



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

March 2, 1981

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *J. E. Costa*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF FINAL
AUDIT REPORT-DEMOCRATIC NATIONAL
COMMITTEE

Attached please find a copy of the final audit report of the Democratic National Committee which was approved by the Commission on May 30, 1980.

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

Attachment as stated

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REPORT OF THE AUDIT DIVISION ON THE DEMOCRATIC NATIONAL COMMITTEE

I. Background

A. Overview

This report is based upon an Audit of the Democratic National Committee ("the DNC") undertaken by the Audit Division 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 DNC registered with the Clerk of the United States House of Representatives on April 17, 1972 in support of Democratic nominees for Federal elections, and maintained its headquarters in Washington, D.C. All administrative expenses of the DNC were paid by the DNC Services Corporation which serves as the source for disbursements of administrative costs for all affiliates.

The audit covered the period January 1, 1976 through September 30, 1978, the final coverage date of the last report filed by the DNC at the time of its termination. ^{1/} During the period the DNC reported an opening cash balance of \$52,786.01, total receipts of \$9,224,917.76, total expenditures of \$9,277,703.77, and a closing cash balance of \$-0-.

^{1/} The termination culminated in the DNC merger into the DNC Services Corporation on September 30, 1978. The Audit of that committee shall be addressed in a separate report.

This audit report is based on documents and working papers which support each of the factual statements. They form part of the record upon which the Commission based its decisions on the matters addressed in the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The principal officers of the DNC during the period audited were:

<u>Chairman</u>	<u>Treasurer</u>	<u>Dates</u>
Robert S. Strauss	Edward Bennett Williams	1/01/76-1/31/77
Kenneth Curtis	Joel McCleary	2/01/77-5/31/78
John C. White	Evan Dobbelle	6/01/78-9/30/78

C. Scope

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

II. Audit Findings and Recommendations

A. Receipt of Prohibited Contributions

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation to make a contribution or expenditure in connection with any Federal election to political office, and unlawful for any political committee to knowingly accept or receive any such contribution.

The Audit staff's review of contribution records, including copies of contributor checks and verification with the appropriate Secretary of State, disclosed that the DNC had accepted six (6) corporate contributions totaling \$725.00 in conjunction with a fundraising event. According to the DNC officials, a system was maintained to ensure that no corporate contributions were accepted, but they were unsure why these items had not been detected.

In accordance with our request, the Committee transmitted refund checks for five (5) of the contributions totaling \$525, and have provided the Audit staff with copies of the cancelled refund checks (front and back) relating to three (3) of the contributions. The Committee submitted copies of the front of the other two (2) refund checks since they have not yet cleared the bank. The Committee submitted a statement from the sixth contributor, indicating that his contribution was from personal and not corporate funds.

Recommendation

Since the Committee has issued refunds for five (5) of the contributions and provided evidence that the sixth contribution was not funded through prohibited sources, we recommended that no further action be taken on this matter.

B. Matters Referred to the Office of General Counsel

Certain other matters noted during the audit were referred to the Commission's Office of General Counsel for consideration on January 29, 1980.



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THE PRESS SUMMARY WILL PROVIDE A BRIEF HISTORY OF
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