



FEDERAL ELECTION COMMISSION

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

REPORT OF THE AUDIT DIVISION ON THE CONNECTICUT REPUBLICAN FEDERAL CAMPAIGN COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Connecticut Republican Federal Campaign Committee ("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 of the 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 Connecticut Republican Federal Campaign Committee registered with the Federal Election Commission on January 22, 1975. The Committee maintains its headquarters in Hartford, Connecticut.

The audit covered the period January 1, 1976 through October 23, 1978, the final coverage date of the most recent report filed at the time of the audit. The Committee reported a beginning cash balance at January 1, 1976 of \$-0-, total receipts for the period of \$460,452.23, total expenditures for the period of \$456,682.22, and a closing cash balance on October 23, 1978 of \$3,770.01.

This 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 the 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 as follows:

<u>Name</u>	<u>Office</u>	<u>Period in Office</u>
Mr. Joseph B. Burns	Chairman	Committee's - 12/31/76 Inception
Mr. Frederick K. Biebel	Chairman	1/1/77 - 10/23/78
Mr. Kendrick F. Bellows, Jr.	Treasurer	Committee's - 6/21/77 Inception
Mr. William H. T. Bush	Treasurer	6/21/77 - 10/1/78
Ms. Marlene Bakewell	Assistant Treasurer	Committee's - 12/31/77 Inception
Mr. Donald J. Schmidt	Assistant Treasurer	12/31/77 - 10/23/78

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; and such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations

A. Allocation of Expenditures between
Federal and Non-Federal Accounts

Section 106.1(e) of Title 11, Code of Federal Regulations, states that Party committees and other political committees which have established Federal campaign committees pursuant to 11 CFR 102.6 shall allocate administrative expenses on a reasonable basis between their Federal and non-Federal accounts and in proportion to the amount of funds expended on Federal and non-Federal elections, or on another reasonable basis. ^{1/}

^{1/} April 13, 1977, the date the notice of promulgation of the Commission's Regulations was published in the Federal Register is the effective date of 11 CFR 106.1(e).

For the period covered by the audit, the Connecticut Republican State Central Committee maintained separate accounts for Federal and non-Federal activity disclosing only the Federal account's activity in its reports to the Commission. During the entrance conference, Committee officials stated that they were unfamiliar with the requirements of 11 CFR 106.1(e) and did not allocate administrative expenses between their Federal and non-Federal accounts. Our review of the Committee's (the Federal account's) expenditure records revealed that the Federal account did make expenditures that were administrative in nature but that no formal method was used to determine the type or amount of the expenditures to be paid from the Federal account. As a result, our preliminary review indicated that the Federal account may have paid less than its proportionate share of administrative expenses.

In the June 25, 1979 letter of audit findings, the Audit staff recommended that the Committee develop a basis for allocating the administrative expenses according to the method prescribed in 11 CFR 106.1(e) or some other reasonable method and submit such basis with supporting documentation to the Audit staff for review.

On September 7, 1979, the Committee filed a statement containing a basis for allocating administrative expenses based on the percentage of staff time related to Federal election activity. The supporting documentation submitted shows the application of this percentage to the administrative expenses for each of the three (3) calendar years covered by the audit period. Based on these calculations, the Federal account paid its proportionate share of administrative expenses.

Recommendation

As a result of the above facts and the Audit staff's opinion that the method for allocating administrative expenses is reasonable, the Audit staff recommends no further action on this matter.

B. Excessive Loan Endorsements

Section 441a(a)(1)(C) and 441a(f) of Title 2, United States Code, in part, provides that no person shall make contributions to a political committee in any calendar year which, in the aggregate, exceed \$5,000 and that no political committee shall knowingly accept any contributions in any calendar year which, in the aggregate, exceed \$5,000.

Section 431(e) of Title 2, United States Code, and Section 100.4(a)(1) and (b)(13) of Title 11, Code of Federal Regulations, in part, defines "contribution" as a loan of money made for the purpose of influencing the election of any person to Federal office. In addition, a "loan" is defined as a contribution to the extent that the obligation remains outstanding and includes an endorsement where the risk of non-payment rests with the endorser in that proportion to the unpaid balance that each endorser bears to the total number of endorsers.

As a result of our review of the Committee records, it was determined that the Committee received a \$30,000 loan which was endorsed by two (2) individuals in amounts in excess of their \$5,000 contribution limitation. When combined with other contributions made, one (1) individual exceeded his limitation by \$12,006.36 and the other by \$11,906.36. The loan was outstanding for a period of 26 days.

The Committee Treasurer informed us that during the period of time the loan was outstanding, although aware of the \$5,000 individual contribution limitation, Committee officials did not realize that an endorsement of a loan was, by definition a contribution. The Treasurer also stated that since the Committee has never considered defaulting on a loan, the logic of endorsements as contributions had never occurred to Committee officials.

This matter was included in the May 10, 1979 referral to the Office of General Counsel where Matter Under Review (MUR) #998(79) was initiated.

On August 14, 1979, the Commission found reason to believe that the Committee had violated 2 U.S.C. Section 441a(5), voted to close the file and take no further action on this matter. The Committee was subsequently notified of the Commission's determination.

