



United States
General Accounting Office
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FOR IMMEDIATE RELEASE

Acting Comptroller General Robert F. Keller today referred to the Attorney General apparent and possible violations of the Federal Election Campaign Act by the Finance Committee to Re-Elect the President.

The Acting Comptroller General notified the Attorney General of apparent and possible violations following a report made by the Office of Federal Elections of the General Accounting Office.

A copy of the report is attached.

Attachment

REPORT OF THE OFFICE OF FEDERAL ELECTIONS
TO THE COMPTROLLER GENERAL OF THE UNITED STATES

AUDIT OF THE FINANCE COMMITTEE TO RE-ELECT THE PRESIDENT

This report covers an audit undertaken by the Office of Federal Elections to determine whether there has been compliance by the Finance Committee to Re-Elect the President and its affiliated committees, with the provisions of the Federal Election Campaign Act of 1971, particularly with respect to matters which should have been reported in the reports filed on June 10, 1972, under the Act.

Press reports of a \$25,000 contribution raised questions which could not be answered without a detailed examination of the Committee's records. The Comptroller General, therefore, directed the Office of Federal Elections to undertake an audit of the Committee's accounts. Subsequently, requests were received from Senator Howard Cannon, Chairman of the Subcommittee on Privileges and Elections of the Senate Committee on Rules and Administration, and Senator William Proxmire, requesting that an audit be undertaken and reports with respect to the results of the audit be made available to them.

The audit was conducted pursuant to Section 308(a)(11) of the Act which directs the Comptroller General to make audits and field investigations with respect to reports and statements filed under the Act and allegations of failures to file. The Act further directs the Comptroller General to report apparent violations of law to the appropriate law enforcement authorities (Section 308(a)(12)).

The Act does not give the Comptroller General the power to subpoena witnesses or records. This fact, together with the fact that a Federal Grand Jury investigation related in some respects to the transactions covered by this audit is in progress, makes it impossible to close certain gaps in the information we have been able to obtain.

Our auditors have been able to obtain very little information on transactions prior to April 7, 1972, the effective date of the Act. Also, some individuals who may have knowledge of the matters involved have not been available to discuss the subject with us. Others were not available to us until late in the audit; for instance, Hugh W. Sloan, Jr., former Treasurer of the Committee, was not available until August 23.

The following sections of this report are organized under general topical headings in order to present related evidence and transactions in a coherent pattern.

FINDINGS AND CONCLUSIONS

The \$25,000 Dahlberg Check

The following are the essential facts surrounding this matter, based on our examination of relevant documents available to us and interviews with individuals involved who were willing to talk with us.

Mr. Kenneth H. Dahlberg, Chairman of the Minnesota Finance Committee to Re-Elect the President, stated that he received a telephone call on April 5, 1972, from a person who wished to make a gift of \$25,000 in currency in support of President Nixon's re-election campaign. He indicated that the donor wished to remain anonymous and for that reason stated that he was making the gift on Wednesday, April 5, before the effective date of the Act, and placing it in the custody of a third party in a Miami area hotel. Mr. Dahlberg said he called Mr. Maurice Stans, Chairman of the Finance Committee to Re-Elect the President, on the same date and told him of the contribution. Mr. Dahlberg agreed to pick up the currency since he had planned to be in Florida that weekend (he maintains a home in Boca Raton, Florida) and was to be in Washington, D.C., on April 11 for a meeting of the Committee. Mr. William Norman, an employee of Mr. Dahlberg's company and Treasurer of the Minnesota Committee, has stated to us that he was present during the conversations and confirmed Mr. Dahlberg's statements.

Mr. Dahlberg further stated that after arriving in the Miami area, he picked up the currency on April 9 and, for security, had a cashier's check made out to himself on April 10 at the First Bank and Trust Company of Boca Raton. On April 11, Mr. Dahlberg flew to Washington, D.C.,

endorsed the check in blank, and personally delivered it to Mr. Stans. Mr. Dahlberg would not disclose to us the identity of the donor or the third party, at our initial interview with him.

