



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

REPORT OF THE AUDIT DIVISION ON THE CITIZENS FOR REAGAN

I. Background

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This report covers an audit of the Citizens for Reagan ("the Committee") undertaken by the Audit Division 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(a)(8) of the Act and Section 9038(a) of Chapter 96 of the Internal Revenue Code of 1954. Section 438(a)(8) of the Act directs the Commission "to make from time to time audits and field investigations with respect to reports and statements filed under the provisions of this chapter, and with respect to alleged failures to file any report or statement required under the provisions of this chapter, and to give priority to auditing and field investigating of the verification for, and the receipt and use of, any payments received by a candidate under Chapter 95 or Chapter 96 of the Internal Revenue Code of 1954." Section 9038(a) of Chapter 96 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."

The Committee was established as the principal campaign committee of Governor Ronald Reagan on July 24, 1975. The principal officers of the Committee at the time of the audit were Senator Paul Laxalt, Chairman, and Mr. Henry M. Buchanan, Treasurer. The Committee maintained its headquarters in Washington, D.C.



On January 27, 1977, the Committee amended its Registration Form and Statement of Organization to reflect a change from a single-candidate principal campaign committee to a multicandidate political committee supporting Federal candidates. The principal officers of this Committee, Citizens for the Republic, are Governor Ronald Reagan, Chairman, and Jack L. Courtemanche, Treasurer. The Committee currently maintains its headquarters in Santa Monica, California.

The audit covered the period from July 15, 1975 through March 31, 1977. The Citizens for Reagan's last report covered the period through December 31, 1976. However, the activity reported on the Citizens for the Republic April 10, 1977 report was also examined during the audit. Reported receipts and expenditures of the Citizens for Reagan and the Citizens for the Republic relating to the Reagan campaign total \$18,872,017.16 and \$17,223,472.94 respectively. 1/

This audit 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 decision on the matters in this report, and were available to Commissioners and appropriate staff for review.

II. Findings and Conclusions

A. Disclosure of Bank Depositories

Section 433(b)(9) of the Act states in part that each Committee's statement of organization include "a listing of all banks, safety deposit boxes, or other repositories used."

During the course of the audit, it was noted that the Committee failed to disclose eight (8) depositories in three (3) states. The Committee was advised of this situation and, on December 20, 1976, amended its statement of organization to include these accounts.

Recommendation

Based on these facts, it is our recommendation that no further action on this matter is necessary.

1/ Expenditures subject to limitations of Section 441(b)(1) (A) of \$9,960,930.64.

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B. Disclosure of Occupation and Principal Place of Business for Persons Whose Contributions Aggregate in Excess of \$100.00 During the Calendar Year

Section 432(c)(2) requires that the treasurer of a political committee keep a detailed and exact account of occupation and principal place of business (if any) of persons whose contributions aggregate more than \$100 during the calendar year, and Section 434(b)(2) requires that the treasurer disclose this information in reports filed with the Commission.

During the course of the audit, it was determined that approximately 40% of the contributions reported did not contain the required information concerning occupation and principal place of business. However, the Committee feels that they have put forth their best efforts to obtain the required information by sending additional contribution solicitations to those persons who had previously contributed to the campaign. These solicitations contained a request for the contributor's occupation and principal place of business as did the first solicitation, but made no mention that the information was missing from previous contributions. No separate contact specifically requesting occupation and principal place of business information was attempted.

Recommendation

This matter is under continuing consideration subject to the confidentiality requirements of Section 437g of Title 2 of the United States Code.

C. Allocation of State Expenditures

Section 441a(b)(1) of the Act states:

"No candidate for the Office of President of the United States who is eligible under Section 9003 of the Internal Revenue Code of 1954 (relating to condition for eligibility for payments) or under 9033 of the Internal Revenue Code of 1954 (relating to eligibility for payments) to receive payments from the Secretary of the Treasury may make expenditures in excess of --

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(A) \$10,000,000, in the case of a campaign for nomination for election to such office except the aggregate of expenditures under this subparagraph in any one state shall not exceed the greater of 16 cents multiplied by the voting age population of the State, 1/ or \$200,000 ... 2/

Further, Section 441a(f) states that "No candidate or political committee shall knowingly . . . make any expenditure in violation of the provisions of this section. No officer or employee of a political committee shall knowingly . . . make any expenditure on behalf of a candidate, in violation of any limitation imposed on . . . expenditures under this section."