C. Unitemized Expenditures

Section 434(b) (9) of Title 2, United States Code, in part, 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.

Our review of the Committee's expenditure records revealed that the Committee did not itemize 28 expenditures aggregating in excess of \$100 and totaling \$1,199.42. This represents 16.97% of the total items and .60% of the total dollar amounts of expenditures requiring itemization. Committee officials could not explain the omission.

On August 27, 1979, the Committee filed a comprehensive amendment correctly itemizing the expenditures.

Recommendation

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

D. Allocation of Polling Expenses

Section 434(b) (9) of Title 2, United States Code, in part, requires a committee to report the identification of each person to whom expenditures have been made by such committee or on behalf of such committee or candidate within the calendar year aggregating in excess of \$100, the amount, date, and purpose of each such expenditure and the name and address of, and office sought by, each candidate on whose behalf such expenditure was made.

Section 106.4(b) of Title 11, Code of Federal Regulations, in part, requires a committee to report the purchase of opinion poll results by a political committee not authorized by a candidate to make expenditures and the subsequent acceptance of the poll results by a candidate or his authorized committee as a contribution in-kind by the purchaser to the candidate or his authorized committee. The poll results are accepted by a candidate or his authorized committee if the candidate or his authorized committee: (1) requested the poll results before their receipt; (2) uses the poll results; or (3) does not notify the contributor that the results are refused.

The Committee reported an expenditure on September 6, 1978 in the amount of \$12,000 stating the purpose as "polling". The supporting documentation related to this expenditure was six (6) invoices (numbered sequentially for each of the state's six (6) congressional districts), each dated July 26, 1978 in the amount of \$2,000. The invoices contained the description "a study of voter attitudes toward candidates identified with the 1978 congressional race in the ...1st, 2nd, 3rd, etc... district."

A review of the principal campaign committee's reports of the six (6) candidates disclosed that one (1) of the candidates reported an in-kind contribution from the Connecticut Republicans of \$2,000 on September 30, 1978 for "the study of voter attitudes toward candidates" designating the expenditure as for the general election.

At the time of the audit, the Committee bookkeeper could not remember if the poll results were made available to any or all of the candidates or whether the poll was taken with respect to the primary or general election.

On August 27, 1979, the Committee filed an amendment disclosing that the poll was taken with respect to the general election, and also disclosing the amount, date and purpose of expenditure together with the name and address of, and office sought by each of the six (6) candidates on whose behalf the expenditure was made.

Recommendation

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

E. Adjustments to Calendar Year-to-Date Receipt and Expenditure Totals

Section 434(b)(3) and (11) of Title 2, United States Code, and Section 104.2(b)(8) and (10) of Title 11, Code of Federal Regulations, in part, requires a committee to report the total sum of all receipts of and expenditures by such committee or candidate during the reporting period and the calendar year.

During our review of the Committee records, it was noted that the Committee reported four (4) interbank transfers resulting in an overstatement of reported total receipts and expenditures by \$31,480.63 in 1976 and by \$6,562.71 in 1978.

On April 18, 1979 and August 27, 1979, the Committee filed amendments correcting the receipt and expenditure totals.

Recommendation

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

F. Reporting the Total Amount of Proceeds from Fundraising Events

Section 434(b)(6) of Title 2, United States Code, in part, requires the total amount of proceeds from fundraising events to be reported with the Commission.

Our examination of the Committee's records revealed that the Committee had three (3) fundraising events for which the total proceeds of \$174,019.20 during 1976 and \$16,077.50 during 1977 were not disclosed as fundraising events on a Schedule D as required, although reported as Committee receipts.

On August 27, 1979, the Committee filed comprehensive amendments correctly disclosing the total proceeds from these events.

Recommendation

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

G. Failure to Disclose Depository

Section 433(b)(9) and (c) of Title 2, United States Code, in part, requires 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 submitted information within a 10-day period following the change.

During the course of the audit it was determined that the Committee had one (1) bank depository that was not listed on their statement of organization or amendments thereto.

On August 27, 1979, the Committee filed an amendment to their statement of organization listing the previously undisclosed depository.

Recommendation

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

H. Failure to Disclose Changes in the
Offices of Chairman and Treasurer

Section 433(b)(5) and (c) of Title 2, United States Code, in part, requires a committee to disclose on their statement of organization the name, address, and position of principal officers and to report any changes in previously submitted information within a 10-day period following the change.

During the course of the audit, it was determined that the Committee failed to report a change in the offices of chairman and treasurer within a 10-day period following the change.

On August 27, 1979, the Committee filed an amendment to their statement of organization disclosing the changes in the offices of chairman and treasurer.

Recommendation

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

I. Other Matters

Presented below is a matter noted during the course of the audit for which the Audit staff feels no action is warranted.

The Committee failed to disclose two (2) accounts payable in the amount of \$6,299.04 and \$200.00 as debts during 1976 as required by 11 CFR 104.2(b)(11) and 104.8(b). However, these debts were repaid and the expenditures properly disclosed by the Committee.