Mr. Stans stated that he received the \$25,000 check on April 11 from Mr. Dahlberg and promptly handed it over to Mr. Hugh W. Sloan, Jr., the Treasurer of the Committee. Mr. Sloan stated that either the same day or the following day he conferred with Mr. G. Gordon Liddy, Counsel for the Committee, who advised him that the check represented a pre-April 7 contribution and suggested that it be reconverted to cash. Mr. Sloan said he turned the check over to Mr. Liddy to do this. Mr. Stans' affidavit states that he was advised of this several weeks later by Mr. Sloan.

We were unable to find any documentation of these actions or of the subsequent handling of the check by Mr. Sloan, Mr. Liddy, or other Committee personnel. However, bank records show it was credited on April 20, 1972, to "Barker Associates, Inc., Trust Account" in the Republic National Bank of Miami.

Mr. Sloan stated that Mr. Liddy did return currency to him in exchange for the check, but not until sometime in the middle of May and not in the exact amount of the check. The amount received will be discussed in more detail below. We have been unable to find documentation of the amount or the handling of this currency in the records of the Committee, nor have we been able to obtain any explanation for the delay between the delivery of the check to Mr. Liddy and his return of cash to Mr. Sloan.

Mr. Liddy has declined to discuss any matter involved in this report with us.

A copy of the \$25,000 check obtained from the First Bank and Trust Company of Boca Raton shows the endorsement of Mr. Dahlberg and a notary certification, apparently of Mr. Dahlberg's signature, by Mr. Bernard L. Barker. It also bears a stamped endorsement for deposit to the trust account of Barker Associates, Inc. Both Mr. Barker's notary certificate and the stamped endorsement of Barker Associates apparently were affixed to the check after it left the hands of the Committee. Both Stans and Sloan stated that they have never met Mr. Barker.

It is undisputed that Mr. Dahlberg received the \$25,000 cash on April 9, 1972, and that neither the Chairman nor the Treasurer of the Committee received the cashier's check from Mr. Dahlberg until April 11, 1972. The Committee's position, however, as reflected in a memorandum from the Special Counsel to the Committee dated August 25, 1972, is that the contribution was completed on April 5, 1972, when the cash was placed by the donor in a safe deposit box at a hotel in Miami Beach in Mr. Dahlberg's name and, therefore, the contribution is not subject to the provisions of the Act. The Committee, however, has not furnished proof that the contribution was effectively released from the donor's control to the exclusive control of an agent for the Committee prior to April 7, 1972.

Subsequent to our initial interview with him, Mr. Dahlberg stated to us that the name of the donor of the \$25,000 cash is Mr. Dwayne Andreas

of Minneapolis, Minnesota, and that he (Mr. Dahlberg) was handed the money by Mr. Andreas on April 9, 1972, when the two met at a golf course in the Miami area.

Based on the facts stated above, we have concluded that the donor retained control over the contribution until April 9, 1972, when he delivered the cash to Mr. Dahlberg as agent for the Committee. Therefore, the \$25,000 contribution was not completed until after the effective date of the Act and is subject to the recording and reporting requirements of title III of the Act.

Four checks totaling \$89,000

Four bank checks drawn on the Banco Internacional of Mexico City to the order of Sr. Manuel Ogarrío in the amounts of \$15,000, \$18,000, \$24,000 and \$32,000, respectively, were deposited in the Barker Associates, Inc., Trust Account, on April 20, 1972, the same day the \$25,000 Dahlberg check was also deposited in that account. We have obtained copies of the four checks and verified the fact of their deposit in Barker Associates' account on April 20. The four Banco Internacional checks are dated April 4, 1972, three days prior to the effective date of the Federal Election Campaign Act of 1971.

Mr. Stans has told us that the four checks were pre-April 7 contributions from donors in Texas who wished to remain anonymous, and therefore would not reveal their names.

