



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

A81-66

May 27, 1982

MEMORANDUM

TO: FRED S. EILAND
PRESS OFFICE

FROM: BOB COSTA *RC*

SUBJECT: PUBLIC ISSUANCE OF FINAL
AUDIT REPORT-AMERICAN PARTY

Attached please find a copy of the final audit report of the American Party which was approved by the Commission on May 18, 1982.

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

Attachment as stated

cc: FEC Library
RAD
✓ Public Record



FEDERAL ELECTION COMMISSION
WASHINGTON, D. C. 20463

A81-66

REPORT OF THE AUDIT DIVISION
ON THE
AMERICAN PARTY

I. Background

A. Overview

This report is based on an audit of the American Party ("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(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under Section 434 of this title. Prior to conducting any audit under this section, the Commission shall perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act.

The Committee registered with the Federal Election Commission on August 15, 1975. The Committee maintains its headquarters in Salt Lake City, Utah.

The audit covered the period January 1, 1980 through December 31, 1980. The Committee reported a cash balance on January 1, 1980, of \$3,133.43; total receipts for the period of \$17,284.45; total disbursements for the period of \$18,046.69; and a cash balance on December 31, 1980, of \$1,078.56. 1/

1/ The figures reported by the Committee do not balance due to disclosure and mathematical errors contained in Committee reports. (See Finding A)

This audit report is based upon 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 the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers of the Committee during the period audited were Mr. Vern Morse January 1, 1980 through March 27, 1980, and Mr. Robert L. Youngblood from March 28, 1980 to December 31, 1980.

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. Findings and Recommendations

A. Disclosure of Receipts

Section 432(c) of Title 2 of the United States Code states that the treasurer of a political committee shall keep an account of all contributions received by or on behalf of such political committee.

Section 434(b)(2) and (3)(A) of Title 2 of the United States Code provides that each report shall disclose the total amount of all receipts during the reporting period, and if the amount or value of a person's contributions aggregate in excess of \$200, the report shall disclose the identification of each person, along with the date and amount of any such contributions.

A reconciliation of Committee bank statements to report figures disclosed that the Committee understated total 1980 receipts by \$1,875.28 or 10.2%. The Audit staff also identified 8 contributions totaling \$820.00, or 42.1% of the 19 contributions required to be itemized, which were not itemized on Committee reports. Further, a review of the records and reports in support of the 11 contributions itemized determined that 90.9% of the contributors were not properly disclosed with the contributor's occupation and name of employer.

The problems noted above appeared to result from a receipts processing system which did not facilitate aggregation of contributions, or the adequate preparation of FEC disclosure reports.

In the interim audit report, the Audit staff recommended that the Committee file a comprehensive amendment for 1980 disclosing an additional \$1,875.28 in receipts, itemize 8 contributions not previously itemized, and obtain and disclose the missing occupation and name of employer information for the contributors which require itemization.

On April 5, 1982, and May 7, 1982, the Committee submitted a comprehensive amendment substantially complying with the Audit staff's recommendation.

Recommendation

The Audit staff recommends no further action.

B. Possible Receipt of Prohibited Contributions

Section 441b of Title 2 of the United States Code states, in part, that it is unlawful for any corporation or any labor organization 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 or expenditure.

Committee receipt records identified transfers-in totaling \$3,540.74 from unregistered state and county committees. According to the Committee Treasurer, the Committee does not control activity in the states and did not determine whether the transfers-in were from accounts which contained funds from prohibited sources.

A similar problem, noted in an audit covering the period January 1, 1975 through March 31, 1977, was included in MUR 277(76).

In the interim audit report, The Audit staff recommended that that the Committee submit evidence that the contributions totaling \$3,540.74 were not transferred from an account which contained prohibited funds. If any of the contributions were transferred from accounts containing prohibited funds, the Audit staff recommended that the contributions be refunded to the contributors.

On May 7, 1982, the Committee submitted a letter from the National Chairman stating that the Committee had contacted the state and county committees, and received verification from the Committees that the transfers were from permissible sources.

Recommendation

The Audit staff recommends that the Committee establish procedures for determining the source of funds transferred from state and local committees. The procedures should include the following:

- 1) The verification by phone or letter of the permissibility of funds received from unregistered committees. A record should be kept of all communications oral and written.
- 2) Dissemination of information to state and local committees concerning the types of contributions prohibited in federal elections.
- 3) Procedures whereby transferring committees automatically include a statement with their transfer stating that, the transfer was made from an account which received only contributions subject to the prohibitions and limitations of the Act.
- 4) Procedures to refund transfers received from organizations which are not established pursuant to 11 C.F.R. 102.5(a) and (b).

C. Disclosure of Transfers-In From Affiliated Committees

Section 434(b)(3)(D) of Title 2 of the United States Code provides that each report shall disclose the identification of each affiliated committee which makes a transfer to the committee during the reporting period and, where the reporting committee is a political party committee, each transfer of funds from another political party committee regardless of whether such committees are affiliated, together with the date and amount of such transfer.

During the review of Committee receipt records, the Audit staff identified seven (7) transfers-in totaling \$791.93 from state party committees which were not itemized on Committee disclosure reports. These seven transfers represent 9.1% of the dollar value, and 18.9% of the number of transfers received during 1980.

In the interim audit report, the Audit staff recommended that the Committee file a comprehensive amendment for 1980 itemizing the seven (7) transfers not previously itemized.

On May 7, 1982, the Committee filed a comprehensive amendment for 1980 itemizing the seven (7) transfers-in as required.

Recommendation

The Audit staff recommends no further action.

D. Disclosure of Expenditures

Section 434(b) (4) and (5) of Title 2 of the United States Code requires the disclosure of total expenditures made during the reporting period, and if expenditures to a person aggregate in amount or value in excess of \$200 within the calendar year, the disclosure of the name and address, together with the date, amount, and purpose of each such expenditure.

The Audit staff identified 13 expenditures totaling \$2,560.04 which were not reported. Of these 13, 4 expenditures totaling \$2,065.28 required itemization. These expenditures represent 12.5% of the total dollar value of Committee expenditures required to be reported, and range in purpose from tax payments to reimbursement of expenses.

In the interim audit report, the Audit staff recommended that the Committee file a comprehensive amendment for 1980 reporting the additional expenditures, and itemizing the four (4) expenditures which aggregated in excess of \$200.00.

On May 7, 1982, the Committee filed a comprehensive amendment for 1980 correcting the Committee's disclosed expenditure activity, and itemizing the additional four (4) expenditures.

Recommendation

The Audit staff recommends no further action.

E. Disclosure of Debts and Obligations

Section 434(b) (8) of Title 2 of the United States Code states, in part, that each report shall disclose the amount and nature of outstanding debts and obligations owed by such political committee.

A review of Committee expenditure documentation identified a debt of \$1,937.00 for legal services rendered to the Committee which was not disclosed on Committee reports.

In the interim audit report, the Audit staff recommended that the Committee include the debt noted above in the comprehensive amendment to be filed for the 1980 period.

On May 7, 1982, the Committee submitted the recommended amendment, and itemized the debt of \$1,937 for legal services.

Recommendation

The Audit staff recommends no further action.

FBI
DOCUMENT
100-44-1000