Section 9032(9) of Title 26 of the United States Code (26 U.S.C. 9032(9)) defines the term "qualified campaign expense" to mean a purchase, payment, distribution, loan, advance, deposit or gift of money or of anything of value - (A) incurred by a candidate, or by his authorized committee, in connection with his campaign for nomination for election; and (B) neither the incurring nor payment of which constitutes a violation of any law of the United States" Further, Section 9035(a) states that "no candidate shall knowingly incur qualified campaign expenses in excess of the expenditure limitation applicable under Section 441a(b)(1)(A) of Title 2, United States Code" Finally, Section 9038(b)(2) requires that "If the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than -- (A) to defray the qualified campaign expense with respect to which such payment was made; . . . it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary or his delegate an amount equal to such amount."

The expenditure limitation established for the State of New Hampshire for the 1976 primary election was \$218,200.00. 2/ The Committee reported expenditures in the State of New Hampshire in the amount of \$219,854.54 for the period from July 15, 1975 through December 31, 1976. However, during the course of our audit we determined that the Committee actually spent \$248,485.02 allocable to the State of New Hampshire, which is \$30,285.02 in excess of the state expenditure limitation.

1/ Voting age population for the State of New Hampshire was 559,000 times .16, or \$89,440.00. See Section 441a (e) of Title 2 of the United States Code.

2/ Percent change in the Consumer price index (9.1) times 200,000, or \$218,200.00. See Section 441a(c) of Title 2 of the United States Code.

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Recommendation

On August 19, 1977, the Commission approved the recommendation that the amount in excess of the expenditure limitation, \$30,285.02 spent in the State of New Hampshire be considered non-qualified campaign expenses and repayable in full to the United States Treasury. See Item D below for repayment.

D. Repayment of Surplus Campaign Funds From the Matching Payment Account

Section 9038(b)(3) of Title 26, United States Code states in part that "After all obligations have been liquidated, that portion of any unexpended balance remaining in the candidate's accounts which bears the same ratio to the total unexpended balance as the total amount received from the matching payment account bears to the total of all deposits made into the candidate's accounts shall be promptly repaid to the matching payment account."

On August 13, 1976, the Commission notified Governor Reagan of his ineligibility date of August 18, 1976, for purposes of making qualified campaign expenditures. This letter further requested the total net outstanding campaign obligations on August 18, 1976.

Upon review of the Committee's statement, we were able to substantiate that all Committee debts and obligations were incurred prior to August 18, 1976, and that the Committee had a net surplus of \$1,616,460.51.

Based on the above, the amount of repayment is calculated as follows:

<u>Total Matching Payments</u>	X Net Surplus	=	Net Repayment
Total Deposits			
\$ 5,088,910.66	X \$1,616,460.51	=	\$580,856.87
<u>\$14,161,876.18</u>			

Recommendation

Based on the above computation, we recommended a repayment of \$580,856.87 from the Committee's net surplus and \$30,285.02 as noted in C above, or a total repayment of \$611,141.89. On August 19, 1977, the Commission approved this recommendation and on November 28, 1977, the Secretary of the Citizens for the Republic hand delivered a check in the amount of \$611,141.89 drawn to the order of the Treasurer of the United States. Therefore, we recommend no further action on this matter.

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III. Auditor's Statement

Except for the matters specifically noted in this report, the audit disclosed that Citizens for Reagan conducted their activities in conformity with the Federal Election Campaign Act of 1971, as amended, and in conformity with Chapter 96 of Title 26, United States Code, in all material aspects.

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