Mr. Sloan stated to us that the four checks were delivered to him by an agent for the donors on April 5, 1972; that because he was unsure of their negotiability he gave them to Mr. Liddy; and that Mr. Liddy said he would take care of cashing them. Mr. Sloan added that Mr. Liddy did not deliver the cash to him until sometime in the middle of May. Further, he said that the total amount of currency which Mr. Liddy returned to him for these four checks and the \$25,000 check referred to the above was significantly less than the five checks' combined face value of \$114,000. Mr. Sloan was unable to recall the amount of the difference although he thought it was about \$2500.

He said he was told by Mr. Liddy that the shortage represented charges related to reconvertng the checks to cash.

The currency was returned to Mr. Sloan by Mr. Liddy in two parts. The first amount was less than \$89,000 and approximated \$80,000, although Mr. Sloan could not recall the exact amount and had no records of the amount. The second amount was more than \$25,000, but again Mr. Sloan could not recall the exact amount and had no records of it.

We conclude that, in the absence of any evidence that the checks were delivered to Mr. Sloan after April 6, 1972, the four checks totaling \$89,000 did represent pre-April 7 contributions and, therefore, details of the contributions were not required to be recorded or reported by the Committee. However, we were unable to find any documentation of the actions surrounding the post April 7 handling of the four checks by Mr. Sloan, Mr. Liddy, or other Committee personnel or of the receipt of the currency received in exchange for the four checks.

The \$350,000 bank deposit of May 25

Committee officials stated that the cash proceeds of the \$25,000 check and the cash proceeds of the four checks totaling \$89,000 were included in a bank deposit of \$350,000 in currency made on May 25, 1972, to the credit of the Media Committee to Re-Elect the President, an affiliated committee. Mr. Sloan said that he and Mr. Liddy made the currency deposit. We have confirmed the fact of this deposit by the Committee and identified a duplicate deposit slip on which there is the notation: "Cash on hand prior to 4/7/72 from 1968 campaign Per Hugh Sloan." Mr. Paul Barrick, then Comptroller and now Treasurer of the Committee, informed us that he had made the above notation when Mr. Sloan gave him the deposit slip and told him what the currency represented. Mr. Barrick added that he had not previously been aware of the \$350,000 fund.

Mr. Sloan stated that before the \$350,000 currency was deposited it was kept in a safe in the office of Mr. Stans' secretary and that only he and Mr. Stans had access to the safe. Mr. Sloan added that any records pertaining to the currency were left with the Committee when he resigned as Treasurer. We have been unable to find any record of the source and makeup of this currency or any documentary evidence, other than the deposit slip notation, as to whether it consisted of pre-April 7 or post-April 7 funds or both or any indication of the handling of these funds between April 7 and May 25. However, Mr. Stans has indicated his willingness to sign an affidavit that the funds were collected before April 7. He and Mr. Sloan both advised us that despite

the notation, the funds were not left over from the 1968 campaign but represented contributions received prior to April 7, 1972.

In the records made available to us, the \$350,000 amount was added to the April 7 bank account balances of the Media Committee to Re-Elect the President, and the resulting total was reported as the opening cash-balance of the Media Committee on its June 10, 1972 report. Mr. Stans has stated his belief that any records which may have existed with respect to this \$350,000 were destroyed after the April 7 date passed.

The only documentation we have obtained regarding this matter is the deposit slip referred to above. In the absence of documentary evidence, other than the deposit slip notation, that the \$350,000 in currency was received before April 7, 1972, we conclude that part of it, in addition to the \$25,000 contribution referred to above, may have been received April 7, 1972 or thereafter.

APPARENT VIOLATIONS

We have concluded that there were the following apparent violations of title III of the Federal Election Campaign Act of 1971 by the Finance Committee to Re-Elect the President or its affiliated committees which I recommend you refer to the Attorney General:

1. The Committee's failure to keep a detailed and exact account of the \$25,000 contribution received by Mr. Dahlberg on April 9, 1972, constituted an apparent violation of section 302(c) of the Act, and the Committee's failure to disclose the details of the \$25,000 contribution in its June 10, 1972 report constituted an apparent violation of section 304(b)(2) of the Act.

