the Act.

The Committee registered with the Federal Election Commission on August 15, 1975, in support of American Party candidates for Federal office. For the period covered by the audit, the Committee maintained its headquarters in Pigeon Forge, Tennessee.

The audit covered the period January 1, 1975, through March 31, 1977, the final coverage date of the current report filed by the Committee at the time of the audit. The Committee reported a beginning cash balance at January 1, 1975 of \$6,677.09, total receipts for the period of \$322,982.89; total expenditures for the period of \$331,160.89; and an ending cash deficit at March 31, 1977 of \$1,500.91.

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.



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B. Key Personnel

The principal officers of the Committee were Mr. Thomas Anderson, Chairman; and Josephine Chapman, Treasurer, January 1, 1975 through January 22, 1976; Mary Ellen Gardner, Treasurer, January 23, 1976 through December 10, 1976; and Vern Morse, Treasurer, December 10, 1976 through March 31, 1977.

C. Scope

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

II. Auditor's Statement and Description of Findings

It is the opinion of the Audit staff, based upon examination of the reports and statements filed and the records presented, that, except for the deficiencies noted below, the reports and statements of the American Party fairly present the financial activity of the Committee for the period covered by the audit. Further, except for the findings noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

A. Assessments (Transfers) by State Party Committees (Finding is the Subject of MUR 277)

1. Registration and Reporting by State Party Committees

Section 433(a) of Title 2, United States Code, in part, requires a political committee which anticipates or has received contributions or made expenditures during a calendar year in an amount exceeding \$1,000 to file with the Commission a Statement of Organization no later than 10 days after its organization. Also, Section 434(a) of Title 2, United States Code, in part, requires a political committee to file reports of receipts and expenditures as prescribed.

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Discussions with the Committee's bookkeeper disclosed that the American Party assessed its state party organizations annual amounts (state assessments) based on the following formula:

# electoral votes per state X \$200.00 (through 1st Quarter 1976) and

# electoral votes per state X \$150.00 (as of 2nd Quarter 1976).

These state assessments were to be paid prior to or at certain National Party meetings for that state to have voting privileges at the meeting.

Our review of the Committee's state assessment records disclosed that 22 unregistered state organizations in 1975 and 12 in 1976 transferred in excess of \$1,000.00 to the American Party. Committee records did not indicate the source of the state organizations' funds, nor did the Committee bookkeeper have any first-hand knowledge as to the source of the funds. She indicated that she thought the funds were raised through donations, suppers, and pass-the-hat type events.

This matter was referred to the Commission's Office of General Counsel by the Reports Analysis Division and was the subject of MUR 277(76). The Office of General Counsel contacted the state party committees to inform them of their registration and reporting obligations. Although the results were unsatisfactory, on October 27, 1978, the Office of General Counsel recommended that no further action be taken on the matter. Since current reporting problems of the American Party are being dealt with by the Reports Analysis Division, the Office of General Counsel feels that the Commission can be more effective in dealing with these rather than taking further action on the 1975-1976 violations addressed in MUR 277(76). The state affiliates will be sent Commission materials regarding the filing obligations of 2 U.S.C. 433 and 434.

On November 1, 1978, the Commission voted to close the file on MUR 277(76) with no further action.

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2. Reporting of Transfers-In

Sections 434(a) and (b)(4) of Title 2, United States Code, in part require a political committee supporting a candidate(s) for election to Federal office to file with the Commission reports of its financial activity and, more specifically, disclose the name and address of each political committee from which the reporting committee received or made transfers of funds, along with the amounts and dates of the transfers.

Our review of the Committee's state assessment records revealed that the Committee had received \$50,357.27 and \$34,592.61 in transfers-in from its state organizations during calendar years 1975 and 1976, respectively. However, the Committee disclosed transfers-in of \$45,394.12 and \$27,274.01 for calendar years 1975 and 1976, respectively, in its reports to the Commission. In addition, the Committee did not itemize transfers received from two (2) states in 1975 in the amounts of \$102.00 and \$1,405.00 nor did they itemize transfers received from three (3) states in 1976 in the amounts of \$562.50, \$150.00 and \$112.50.

