



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

February 13, 1980

MEMORANDUM

TO: FRED EILAND  
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS *JH*

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -  
TEXAS REPUBLICAN CONGRESSIONAL COMMITTEE

Attached please find a copy of the final audit report of the Texas Republican Congressional Committee which was approved by the Commission on January 17, 1980.

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

Attachment as stated

cc: FEC Library  
RAD  
Public Records

100 16172



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION  
ON THE  
TEXAS REPUBLICAN CONGRESSIONAL COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Texas Republican Congressional 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 Texas Republican Congressional Committee filed its initial statement of organization with the Federal Election Commission on April 6, 1976. The Committee maintains its headquarters in Austin, Texas.

The audit covered the period January 1, 1976 through June 30, 1978, the final coverage date of the latest report filed at the time of the audit. During this period the Committee reported a beginning cash balance of \$-0-, total receipts of \$122,667.53, total expenditures of \$120,648.03 and a closing cash balance of \$2,019.49.

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.

61900161723

B. Key Personnel

The principal officers of the Committee during the period covered by the audit were as follows:

Treasurer

<u>Name</u>	<u>Term of Office</u>
R. Doug Lewis	1/1-9/13/76 11/10/76-9/30/77
Polly Sowell	9/14-11/10/76
Priscilla Kirkwood	9/30-10/17/77
Donald A. Flanagan	10/18/77-6/16/78
St. John Garwood	6/17/78-6/30/78

Chairman

<u>Name</u>	<u>Term of Office</u>
Ray Hutchinson	1/1/76-10/17/77
Ray Barnhart	10/18/77-6/30/78

C. Scope

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

1 6 1 7 2 1

II. Audit Finding and Recommendation

Allocation of Administrative Expenses

Section 434(b)(2) of Title 2 United States Code states, in part, that each report shall disclose the full name and mailing address 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, together with the amount and date of such contributions.

Section 104.3(a) of Title 11 of the Code of Federal Regulations states, in part, that each in-kind contribution shall be valued at the usual and normal charge on the date received and reported if in excess of \$100 on the appropriate schedule of receipts and expenditures, identified as to its nature and listed as an "in-kind contribution".

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

The Committee registered with the Commission as an affiliate of the Republican Party of Texas, to conduct the party's activities on behalf of Federal candidates. We found that, except for salaries, administrative expenses were paid by the State Republican Executive Committee (registered) and the Republican Party of Texas (non-registered).

Based on the Audit staff's recommendation, the Committee submitted a letter on October 24, 1979 detailing its method of allocating administrative expenses. The administrative expenses were paid by the State Republican Executive Committee of Texas (registered committee) for the period from January 1, 1976 through November 22, 1976. Administrative expenses for the period from November 23, 1976 through December 31, 1976, and for calendar years 1977 and 1978, were paid by the Republican Party of Texas (non-registered). The letter also acted as an amendment to the Committee's reports disclosing the receipt of the following in-kind contributions which represent the federal portion of the Committee's administrative expenses:

51725

State Republican Executive Committee of Texas	1/1/76-11/22/76	\$2,370.00
Republican Party of Texas	11/23/76-12/31/76	150.00
Republican Party of Texas	1/1/77-12/31/77	1,970.00
Republican Party of Texas	1/1/78-6/30/78	870.97

During the period of time covered by the audit, neither the State Republican Executive Committee nor the Republican Party of Texas accepted contributions from corporations or labor unions.

Recommendation

The Audit staff has determined that the Committee's method of allocating its administrative expenses is a reasonable method <sup>1/</sup> and therefore recommends that the Committee's disclosure of an in-kind contribution from the State Republican Executive Committee of Texas and the Republican Party of Texas be allowed since neither Committee has accepted any prohibited corporate or labor union contributions.

The Audit staff further recommends that administrative expenses continue to be allocated on a reasonable basis and that the Committee reimburse the account paying its share of administrative expenses on a timely basis.

<sup>1/</sup> The allocated expenses were based on actual time and services spent on federal activity which represented a reasonable expense allocation between the federal and state accounts. Committee officials have considered staff time administering the account, including depositing and writing checks, posting these to accounts and submitting FEC reports. They also added supplies, use of office machines and space.

61723

727

111