2. The Committee's failure to keep a detailed and exact account of the amount expended from the proceeds of the \$25,000 Dahlberg check and the four Mexican Bank checks totaling \$89,000 constituted an apparent violation of sections 302(c) and 302(d) of the Act, and the Committee's failure to disclose the details of the expenditure in its June 10, 1972 report constituted an apparent violation of sections 304(b)(9) and 304(b)(10) of the Act.


3. The Committee's failure to keep and maintain adequate books and records on a current basis with respect to the \$25,000 check and its proceeds, the proceeds of the four checks totaling \$89,000, and the balance of the \$350,000 in currency constituted an apparent violation of section 20.7(c) of the Comptroller General's Rules and Regulations (11 CFR § 20.7(c)) issued under the authority of section 308(a)(13) of the Act and implementing section 308(a)(11) of the Act.

ADDITIONAL POSSIBLE VIOLATIONS

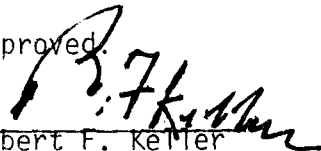
In addition, I recommend the following possible violations of title III of the Act be referred to the Attorney General for further investigation:

1. The Committee's failure to keep a detailed and exact account of the \$350,000 currency fund and the contributions that may have been received therein on or after April 7, 1972, possibly constituted a violation of section 302(c) of the Act, and the Committee's failure to disclose the details of such contributions in its June 10, 1972 report possibly constituted a violation of section 304(b)(2) of the Act.

2. The Committee's lack of accounting control over the funds referred to in this report indicates the possibility that expenditures may have been made for or on behalf of the Committee without the authorization of its Chairman or Treasurer or their designated agents in violation of section 302(a) of the Act. Similarly, the possibility exists that every person who received contributions for the Committee may not have rendered a detailed account thereof to the Treasurer and that Committee funds may have been commingled with personal funds of the officers, members or associates of the Committee in violation of section 302(b) of the Act.


Phillip S. Hughes, Director
August 25, 1972

Approved:


Robert F. Keller
Acting Comptroller General
of the United States
August 26, 1972

Attached hereto are excerpts from the relevant sections of the Federal Election Campaign Act of 1971 and the Comptroller General's Rules and Regulations issued thereunder.

EXCERPTS FROM THE FEDERAL ELECTION CAMPAIGN ACT OF 1971

Sec. 302. (a) Every political committee shall have a chairman and a treasurer. No contribution and no expenditure shall be accepted or made by or on behalf of a political committee at a time when there is a vacancy in the office of chairman or treasurer thereof. No expenditure shall be made for or on behalf of a political committee without the authorization of its chairman or treasurer, or their designated agents.

(b) Every person who receives a contribution in excess of \$10 for a political committee shall, on demand of the treasurer, and in any event within five days after receipt of such contribution, render to the treasurer a detailed account thereof, including the amount, the name and address (occupation and the principal place of business, if any) of the person making such contribution, and the date on which received. All funds of a political committee shall be segregated from, and may not be commingled with, any personal funds of officers, members, or associates of such committee.

(c) It shall be the duty of the treasurer of a political committee to keep a detailed and exact account of - -

- (1) all contributions made to or for such committee;
- (2) the full name and mailing address (occupation and the principal place of business, if any) of every person making a contribution in excess of \$10, and the date and amount thereof;
- (3) all expenditures made by or on behalf of such committee; and
- (4) the full name and mailing address (occupation and the principal place of business, if any) of every person to whom any expenditure is made, the date and amount thereof and the name and address of, and office sought by, each candidate on whose behalf such expenditure was made.