On July 31, 1978 and October 2, 1978, the Committee filed amendments which substantially corrected the omissions and discrepancies noted above:

Recommendation

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

B. Receipts Not Deposited or Reported and Expenditures Not From Campaign Depository, Not Reported, and Not Documented

Section 437b(a)(2) of Title 2, United States Code, in part requires that all contributions to a political committee be deposited in a campaign depository and all expenditures be made by check on the depository except for petty cash expenditures.

Sections 432(c) and (d) of Title 2, United States Code, in part, require the treasurer of a political committee to keep a detailed and exact account of: (i) all contributions made to or for such committee, (ii) the identification of every contributor making a contribution in excess of \$50, the date and amount, and,

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if aggregating more than \$100 in a calendar year, the account shall include the contributor's occupation and the principal place of business, (iii) all expenditures made by or on behalf of such committee, and (iv) the identification of every person to whom any expenditure is made, including the date and amount. The treasurer is required to obtain and to keep a receipted bill, stating the particulars, for every expenditure made in excess of \$100 or aggregating in excess of \$100 to a given payee in a calendar year.

Section 434(b)(2), (3), (8), (9), and (11) of Title 2, United States Code, in part, requires the Committee to file reports disclosing: (i) identification of every contributor making a contribution in excess of \$100 or aggregating in excess of \$100 during a calendar year along with date and amount, and occupation and principal place of business, if any, (ii) total sum of individual contributions, (iii) total sum of all receipts, (iv) identification and address of every person to whom expenditures have been made in excess of \$100 or aggregating in excess of \$100 in a calendar year along with the amount, date and purpose of the expenditure, and (v) the total sum of all expenditures.

Our review of the Committee's records revealed that:

(1) \$6,167.81 was received in registration fees and receipts from a banquet at a National Committee Meeting on June 19-21, 1975. Expenses associated with the meeting totaling \$4,017.81 were disbursed from the funds and the disbursement of the remaining \$2,150.00 is unaccounted for.

(2) Approximately \$8,300.00 in registration fees at a National Committee Meeting on November 7-9, 1975 was disbursed to pay a hotel/banquet bill.

(3) \$10,000.00 in proceeds from a National Committee Meeting on December 9-10, 1976 was disbursed as payment on a debt owed by the Committee.

None of the receipts described above were deposited in, nor were the expenditures made from a campaign depository. The Committee did not maintain an adequate record of the source of the receipts for any of the transactions described above, nor did they have documentation for the applicable expenditures. Finally, none of the receipts or expenditures were reported on the Committee's disclosure reports.

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On October 2, 1978, the Committee filed amended reports disclosing all of the above mentioned financial activity. On December 4, 1978, the Committee furnished the Audit staff with receipted bills to support two (2) of the three (3) expenditures which required such documentation. For the third expenditure, the Committee supplied a copy of a memorandum which had been sent to the vendor seeking a copy of the invoice(s) to support this payment.

Recommendation

Based on the Committee's efforts outlined above, the Audit staff recommends that the Commission find that the Committee is now in compliance with Section 434(b) and has made its best efforts to comply with Section 432(d) and that no further action be taken on these matters.

C. Unreported Earmarked Contributions and Associated Expenditures

Section 441a(a)(8) of Title 2, United States Code, in part, requires an intermediary or conduit to report the receipt of earmarked contributions to the Commission and the intended recipient.

Section 434(b)(9) of Title 2 of the United States Code requires that the Committee disclose the identification of each person to whom expenditures aggregating in excess of \$100 have been made during a calendar year, together with the amount, date, and purpose of each such expenditure.

Our review of Committee records revealed that the Committee established a trust fund called "Trust Fund '76" in June, 1974. The purpose of the fund was to permit the American Party to accumulate contributions for the Party's Presidential and Vice Presidential candidates for the 1976 General Election, with the option that the contributors could have their contributions refunded in full if not satisfied with the nominations of the Party.

Trust Fund '76 received a total of \$6,384.63 in contributions during the period December 27, 1974, through August 25, 1975. On November 15, 1976, the Committee transferred \$5,394.39 (\$6,384.63 less \$990.24 in fund expenses) from Trust Fund '76 to the Anderson Shackelford Campaign Committee, the principal campaign committee for the American Party's candidates for the Office of President and Vice-President. The American Party did not disclose

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the receipt of the \$6,384.63 into Trust Fund '76, the \$990.24 in fund expenses (\$750.00 for legal services and \$240.24 for printing), or the transfer of funds to the Anderson Schackelford Committee. The Anderson Schackelford Committee reported the receipt of the \$5,394.39 by disclosing the original source of the funds (i.e., individual contributors, 11 of 12 were itemized as required and all dated November 15, 1976) and adjusting unitemized receipts for the balance.

