



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A85-25

April 10, 1987

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: ROBERT J. COSTA *TR For RJC 4/10/87*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
POPULIST PARTY

Attached please find a copy of the final audit report of Populist Party which was approved by the Commission on March 23, 1987.

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 Disclosure
Office of General Counsel

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**REPORT OF THE AUDIT DIVISION
ON THE
POPULIST PARTY**

I. Background

A. Overview

This report is based on an audit of the Populist Party ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance 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 July 2, 1984. During the period audited, the Committee maintained its headquarters in Washington, D.C. The audit covered the period March 1, 1984 through December 31, 1984, the closing date for the latest report which was filed at the time the audit was approved. The Committee reported a cash balance on March 1, 1984 of \$-0-; total receipts of \$661,381.84; total disbursements of \$658,663.21; and a cash balance on December 31, 1984 of \$2,718.63.

This audit report is based on documents and workpapers 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.

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B. Key Personnel

The Treasurer of the Committee during the period covered by the audit was Ms. Clara Sandahl.

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. However, although the contribution records provided by the Committee meet the recordkeeping requirements of 2 U.S.C. § 432(c) and 11 C.F.R. § 102.9(a), the records were not maintained in a manner which allowed testing for correct aggregate contributor totals and proper itemization.

II. Audit Findings and Recommendations

A. Itemization of Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year.

Under 2 U.S.C. § 434(b)(3)(G) each report shall disclose the identification of each person who provides any dividend, interest, or other receipt to the reporting committee in an aggregate amount or value in excess of \$200, together with the date and amount of such receipt.

During the course of the review of receipts, it was noted that the Committee failed to itemize 23 contributors whose contributions aggregated in excess of \$200 and totaled \$8,845. In addition, the Committee failed to itemize a \$60,000 receipt.

The Committee spokesman did not know why those contributions were not itemized but said the preparer of the reports probably did not know that the \$60,000 receipt had to be itemized.

At the close of the fieldwork the Audit staff provided the Committee with a list identifying the contributions that were not properly disclosed.

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The Audit staff recommended in the interim audit report that the Committee, within 30 days of receipt of the report, amend its reports to properly itemize the contributions and receipts noted above.

The Committee, in response to the recommendation contained in the interim audit report, disclosed the aforementioned receipts in amended reports filed on August 7, 1986.

Recommendation

The Audit staff recommends no further action with respect to the disclosure of the receipts in question.

B. Itemization of Disbursements

Section 434(b) (5) (A) of Title 2 of the United States Code, requires that a political committee itemize the name and address of each person to whom an expenditure, in an aggregate amount or value in excess of \$200, is made together with the date, amount and purpose of such expenditure.

The Committee's disbursement records were reviewed to determine whether all disbursements requiring itemization were itemized on the Committee's disclosure reports. The disbursements listed below were not itemized as required.

- eight wire transfers totaling \$7,500;
- one disbursement for \$60,000.

It was further noted that 4 disbursements, totaling \$9,811.66, were not properly itemized. Committee representatives did not know why the disbursements noted above were not itemized as required. The Committee was provided with a schedule of the above items at the exit conference.

The Audit staff recommended that, within 30 days of receipt of the interim audit report, the Committee amend its reports to correct the itemization problem noted above.

The amended reports filed by the Committee on 8/7/86 contained adequate itemization relative to those disbursements not itemized in the original reports.

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Recommendation

The Audit staff recommends no further action.

C. Documentation for Disbursements

Section 432(c)(5) of Title 2 of the United States Code states, in part, that the treasurer of a political committee shall keep an account of the name and address of every person to whom any disbursement is made, the date, amount, and purpose of the disbursement, including a receipt, invoice or cancelled check for each disbursement in excess of \$200.

Sections 104.3(b)(3)(i)(A) and (B) of Title 11 of the Code of Federal Regulations define "purpose" as a brief statement or description of why the disbursement was made and specifically states that descriptions such as "other expenses", "expenses", and "expense reimbursement" do not meet the requirements of this section.

The Committee did not have a receipt or invoice for 25 wire transfers totaling \$46,500. The Committee spokesman acknowledged that the Committee did not attempt to obtain the required documentation for any of the wire transfers. Further, the Committee did not maintain records to document the purpose of 8 disbursements, totaling \$5,317.72, that were issued by check.

The Committee was given a schedule containing the wire transfers and disbursements by check at the exit conference.

The Audit staff recommended that, within 30 days of receipt of the interim audit report, the Committee obtain and make available for the Audit staff's review documentation for disbursements which meets the requirements of the Act.

