



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION
ON
THE CITIZENS PARTY

I. Background

A. Overview

This report is based upon an audit of The Citizens Party ("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 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 Commission on December 20, 1979 and maintains its headquarters in Washington, D.C.

The audit covered the period January 1, 1980, through December 31, 1980. The Committee reported a beginning cash balance at January 1, 1980 of \$890.00; total receipts for the period of \$632,709.03; total expenditures for the period of \$627,578.51; and an ending cash balance at December 31, 1980 of \$6,020.52.

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.

B. Key Personnel

The Treasurer of the Committee from inception to February 16, 1981 was Mr. Stanley Weiss. For the period February 16, 1981 to the present, the Treasurer is Mr. Jim McClellan.

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 Finding and Recommendation

A. Disclosure of Financial Activity

Sections 434(b)(2) and (4) of Title 2, United States Code, require that a committee report the total sum of all receipts and expenditures made during a reporting period and the calendar year. Sections 434(b)(3) and (5) of Title 2, United States Code provide for disclosure of receipts and expenditures with aggregate values in excess of \$200.00.

(1) During the Audit staff's review of Committee records, it was ascertained that activity associated with an escrow savings account was not reported on Committee disclosure reports. This omission caused an understatement of both receipts and expenditures for the reporting period and the calendar year by \$20,000.00. Activity in the account consisted of a \$20,000.00 individual contribution received on January 9, 1980 and the subsequent refund to the contributor on February 28, 1980. The escrow savings account was closed on May 6, 1980.

The Committee bookkeeper explained that, at the time of the contribution, the Committee felt that National Party status and hence, the ability to accept up to \$20,000 per year from an individual, had not yet been achieved. The Committee deposited the monies into the escrow savings account until the acceptability of the contribution could be established. Subsequently, the contributor requested a refund upon advice of his attorney and the Committee complied. The Committee agreed to file amended reports.

(2) The Audit staff's review of Committee disclosure reports and supporting documentation indicated that the Committee had incorrectly reported the conversion of eight (8) outstanding loans, in part or in total, to contributions, thereby overstating receipts and expenditures for the reporting period and the calendar year by \$21,000.00.

The Committee bookkeeper informed the auditors that, at the time, he believed he was reporting these items properly, but has agreed to file amended reports.

On October 21, 1981, The Citizens Party submitted an amendment disclosing the activity associated with their escrow savings account and correcting the reporting of eight (8) loan conversions.

Recommendation

The Audit staff recommends no further action be taken on this matter.

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