(d) It shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure made by or on behalf of a political committee in excess of \$100 in amount, and for any such expenditure in a lesser amount, if the aggregate amount of such expenditure to the same person during a calendar year exceeds \$100. The treasurer shall preserve all receipted bills and accounts required to be kept by this section for periods of time to be determined by the supervisory officer.

Sec. 304. (a) Each treasurer of a political committee supporting a candidate or candidates for election to Federal office, and each candidate for election to such office, shall file with the appropriate supervisory officer reports of receipts and expenditures on forms to be prescribed or approved by him. Such reports shall be filed on the tenth day of March, June, and September, in each year, and on the fifteenth and fifth days next preceding the date on which an election is held, and also by the thirty-first day of January. Such reports shall be complete as of such date as the supervisory officer may prescribe, which shall not be less than five days before the date of filing, except that any contribution of \$5,000 or more received after the last report is filed prior to the election shall be reported within forty-eight hours after its receipt.

(b) Each report under this section shall disclose

(1) the amount of cash on hand at the beginning of the reporting period;

(2) the full name and mailing address (occupation and the principal place of business, if any) of each person who has made one or more contributions to or for such committee or candidate (including the purchase of tickets for events such as dinners, luncheons, rallies, and similar fundraising events) within the calendar year in an aggregate amount or value in excess of \$100, together with the amount and date of such contributions;

* * *

(8) the total sum of all receipts by or for such committee or candidate during the reporting period;

(9) the full name and mailing address (occupation and the principal place of business, if any) of each person to whom expenditures have been made by such committee or on behalf of such committee or candidate within the calendar year in an aggregate amount or value in excess of \$100, the amount, date, and purpose of each such expenditure and the name and address of, and office sought by, each candidate on whose behalf such expenditure was made;

(10) the full name and mailing address (occupation and the principal place of business, if any) of each person to whom an expenditure for personal services, salaries, and reimbursed expenses in excess of \$100 has been made, and which is not otherwise reported, including the amount, date, and purpose of such expenditure;

Sec. 304(b) (continued)

- (11) the total sum of expenditures made by such committee or candidate during the calendar year.

Sec. 308.(a) It shall be the duty of the supervisory officer - -

* * *

- (11) to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of this title, and with respect to alleged failures to file any report or statement required under the provisions of this title;
- (12) to report apparent violations of law to the appropriate law enforcement authorities;
- (13) to prescribe suitable rules and regulations to carry out the provisions of this title.

EXCERPTS FROM THE COMPTROLLER GENERAL'S RULES AND REGULATIONS
UNDER TITLE III OF THE FEDERAL ELECTION CAMPAIGN ACT OF 1971
(11 CFR, Ch. 1, Subchapter B)

Part 20 - Administrative Duties and Complaints of Violations

§ 20.7 Audits and field investigations

- (a) The Comptroller General will make audits and field investigations, from time to time, with respect to reports and statements filed with him under this subchapter and with respect to alleged failure to file any such required report or statement.
- (b) Audits and field investigations will be made as directed by the Director of the Office of Federal Elections on his own initiative, on the basis of information received by the Office, or on the basis of complaints received.
- (c) All candidates and political committees required to file reports under this subchapter shall keep adequate books and records. Such books and records shall be maintained on a current basis and shall be made available for inspection and audit by authorized representatives of the Comptroller General. Such books and records shall be preserved for a period of 4 years following the date of filing of the reports to which they pertain.
- (d) Any omissions or mistakes discovered in a field report or statement will be called to the attention of the person who filed it with a request for completion or correction. A corrected report or statement or an amendment thereto, shall be signed, verified and submitted in the same manner as the original. In no case shall the field report or statement be returned or allowed out of the Office.

Part 21 - Penalties for Violations

§ 21.1 Penalties.

Under section 311(a) of the Act, any person who violates any provision of Title III of the Act may be fined not more than \$1,000 or imprisoned not more than 1 year, or both. Under section 311(b) of the Act, in the case of any conviction under Title III of the Act, where the punishment inflicted does not include imprisonment, such conviction shall be deemed a misdemeanor conviction only.