

Part IV

Commission Finding

Misstatement of Financial Activity

Summary

A comparison of CECPAC's bank activity with its most recent amended reports prior to the audit revealed material misstatements in both 2011 and 2012. In addition, a comparison of CECPAC's bank activity with its original reports for 2011 and 2012 also revealed material misstatements.

Following the audit exit conference, CECPAC amended its reports to materially correct the misstated financial activity. In response to the Interim Audit Report recommendations, CECPAC stated that it would not submit an additional response since it had already filed amended reports that materially corrected the misstatements in response to the audit.

The Commission approved a finding that CECPAC misstated its financial activity for calendar years 2011 and 2012 and that CECPAC materially misstated its original reports.

Legal Standard

Contents of Reports. Each report must disclose:

- the amount of cash-on-hand at the beginning and end of the reporting period;
- the total amount of receipts for the reporting period and for the calendar year;
- the total amount of disbursements for the reporting period and for the calendar year; and
- certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b) (1), (2), (3), (4) and (5).

Facts and Analysis

A. Misstatement of Financial Activity – Most Recent Reports Filed Prior to the Audit

1. Facts

The Audit staff reconciled CECPAC's reported financial activity with its bank records for calendar years 2011 and 2012. The following charts outline the discrepancies between CECPAC's disclosure reports and its bank records. Succeeding paragraphs explain why the discrepancies occurred.

| 2011 Committee Activity | | | |
|---|-----------------|---------------------|-------------------------|
| | Reported | Bank Records | Discrepancy |
| Beginning Cash Balance @ January 1, 2011 | \$93,767 | \$132,248 | \$38,481 Understated |
| Receipts | \$155,900 | \$162,601 | \$6,701 Understated |
| Disbursements | \$181,258 | \$181,443 | \$185 Understated |
| Ending Cash Balance @ December 31, 2011 | \$68,409 | \$113,406 | \$44,997 Understated |

The beginning cash balance was understated by \$38,481 and the discrepancy is unexplained, but it likely resulted from prior period discrepancies.

The \$6,701 understatement of receipts was a result of contributions from individuals, totaling \$6,681, that were not reported and an unexplained difference of \$20.

The \$44,997 understatement of the ending cash balance was a result of the reporting discrepancies described above as well as the \$185 understatement of disbursements.

| 2012 Committee Activity | | | |
|---|-----------------|---------------------|-------------------------|
| | Reported | Bank Records | Discrepancy |
| Beginning Cash Balance @ January 1, 2012 | \$68,409 | \$113,406 | \$44,997 Understated |
| Receipts | \$155,600 | \$165,595 | \$9,995 Understated |
| Disbursements | \$143,757 | \$166,022 | \$22,265 Understated |
| Ending Cash Balance @ December 31, 2012 | \$80,252 | \$112,979 | \$32,727 Understated |

The understatement of receipts was the result of contributions from individuals, totaling \$9,995, that were not reported.

The \$22,265 net understatement of disbursements was a result of contributions to federal candidates/other committees, totaling \$22,500, that were not reported, and an unexplained difference of (\$235).

The \$32,727 understatement of the ending cash balance was a result of the reporting discrepancies noted above.

CECPAC filed amended reports on February 20 and 21, 2013, subsequent to the Audit Notification Letter dated December 4, 2012. These reports disclosed previously unreported contributions from individuals totaling \$9,995. However,

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2. Interim Audit Report and Audit Division Recommendation

The Audit staff discussed the understatement of receipts and disbursements on its original reports filed with the CECPAC representative during the exit conference and provided copies of relevant work papers detailing the receipts and disbursements not reported. In response, the CECPAC representative stated that the management was not aware that the original reports contained only partially reported receipts and/or disbursements. As a result, CECPAC management indicated it would implement more rigorous internal reviews as well as periodic financial reconciliations.

The Interim Audit Report recommended that CECPAC provide any additional comments it considered necessary with respect to the misstatement of activity on its original reports.

3. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, CECPAC stated that it would not submit an additional response with respect to the misstatements identified on its original reports.

4. Draft Final Audit Report

The Draft Final Audit Report acknowledged that CECPAC amended its reports, which materially corrected the misstatements.

5. Committee Response to the Draft Final Audit Report

CECPAC offered no additional comments in its response to the Draft Final Audit Report.

Commission Conclusion

On December 5, 2013, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that CECPAC misstated its financial activity for calendar years 2011 and 2012 and that CECPAC misstated its original reports.

The Commission approved the Audit staff's recommendation.

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