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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A81-37

April 22, 1982

MEMORANDUM

TO: FRED EILAND
PRESS OFFICE

FROM: BOB COSTA *RJC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
NEBRASKA DEMOCRATIC STATE CENTRAL COMMITTEE

Attached please find a copy of the final audit report of the Nebraska Democratic State Central Committee which was approved by the Commission on April 14, 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
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Public Record



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

A81-37

REPORT OF THE AUDIT DIVISION
ON THE
NEBRASKA DEMOCRATIC STATE CENTRAL COMMITTEE

I. Background

A. Overview

This report is based on an audit of the Nebraska Democratic State Central 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(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 United States House of Representatives on April 17, 1972 as the State Committee of the Democratic Party of Nebraska. The Committee maintains its headquarters in Lincoln, Nebraska.

The audit covered the period January 1, 1980 through December 31, 1980. During the period, the Committee reported a beginning cash balance of \$865.20, total receipts for the period of \$134,647.87, total expenditures for the period of \$134,962.76, and an ending cash balance on December 31, 1980 of \$550.31.

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 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. Donald Geis from January 1, 1980 through November 23, 1980 and Ms. Lola J. Staley from November 24, 1980 through the close of the period covered by the audit.

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. Audit Findings and Recommendations

A. Receipt of Funds From Unregistered Organizations

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.

The Committee maintains a Federal and non-Federal account into which funds are deposited for the purpose of financing Federal and non-Federal elections respectively. A review of the Federal account disclosed 57 receipts totaling \$11,398.76 from 35 unregistered committees. The Nebraska Political Accountability and Disclosure Act permits corporate and labor contributions for non-Federal elections. The Committee's assistant treasurer stated, when questioned, that the Committee did not determine whether the transfers contained prohibited funds.

A previous audit of the Committee covering the period January 1, 1976 through March 31, 1978 revealed a similar problem. At that time the Committee was directed to contact the unregistered committees to inquire whether the noted transfers contained prohibited funds.

In the interim report, the Audit staff recommended that within 30 days of receipt of the report the Committee submit evidence that the contributions totaling \$11,398.76 were not transferred from accounts 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 or transferred to the non-federal account. Evidence of the refund/transfer, (copies of the

cancelled refund check, front and back) were to be provided to the Audit staff. It was also recommended that the Committee adopt procedures in the future to determine whether any contributions received from unregistered committees were transferred from accounts which contained prohibited funds.

The final day of the Committee's response period was December 16, 1981. On January 4, 1982 the Committee provided to the Audit staff letters sent to each of the 35 contributing committees, the responses received to those letters, and a letter from the Executive Director stating that the Committee forwarded follow-up letters to committees which did not respond.

Recommendation

The Audit staff recommends that based on the responses above, the Committee refund any contributions which may contain funds received from prohibited sources, and establish procedures for determining the source of funds transferred from local and county 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 local and county 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).

B. Disclosure of Contributions from Committees

Section 434(b)(3)(B) and (D) of Title 2 of the United States Code requires that each report under this section disclose the identification of each political or affiliated committee which makes a contribution or transfer to the reporting committee together with the date and amount of any such contribution or transfer.

Section 104.3(a)(4)(ii) of Title 11 of the Code of Federal Regulations states, in part, that the identification of each contributor and the aggregate year-to-date total for such contributor shall be reported for all committees (including political committees and committees which do not qualify as political committees under the Act) which make contributions to the reporting committee during the reporting period with the date of receipt and the amount of any such contribution.

The Committee did not itemize 27 contributions from 24 committees totaling \$2,587.94. This represents 10% of the dollar value and 36% of the number of contributions received from committees.

In the interim report the Audit staff recommended that within 30 days of receipt of this report, the Committee file a comprehensive amendment for 1980 itemizing the 27 contributions.

The final day of the Committee's response period was December 16, 1981. On January 4, 1982, the Audit staff received a letter dated December 30, 1981 stating that the amended report for 1980 itemizing the contributions would be forthcoming contingent upon the receipt of information requested regarding funds received from unregistered organizations (see Finding A).

Recommendation

The Audit staff recommends that the Committee file a comprehensive amendment for 1980 itemizing the 27 contributions and thereby correcting the public record.