



FEDERAL ELECTION COMMISSION
WASHINGTON, DC 20463

March 3, 1980

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
MISSOURI REPUBLICAN STATE COMMITTEE-
FEDERAL COMMITTEE

Attached please find a copy of the final audit report of the Missouri Republican State Committee-Federal Committee which was approved by the Commission on February 12, 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, March 3, 1980.

Attachment as stated

cc: FEC Library
RAD
Public Record

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON THE
MISSOURI REPUBLICAN STATE COMMITTEE -
FEDERAL COMMITTEE 1/

I. Background

A. Overview

This report is based on an audit of the Missouri Republican State Committee-Federal 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 Committee registered with the Comptroller General of the United States on June 19, 1972, as the State committee representing the Republican Party in Missouri. The Committee maintains its headquarters in Jefferson City, Missouri.

The audit covered the period January 1, 1976 through June 30, 1978, the final coverage date of the latest report filed by the Committee at the time of the audit. During that period, the Committee reported a beginning cash balance of \$11,906.48, total receipts of \$319,437.45, total expenditures of \$325,296.54, and a closing cash balance on June 30, 1978 of \$328.08. 2/

1/ The Committee originally registered as the Missouri Republican State Committee and filed reports disclosing both its Federal and non-Federal activity through December 31, 1977. On January 1, 1978, the Committee began reporting its Federal activity only and subsequently changed its name to the Missouri Republican State Committee-Federal Committee.

2/ The discrepancy in closing cash is due to the separation of accounts for reporting purposes. See Footnote 1.

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This audit 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 this report and were available to Commissioners and appropriate staff members for review.

B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Lowell McCuskey, Chairman for the period 1/1/76 through 8/12/77, Stanley Dale, Chairman for the period 8/13/77 through 6/30/78, Joe Swarts, Treasurer for the period 1/1/76 through 9/13/76, and Harvey Tettlebaum, Treasurer for the period 9/14/76 through 6/30/78.

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. Findings and Recommendations

A. Acceptance of Prohibited Funds

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation or labor organization to make a contribution in connection with any election to any Federal office.

Our review of the Committee's contribution records disclosed that \$962.50 was accepted from three (3) incorporated entities for tickets to fundraising concerts held in February of 1976.

Pursuant to a recommendation by the Audit staff, the Committee refunded the contributions and provided the Audit staff with copies of the cancelled refund checks (front and back).

This matter was referred to the Commission's Office of General Counsel by the Audit staff on March 8, 1979 where Matter Under Review 948 was initiated. On August 29, 1979, the Commission voted to close the file on this matter with no further action.

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B. Transfers-in Not Itemized

Section 434(b) (4) of Title 2 of the United States Code, in relevant part, states that each report shall disclose the name and address of each political committee or candidate from which the reporting committee received any transfer of funds, together with the amount and date of all transfers.

During the course of the audit it was determined that the Committee received 48 transfers-in, totaling \$2,836.56, which were not itemized in its disclosure reports. These figures represent 48.00% of the total number and 10.32% of the total dollar value of all transfers-in required to be itemized.

Pursuant to a recommendation by the Audit staff, the Committee filed amendments to its reports on July 24, 1979 itemizing the transfers-in.

Recommendation

Since the Committee has filed amendments to its reports itemizing the transfers-in, it is the recommendation of the Audit staff that no further action be taken on this matter.

C. Disclosure of Expenditures

Section 434(b) (9) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person to whom expenditures have been made by such committee within the calendar year in an aggregate amount or value in excess of \$100, together with the amount, date and purpose of each such expenditure.

Section 434(b) (11) of Title 2 of the United States Code states, in part, that each report shall disclose the total sum of expenditures made by such committee during the calendar year.

During the course of the audit it was determined that the Committee did not report fundraising expenditures totaling \$11,589.57. These unreported expenditures represent 3.29% of the total dollar value of Committee expenditures for the period covered by the audit.

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In addition, it was determined that the Committee did not itemize 105 expenditures, totaling \$16,031.55, which were in excess of or aggregated in excess of \$100 in amount. Total expenditures not itemized represent 5.46% of the total dollar value and 15.63% of the total number of expenditures requiring itemization.

Pursuant to a recommendation by the Audit staff, the Committee filed amendments to its reports on July 24, 1979, disclosing the previously unreported expenditures and itemizing those expenditures requiring itemization.

Recommendation

Since the Committee has filed amendments to its reports correctly disclosing the expenditures, it is the recommendation of the Audit staff that no further action be taken on this matter.

D. Expenditures Lacking Supporting Documentation

Section 432(d) of Title 2 of the United States Code states, in relevant part, that it shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditures to the same person during a calendar year exceeds \$100.

Section 102.9(c)(4) of Title 11 of the Code of Federal Regulations states that when a receipted bill is not available, the treasurer may keep the cancelled check(s) showing payment(s) of the bill; and the bill, invoice or other contemporaneous memorandum of the transaction supplied by the payee containing the particulars of the expenditure.

During the course of the audit it was determined that the Committee failed to maintain a receipted bill, bill, invoice or other contemporaneous memorandum for 63 expenditures, totaling \$29,537.88, requiring supporting documentation. These figures represent 10.06% of the total number and 9.38% of the total dollar value of all expenditures requiring such documentation.

