



FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

A83-12

July 28, 1983

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: BOB COSTA *BC*

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
FRIENDS OF J. T. QUIGG FOR CONGRESS

Attached please find a copy of the final audit report of Friends of J. T. Quigg For Congress which was approved by the Commission on July 13, 1983.

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

Attachment as stated

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REPORT OF THE AUDIT DIVISION
ON THE
FRIENDS OF J. T. QUIGG FOR CONGRESS

I. Background

A. Overview

This report is based on an audit of the Friends of J. T. Quigg for Congress ("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 September 28, 1981 and maintains its headquarters in Olympia, Washington.

The audit covered the period September 21, 1981, through December 31, 1982. The Committee reported an opening cash on hand balance September 21, 1981 of \$-0-; total receipts for the period of \$348,520.50; total disbursements for the period of \$348,344.80; and a closing cash balance on December 31, 1982 of \$2,170.00. ^{1/}

This report is based on documents and working papers supporting 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 for review.

^{1/} The closing cash balance on December 31, 1982 is misstated by \$1,994.30 due to math errors during the preparation of the reports.

B. Key Personnel

The Treasurers of the Committee during the period of the audit were Ms. Diane Tegelberg from September 21, 1981 through December 28, 1981 and February 18, 1982 to present; and Mr. Pat Earley from December 28, 1981 through February 18, 1982.

C. Scope

The audit included such tests as verification of total reported receipts and disbursements 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. Itemization of Expenditures

Section 434(b)(5) of Title 2, United States Code states that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made by the reporting committee to meet a committee operating expense, together with the date, amount, and purpose of such operating expenditure.

Sections 104.13(a)(1) and (2) of Title 11, Code of Federal Regulations require that each in-kind contribution shall be reported as a receipt and expenditure in accordance with 11 C.F.R. 104.3(a) and (b).

The review of expenditures made during the audit period revealed that the Committee did not itemize or properly disclose 410 expenditures totalling \$170,610.61. This represents 74% of the total number of expenditures requiring itemization and 49% of the dollar value. Specifically, the problems noted are as follows:

1) The Committee failed to itemize 339 expenditures totalling \$109,767.32. Expenditures totalling \$103,458.58 represented either multiple payments to the same payee during the reporting period which were reported as one payment, or expenditures which were made to different payees and grouped together under a certain category (e.g. salaries, newspapers, radio, postage, etc.). In either case, the Committee failed to provide a separate itemization for each individual disbursement requiring itemization.

In addition, 45 expenditures totalling \$6,308.74 were included, for the most part, on the Summary Page Total for Operating Expenditures (line 17), however, no detail of the expenditures was provided on the appropriate schedules.

2) The Committee also failed to provide the requisite information for 64 expenditures which were itemized on the appropriate schedules totalling \$59,357.18. In this case information relating to the identification of the payee, the date, amount and/or purpose of the expenditure was not provided.

3) Finally, the Committee failed to properly itemize seven in-kind contributions totalling \$1,486.11.

The Audit staff recommended in the interim audit report that the Committee file a comprehensive amendment to correctly itemize the expenditures and in-kind contributions as noted above. On July 6, 1983, the Committee filed schedules which materially complied with the recommendation set forth in the interim audit report.

Recommendation

The Audit staff recommends no further action with respect to this matter.

B. Itemization of Contributions from Political Committees

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

The review of contributions from political committees indicated that the Committee did not itemize 12 contributions from 11 political committees totalling \$4,000. The Committee's bookkeeper explained, that the contributions were not itemized due to an incorrect understanding of the requirement that all contributions from political committees require itemization regardless of amount or aggregate value.

The Audit staff recommended in the interim audit report that the Committee file a comprehensive amendment to itemize these contributions. On July 6, 1983 the Committee filed a schedule which materially complied with the recommendation set forth in the interim audit report.

Recommendation

The Audit staff recommends no further action with respect to this matter.

C. Disclosure of Debts and Obligations

Section 104.3(d) of Title 11, Code of Federal Regulations states, in part, that each report shall disclose the amount and nature of outstanding debts owed by the reporting committee on Schedule D. ^{2/}

Section 104.11(a) of Title 11, Code of Federal Regulations states that debts and obligations owed by a political committee which remain outstanding shall be continuously reported until extinguished. Where such debts are settled for less than their reported amount or value, the reporting committee shall include a statement as to the circumstances and conditions under which the debt was extinguished and the amount paid.

The review of the Committee's debts and obligations indicated that the Committee did not provide all of the requisite information (i.e., name, address, purpose and/or amount) for 154 of 184 debts and obligations shown on Schedule "D" currently on file at the Commission. Included in this amount are the following problems:

1) the Committee disclosed a debt of \$4,948 to the candidate for expenses on the July Quarterly report (1982), which was not disclosed in subsequent reports. Furthermore, no payment was made on the debt and the amount incurred increased to \$13,321.84 at December 31, 1982;

2) the Committee understated the amount of a debt owed to a vendor by \$1,106.65;

Also, the Committee did not provide the necessary supporting schedule(s) for a loan(s) totalling \$2,000 which was shown on the Detailed Summary Page on the October Quarterly Report for 1982. The Committee's records are unclear as to the source of the loan and available Committee staff was unable to identify the lender. To the extent possible, the Audit staff verified that no repayment(s) was made on this loan.

^{2/} The instructions on the reverse side of Schedule "D" require the disclosure of the name and address of each individual/vendor shown as a creditor on Schedule D.

The Committee has made payments on 162 of the 184 debts and obligations which were shown on Schedules "D" during the audit period (22 were disclosed on the Year End 1982 Report. As a result, the requisite information which was missing on Schedule "D" was either disclosed on Schedule "B" when payment of the debt was made or has been disclosed on the schedules received in response to the recommendation in Finding II.A. of this report.

The Audit staff recommended in the interim audit report that the Committee file amended debt schedules to provide the missing requisite information for the 22 debts currently shown on the Year End 1982 Report on file at the Commission and provide the appropriate supporting schedule for the \$2,000 loan which shows the requisite information for the lender. The Audit staff further recommended that the Committee disclose the accurate amount of the debt which was determined by the Audit staff to be understated by \$1,106.65.

On July 6, 1983, the Committee filed debt schedules which materially complied with the recommendations set forth in the interim audit report.

Recommendation

The Audit staff recommends no further action with respect to this matter.

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