



FEDERAL ELECTION COMMISSION

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

May 14, 1979

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

THROUGH: BOB COSTA *RJC*

FROM: JUDY HAWKINS

SUBJECT: PUBLIC ISSUANCE OF AUDIT REPORT -
NEVADA REPUBLICAN STATE CENTRAL
COMMITTEE FEDERAL ACCOUNT

Attached please find a copy of the final audit report of the Nevada Republican State Central Committee Federal Account which was approved by the Commission on April 30, 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.

Attachment as stated

cc: FLC Library
RAD
Public Record



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FEDERAL ELECTION COMMISSION

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

REPORT OF THE AUDIT DIVISION

ON THE

NEVADA REPUBLICAN STATE CENTRAL COMMITTEE

FEDERAL ACCOUNT

I. Background

A. Overview

This report is based on an audit of the Nevada Republican State Central Committee Federal Account ("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 433(a)(3) 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 Federal Election Commission on November 28, 1977 as the state committee representing the Republican Party of Nevada. It maintains its headquarters in Reno, Nevada.

The audit covered the period November 1, 1977 through March 31, 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 \$10,617.00*, total receipts of \$42,271.00, total expenditures of \$42,662.00 and a closing cash balance at March 31, 1978 of \$10,226.00.

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.



* See Finding B

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B. Key Personnel

The principal officers of the Committee during the period covered by the audit were Frank Fahrenkopp, Jr., Chairman, and Gerald S. Ballard, Treasurer.

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 Nevada Republican State Central Committee Federal Account fairly present the financial activities of the Committee for the period covered by the audit. Further, except as noted below, no material problems in complying with the Federal Election Campaign Act were discovered during the course of the audit.

Discussion

The Nevada Republican State Central Committee Federal Account was established to conduct activities in support of both Federal and non-Federal candidates. The Committee did solicit and receive contributions intended for use in support of both Federal and non-Federal candidates; however, no Federal candidates were supported during the period from inception, November 1, 1977, through March 31, 1978, the closing date of the audit period.

The Committee maintained two (2) checking accounts into which contributions for non-Federal activity were deposited. In addition, it was determined that corporate contributions (See Finding A) and transfers from unregistered political organizations (See Findings B and C) were also deposited into these accounts. A third checking account was subsequently established on February 10, 1978 to be used exclusively for Federal activity. However, it was determined that transfers from unregistered political organizations were deposited into this account (See Finding C).

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The Audit staff recognizes that the Committee technically did not operate in accordance with Section 102.6(a)(2) of the Commission's Regulations, effective April 13, 1977, which states, in relevant part, that a single committee supporting both Federal and non-Federal candidates must maintain a single account to make contributions to Federal and non-Federal candidates, but only if all contributions received are permissible under the Act (See Finding A), and all contributors are informed that all contributions are subject to the limitations of Sections 110.1, 110.2, and 110.5. The committees established in accordance with Section 102.6(a)(2) are expressly prohibited by Section 102.6(b) from accepting transfers from accounts or committees not established in accordance with Section 102.6(a)(2) (See Findings B and C). However, since the Committee (1) did not support Federal candidates, (2) maintained separate Federal and non-Federal bank accounts, (3) transferred the beginning cash noted in Finding B to a state level party organization for its use in support of non-Federal candidates, (4) has deleted all other non-Federal activity from its reports, and (5) has transferred the prohibited contributions (See Findings A and C) to the Nevada Republican Central Committee (an unregistered state level organization) to be used to support non-Federal candidates, it is the opinion of the Audit staff that the recommendations, as stated, are appropriate with respect to this Committee's activities during the audit period.

A. Acceptance of Corporate 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 election to any political office, and it is unlawful for any candidate, political committee, or other person to knowingly accept or receive any contribution from a corporation.

During the period covered by the audit, a review of the Committee's contribution records disclosed that 11 contributions from eight (8) business entities totaling \$422.00 were contributions from corporations in good standing at the time the respective contributions were made. These contributions were deposited into a Committee bank account maintained exclusively for non-Federal purposes.

The Committee's reports included Federal and non-Federal activity during the period covered by the audit, however, no Federal candidates were supported.

Pursuant to our request the Treasurer provided evidence that nine (9) contributions from six (6) corporate entities were not drawn from corporate sources. However, the Audit Staff recommended that in lieu of returning the two (2) corporate contributions (\$100.00) to the contributors, the Committee should transfer those funds to a separate non-Federal state level organization.