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Pursuant to a recommendation by the Audit staff, the Committee submitted supporting documentation for 20 of the previously unsupported expenditures totaling \$25,480.68. The Committee also submitted copies of letters demonstrating their efforts to obtain documentation for 23 expenditures totaling \$1,282.50. Sixteen of the remaining 20 expenditures lacking supporting documentation, totaling \$1,325.00, were rent payments. The Committee was unable to provide documentation for these payments (lease agreement, receipted bills, etc.), other than the cancelled checks, for the reason that the lease agreement was an oral one and the lessor is now deceased.

Recommendation

Since the Committee has provided documentation or has demonstrated its efforts to obtain documentation for \$26,763.18, or 90.61%, of the previously unsupported expenditures, it is the recommendation of the Audit staff that no further action be taken on this matter.

E. Disclosure of Contributions

Section 434(b)(2) of Title 2 of the United States Code states, in relevant part, that each report shall disclose the full name and mailing address (occupation and principal place of business, if any) of each person who has made one or more contributions to or for such committee within the calendar year in an aggregate amount or value in excess of \$100.00, together with the amount and date of such contributions.

Section 434(b)(8) of Title 2, United States Code states, in part, that a political committee shall report the total sum of all receipts for the committee during the calendar year. In addition, Section 434(b)(6) of Title 2 of the United States Code states, in part, that each report shall disclose the total amount of proceeds from the sale of tickets to each dinner, luncheon, rally, and other fundraising event; and mass collections made at such events.

A comparison of the Committee's records with its reports indicated fundraising activity in 1976 of \$27,372.23 in total receipts, \$11,747.73 of which was not reported. The total proceeds from these fundraisers were not disclosed on FEC Schedule D's. These unreported receipts represent 3.55% of the total dollar value of Committee receipts for the period covered by the audit.

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Further, it was determined that the Committee failed to itemize 31 contributions totaling \$5,325.95, which represented 5.89% of the total number and 9.82% of the total dollar value of contributions requiring itemization.

Pursuant to a recommendation by the Audit staff, the Committee filed amendments to its reports on July 24, 1979 disclosing the previously unreported receipts and itemizing those contributions requiring itemization. In addition, the Committee filed an FEC Schedule D disclosing the total proceeds raised through the fundraising events.

Recommendation

Since the Committee has filed amendments to its reports correctly disclosing the contributions, it is the recommendation of the Audit staff that no further action be taken on this matter.

F. Administrative Expenses

Section 106.1(e) of Title 11 of the Code of Federal Regulations states, in relevant part, that party committees which have established Federal campaign committees pursuant to Section 102.6 shall allocate administrative expenses between their Federal and non-Federal accounts on some reasonable basis.

During the course of the audit it was determined that since the separation of the Committee into Federal and non-Federal accounts on January 1, 1978, the non-Federal state level organization has paid all administrative expenses on behalf of the two (2) accounts and has not been reimbursed by the Federal account for the Federal account's share. The Committee's Executive Director informed us that they were aware that administrative expenses had to be allocated between the Federal and non-Federal accounts, but that the Federal account had no money with which to reimburse the non-Federal organization.

Pursuant to a recommendation by the Audit staff, the Committee developed a basis for the allocation of administrative expenses between the Federal and non-Federal accounts and submitted such basis, along with supporting documentation, on July 24, 1979. In addition, the Committee filed an amendment to its 1978 reports disclosing an in-kind contribution in the amount of \$871.44 from the non-Federal account for the Committee's share of 1978 administrative expenses.

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Recommendation

The Audit staff has received written confirmation that no prohibited funds were deposited into the non-Federal account during the period covered by the audit, therefore, it is the recommendation of the Audit staff that a one time in-kind contribution from the non-Federal account be allowed and that no further action be taken on this matter.

It is further recommended that administrative expenses continue to be allocated between the Federal and non-Federal accounts. In the future, however, the Federal account must reimburse the non-Federal account for its share of the administrative expenses on a timely basis.

G. Improper Repayment and Disclosure of Loan

Section 437b(a)(2) of Title 2 of the United States Code states, in part, that no political committee may make an expenditure except by check drawn on a committee depository other than petty cash expenditures.

In addition, Section 434(b)(9) states, in part, that each report shall disclose the identification of each person to whom expenditures have been made by such committee within the calendar year in an aggregate amount or value in excess of \$100, together with the amount, date, and purpose of each such expenditure.

During the course of the audit it was determined that on June 15, 1976, the Committee obtained a \$30,000.00 bank loan, \$15,000.00 of which was to be used to retire a previous loan from the same bank. This loan repayment was not made by a check drawn on one of the Committee's depositories, but was repaid in cash.

In its disclosure report, the Committee reported the \$30,000.00 on the schedule of proceeds from loans, and reflected the new loan and the retirement of the previous loan on the schedule of debts and obligations, but failed to disclose the \$15,000.00 loan repayment on the schedule of loan repayments as an expenditure.

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Pursuant to a recommendation by the Audit staff, the Committee filed an amendment to its 1976 reports on July 24, 1979, disclosing the repayment of the loan.

Recommendation

Since the Committee has filed an amendment to its 1976 reports disclosing the repayment of the loan, it is the recommendation of the Audit staff that no further action be taken on this matter.

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