Committee officials stated that the financial activity related to Trust Fund '76 was not disclosed because the fund was not considered part of the American Party and that they assumed that the reporting was done by the fund's trustee.

On October 2, 1978 and November 4, 1978, the Committee filed amendments correctly disclosing the total receipts into Trust Fund '76 (contributions were itemized as required), the related fund expenses, and the transfer of funds to the Anderson Shackelford Campaign Committee.

Recommendation

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

D. Unreported Debts and Obligations  
Owed By or To the Committee

Section 434(b)(12) of Title 2, United States Code, requires the Committee to report the amount and nature of debts and obligations owed by or to the Committee, in such form as the Commission may prescribe.

Sections 104.2(b)(11) and 104.8(b) of the Commission's Regulations in part require a political committee to report to the Commission debts and obligations owed by or to the committee when the debt or obligation exceeds \$500.00 or when the debt or obligation is \$500.00 or less and outstanding for 60 days.

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A review of the National Committee Meeting minutes for November 7-9, 1975 revealed that the Committee owed \$12,057.51 in accounts payable on October 31, 1975. A Statement of Cash Receipts and Disbursements for the year ending December 31, 1976 disclosed that the Committee owed approximately \$21,400.00 in accounts payable. Our review of Committee records revealed that the Committee was owed a minimum of \$4,000.00 in reportable accounts receivable as of March 31, 1977. The Committee's disclosure reports for the period of the audit did not disclose any of these debts or obligations.

We advised the Committee officials of the reporting requirements of the Act. We also note that the Committee's reports filed subsequent to the audit period disclosed debts owed to and by the Committee.

#### Recommendation

The Audit staff recommends that no further action be taken on this matter, however, the Committee should continue to properly disclose any debts and obligations owed to or by the Committee as required by 11 CFR 104.2(b)(11) and 104.8(b).

#### E. Non-Disclosure of Depository

Sections 433(b)(9) and (c) require a committee to disclose on their Statement of Organization, a listing of all banks or other repositories used and to report any changes in previously disclosed information within 10 days.

Committee records revealed that the Committee had three (3) bank depositories that were not listed on the Committee's Statement of Organization or amendments thereto. However, the Committee did report the financial activity of two (2) of the bank depositories. See Finding B above for a description of the unreported financial activity of the bank account for Trust Fund '76.

On October 2, 1978 the Committee filed an amendment to its Statement of Organization to include these three (3) depositories previously not disclosed.

#### Conclusion

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

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**F. Reporting of Proceeds from Sales and Collections**

Section 434(b)(6) of Title 2, United States Code, requires a committee to report the total amount of proceeds from sales of tickets and items, and mass collections from fundraising events.

Our review of Committee records disclosed that the Committee had received \$11,082.31 in calendar year 1975 and \$9,220.90 in calendar year 1976 from sales and collections. Although the Committee reported these proceeds as unitemized receipts, they did not itemize \$621.34 in calendar year 1975 and \$6,264.81 in calendar year 1976, by event on Schedule D (Itemized Receipts from Sales and Collections).

On July 31, 1978 and October 2, 1978 the Committee filed amendments disclosing the proceeds from sales and collections as memo entries on Schedule D's as required.

**Recommendation**

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

**G. Unitemized Expenditures Aggregating In Excess of \$100**

Section 434(b)(9) of Title 2, United States Code, requires a committee to report the identification of each person to whom expenditures have been made by such committee within the calendar year aggregating in excess of \$100.

A statistical sample of expenditures for the period revealed that 16.46% of the expenditures requiring itemization were not itemized in the Committee's reports.

On July 31, 1978, the Committee filed an amendment to itemize 133 expenditures previously not itemized which substantially reduced the error rate in our sample.

**Recommendation**

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



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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 # 277.  
THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF  
THE CASE AND A SUMMARY OF THE ACTIONS TAKEN, IF ANY.

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1. The first part of the document is a list of names and addresses of the members of the committee. The names are listed in alphabetical order, and the addresses are given in full. The list includes the names of the members of the committee, the names of the members of the sub-committee, and the names of the members of the advisory committee. The addresses are given in full, including the street, city, state, and zip code.