In response to the interim audit report, the Committee presented (1) photocopies of letters (undated) addressed to the payees ^{2/} in which a request is made to supply documentation, and (2) responses from certain payees which provided adequate documentation.

2/ In the case of 8 disbursements, totaling \$10,000, the letter was addressed to the Committee's National Campaign Consultant who, according to the letter, "maintained direct supervision over much of the party's expenditures, particularly in the realm of ballot access efforts."

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Recommendation

Based on the efforts made by the Committee (see 11 C.F.R. § 104.7) and our review of the documentation presented, the Audit staff recommends no further action with respect to the \$51,817.72 (\$46,500 + \$5,317.72) in disbursements discussed above.

D. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code requires each report filed by the treasurer of a political committee to disclose the amount and nature of outstanding debts and obligations owed by the committee.

Section 104.11(a) of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations shall be continuously reported until extinguished. In addition, 11 C.F.R. § 104.11(b) states, in part, that debts of \$500 or less shall be reported no later than 60 days after the obligation is incurred. Debts in excess of \$500 shall be reported at the time of the transaction.

During the audit, it was noted that the Committee failed to disclose one debt of \$6,380.66. In addition, 35 debts totaling \$317,212.98 disclosed on its reports (Schedule D) should have been disclosed when incurred on previously filed disclosure reports.

The Audit staff also noted that debts owed to two vendors were underreported by \$33,376.93 and \$87,347.55, respectively, on the Committee's Year-end Report, resulting in the total amount of debt owed by the Committee as of December 31, 1984 to be understated by \$120,724.48.

A spokesman for the Committee said that debts were not disclosed prior to the Year-end Report because the Committee did not have enough information to determine the total amount of their debt.

The Committee was provided with information regarding unreported and improperly reported debt at the exit conference.

The Audit staff recommended that, within 30 days of receipt of the interim audit report, the Committee amend its reports to properly disclose the one debt (\$6,380.66) that was not reported and debts to the vendors that were understated (\$120,724.48). The Audit staff recommended no further action on the 35 debts, totaling \$317,212.98, that were disclosed late.

As part of its response to the interim audit report, the Committee filed amended debt schedules for its 1984 Year-end Report. The understatements noted above were corrected via the amendment filed on 8/7/86; however, the Committee did not recognize any amounts owed for administrative services provided in December, 1984. The Audit staff estimated that the value of the services was \$12,435.03. The Committee, in its 7/1/86 response, stated that it was not billed for personnel, rent and telephone expenses for December, 1984 since the party's activities came to a close as of November 30, 1984. ^{3/} It should be noted that the Committee continued to receive and deposit contributions and make disbursements after 11/30/84.

Recommendation

The Audit staff recommends no further action at this time.

E. Disclosure of Loans

Section 434(b) (3) (E) of Title 2 of the United States Code requires that each report shall disclose the identification of each person who makes a loan to the reporting committee during the reporting period, together with the identification of any endorser or guarantor of such loan, and date and amount or value of such loan.

In addition, 11 C.F.R. § 104.3(d) requires the disclosure of the amount and nature of outstanding debts and obligations on Schedule C (Loans) or Schedule D (Debts and Obligations), as appropriate.

During the review of the Committee's loan activity, it was noted that the Committee failed to itemize the receipt of a \$7,500 loan on Schedule A (Itemized Receipts) and the repayment of the loan on Schedule B (Itemized Disbursements), as required. In addition, the Committee failed to itemize a \$600 loan made on Schedule C (Loans).

^{3/} Conversely, in its 5/5/86 response, the Committee provided a statement, dated 12/31/84, in which the estimated cost of services for December, 1984 was included in the amount of \$12,435.03. No mention of this inconsistency was contained in the Committee's 8/7/86 response.

The reason given for these omissions was the report preparer's lack of experience in matters regarding the requirements of the Act.

The Audit staff recommended in the interim audit report that, within 30 days of receipt of the report, the Committee amend its reports to properly disclose these loans.

The Committee filed amended reports on 8/7/86 in which all omissions but the \$7,500 loan repayment were corrected. Although the Schedule B for the \$7,500 loan repayment was not included with amendments filed, the Committee did include an amended Schedule C showing the liquidation of the loan and also listed the \$7,500 on the amended Detailed Summary Page for line 24 (Loan Repayments Made). On October 23, 1986, the Committee filed the Schedule B itemizing the \$7,500 loan repayment.

Recommendation

Since the Committee has clarified the public record regarding the aforementioned debts, the Audit staff recommends no further action regarding the disclosure of these transactions.

F. Matters Referred to the Office of General Counsel

Certain matters noted during the audit were referred to the Commission's Office of General Counsel.

FEC
DOCUMENT
SEPARATOR