Recommendation

On March 16, 1979, the Commission received a copy of both sides of the cancelled check which showed that the entire amount of originally suspected corporate funds (\$422.00) was transferred to a non-Federal organization. Therefore, it is the recommendation of the Audit staff that no further action be taken on this matter.

B. Acceptance of Funds from an Unregistered Political Organization

Section 102.6(a)(1) and (2)(i) and (ii) of the Commission's Regulations provides that State committees soliciting or receiving contributions for or on behalf of Federal candidates shall either establish a separate Federal campaign committee and segregated Federal bank account(s) or establish a single committee with a single account to make contributions to Federal and non-Federal candidates if all contributions received are permissible under the Act, and all contributors are informed that all contributions are subject to the limitations of Sections 110.1, 110.2, and 110.5 of the Commission's Regulations.

The initial report filed by the Nevada Republican State Central Committee Federal Account covered the period November 1, 1977 through December 31, 1977. The Committee reported beginning cash on hand of \$10,617.00 on November 1, 1977. Two (2) checking accounts were maintained by the Committee at that time to be used exclusively for non-Federal activity. It was determined during the performance of the bank reconciliation that this beginning cash consisted of residual funds from two (2) bank accounts previously maintained by the Nevada Republican Central Committee, an unregistered state party organization. The Nevada Republican Central Committee is

allowed to accept corporate contributions, since no Nevada statute prohibits acceptance of such contributions for state and local election purposes. The Committee subsequently returned the beginning cash, \$10,617.00, to the Nevada Republican Central Committee on April 14, 1978 and deleted this amount from its report.

Recommendation

It is our recommendation that, since the Committee (1) did not support any Federal candidates, (2) maintained a separate non-Federal bank account into which the \$10,617.00 was deposited, (3) returned the beginning cash amount to the Nevada Republican Central Committee, and (4) deleted this activity from its reports, no further action be taken on this matter.

C. Transfers from Unregistered Political Organizations

Section 102.6(b)(2) of the Commission's Regulations states that committees established in accordance with 102.6(a)(1) and (2)(i) and (ii) of the Commission's Regulations may not receive transfers from an account or committee established by a State committee, subordinate committee of a State committee, or another political committee, except from a committee or account set out in paragraphs (i) and (ii).

During the course of the audit, it was determined that the Committee received 14 transfers from 13 unregistered political organizations totaling \$3,765.57. Thirteen (13) of these transfers were received from 12 county and local political organizations which are permitted to accept corporate contributions. Five (5) of the transfers (totaling \$3,010.20) were deposited into a checking account maintained by the Committee to be used exclusively for Federal activity, however, no Federal candidates were supported during the period covered by the audit. The remaining nine (9) transfers (totaling \$755.37) were deposited into a separate Committee checking account for non-Federal activity. The amount \$3,765.57 included registration fees for a campaign seminar school, a payment for survey results and transfers received from unregistered political organizations.

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The Audit staff notified the Committee that since no Federal candidates were supported by the Committee during the period covered by the audit, that the Nevada Republican State Central Committee Federal Account transfer all funds relating to non-Federal activity, including transfers from county and local organizations, to a separate non-Federal organization in lieu of returning these transfers to the donor organizations.

Recommendation

On March 16, 1979, the Commission received a copy of both sides of the cancelled check which showed that the total amount of funds received from the unregistered political organizations were transferred to the non-Federal organization. Therefore, it is the recommendation of the Audit staff that no further action be taken on this matter.

D. Expenditures Not Properly Reported

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 excess of \$100 or in an aggregate amount which exceeds \$100.

Section 104.2(b)(4) of the Commission's Regulations states, in part, that each report shall disclose the identification of each political committee or other political organization to which the reporting committee made any transfer of funds in any amount during the reporting period, together with the amounts and dates of all transfers.

During the course of the audit, it was determined that the Committee had failed to itemize six (6) expenditures totaling \$243.75 (29.69% of the total expenditures requiring itemization and 1.15% of the total dollar value of expenditures requiring itemization). These figures include three (3) transfers out to political organizations totaling \$110.00.

The Audit staff recommended that the Committee file an amended report itemizing the expenditures.

Recommendation

Since the Committee filed an amended report on March 16, 1979 itemizing the expenditures, it is the recommendation of the Audit staff that no further action be taken on this matter.

