



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 20, 1998

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA *PL. Fr. RJC. 5-20-98*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON
DR. JOHN HAGELIN FOR PRESIDENT, 1996

Attached please find a copy of the audit report and related documents on Dr. John Hagelin for President, 1996, which was approved by the Commission on May 11, 1998.

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: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library

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REPORT OF THE AUDIT DIVISION
ON
DR. JOHN HAGELIN FOR
PRESIDENT, 1996

Approved May 11, 1998



FEDERAL ELECTION COMMISSION
999 E STREET, N.W.
WASHINGTON, D.C.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION
ON
DR. JOHN HAGELIN FOR PRESIDENT, 1996**

EXECUTIVE SUMMARY

Dr. John Hagelin for President, 1996 (the Committee) registered with the Federal Election Commission on August 7, 1995 as the principal campaign committee of the Natural Law Party candidate for the office of President of the United States.

The audit was conducted pursuant to 26 U.S.C. §9038(a), which requires the Commission to audit committees that receive matching funds. The Committee received \$504,831 in matching funds.

At an exit conference held on April 14, 1998, the Committee was informed that no material non-compliance with the Federal Election Campaign Act of 1971 as amended or Chapter 96 of Title 26 of the United States Code was detected during the audit. In addition, an Exit Conference Memorandum (ECM) acknowledging this information was mailed to them on that date. The ECM also addressed the Committee's Statement of Net Outstanding Campaign Obligations which was prepared based on a review financial activity through December 31, 1996. It was determined that the Committee did not receive matching funds in excess of the amount to which it was entitled.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION
ON
DR. JOHN HAGELIN FOR PRESIDENT, 1996**

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Dr. John Hagelin for President, 1996 (the Committee). The audit is mandated by Section 9038(a) of Title 26 of the United States Code. That section states that "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under section 9037". Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions, and disclosure requirements of the Federal Election Campaign Act of 1971 (FECA), as amended.

B. AUDIT COVERAGE

The audit of the Committee covered the period from its inception, July 24, 1995 through December 31, 1996. The Committee reported an opening cash balance of \$-0-; total receipts of \$1,363,180; total disbursements of \$1,359,518; and a closing cash balance of \$3,662.¹

C. CAMPAIGN ORGANIZATION

The Committee maintains its headquarters in Fairfield, Iowa. The Treasurer is Mr. Michael Spivak.

The Committee registered with the Federal Election Commission on August 7, 1995 as the principal campaign committee of the Natural Law Party candidate for the office of President of the United States. During the period audited, the Committee

¹ The reported figures are rounded to the nearest dollar amount.

maintained depositories in Iowa and California. To handle its financial activity, the Committee utilized four bank accounts. From these accounts the Committee made approximately 1,225 disbursements. In addition, the Committee received approximately 6,749 contributions, totaling approximately \$726,364.

Dr. Hagelin (the Candidate) was determined eligible to receive matching funds on December 22, 1995. The Committee made eleven requests for matching funds and received \$504,831 from the United States Treasury. This amount represents 3% of the \$15,455,000 maximum entitlement that any candidate could receive. For matching fund purposes, the Commission determined that Dr. Hagelin's candidacy ended on August 22, 1996, the date when the candidate was nominated by the Natural Law Party. On October 1, 1996, the Committee received its final matching fund payment to defray qualified campaign expenses and to help defray the cost of winding down the campaign.

D. AUDIT SCOPE AND PROCEDURES

In addition to a review of expenditures made by Dr. John Hagelin for President, 1996 to determine if they were qualified or non-qualified campaign expenses, the audit of the aforementioned committee covered the following general categories:

1. The receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
2. the receipt of contributions or loans in excess of the statutory limitations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records.
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by the Committee to disclose its financial condition and to establish continuing matching fund entitlement;

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9. the Committee's compliance with spending limitations; and,
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of campaign records is conducted prior to the audit fieldwork. This inventory is conducted to determine if the auditee's records are materially complete and in an auditable state. Based on our review of records presented, it was concluded that the records were materially complete and fieldwork began immediately.

Based upon our examination of the reports and statements filed and the records presented by the Committee, no material problems in complying with the Federal Election Campaign Act of 1971 as amended or Chapter 96 of Title 26 of the United States Code were discovered during the course of the audit.²

II. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all outstanding obligations for qualified campaign expenses, plus estimated necessary winding down costs.

In addition, Section 9034.1(b) of Title 11 of the Code of Federal Regulations states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

Dr. Hagelin's date of ineligibility was August 22, 1996. The Audit staff reviewed the Committee's financial activity through December 31, 1996, analyzed winding down costs, and prepared the Statement of Net Outstanding Campaign Obligations which appears below.

² The Committee was given the opportunity to respond but in view of the absence of findings, elected to waive the response period.

DR. JOHN HAGELIN FOR PRESIDENT, 1996
STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS
as of August 22, 1996
as determined December 31, 1996

ASSETS

Cash in Bank	\$28,397	
Matching Funds Receivable	\$66,632	
Total Assets	\$95,029	\$95,029

OBLIGATIONS

Accounts Payable for Qualified Campaign Expenses	\$163,679	
Loans Payable	\$50,000	
Loan Interest Payable	\$384	
Actual Winding Down Costs August 23, 1996 - December 31, 1996	\$4,331	
Total Obligations	\$218,394	\$218,394
Net Outstanding Campaign Obligations as of August 22, 1996 (Deficit)		(\$123,365)

Shown below are adjustments for funds received after August 22, 1996:

Net Outstanding Campaign Obligations as of August 22, 1996 (Deficit)	(\$123,365)
Matching Funds Received October 1, 1996	79,313
Deposits August 23, 1996 to October 1, 1996	<u>37,575</u>
Remaining (Deficit)	(\$ 6,477)

As presented above, the Committee has not received matching fund payments in excess of its entitlement.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D C 20463

May 13, 1998

Mr. Michael Spivak, Treasurer
Dr. John Hagelin for President, 1996
1946 Mansion Drive
Fairfield, IA. 52556

Dear Mr. Spivak:

Attached please find the Final Audit Report on Dr. John Hagelin for President, 1996. The Commission approved the report on May 11, 1998.

The Commission approved Final Audit Report will be placed on the public record on May 20, 1998. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220. Any questions you have related to matters covered during the audit or in the report should be directed to Deanne McClintock or Wanda Thomas of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa".

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 13, 1998

Dr. John Hagelin
Dr. John Hagelin for President, 1996
1946 Mansion Drive
Fairfield, IA 52556

Dear Dr. Hagelin:

Attached please find the Final Audit Report on Dr. John Hagelin for President, 1996. The Commission approved the report on May 11, 1998.

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Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Costa".

Robert J. Costa
Assistant Staff Director
Audit Division

Attachment as stated

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CHRONOLOGY

DR. JOHN HAGELIN FOR PRESIDENT, 1996

Audit Fieldwork	02/17/98 — 03/05/98
Exit Conference Memorandum to the Committee	4/13/98
Audit Report Approved	5/11/98

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