

Libertarian Party of Colorado Audit Report

February 13, 2023

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Executive Summary

Audit Findings

The Audit Committee found no evidence of malfeasance or loss of LPCO funds. The Audit Committee found numerous transactions that are required to be reported to the Secretary of State that were not found in TRACER. Likewise, transactions present in the Federal Activities checking account were not found in FEC records.

The Audit Committee compared TRACER entries with bank and payment service accounts involved with reportable activity. Some of the periods between applied TRACER records and applied payment service records are unequal, so the summations must be considered indicative, not complete. The total of TRACER entries that match bank and other records is 386,261 of which are within consolidated TRACER entries. The total of missing TRACER entries for which there is a payment service record is 470.

Reporting of expenditures and contributions to the State via TRACER is a legal requirement. If LPCO reporting comes under scrutiny by the State for any reason, banking records would be available to auditors. Thus any discrepancies between bank statements and other records and TRACER reporting would be apparent. The likelihood of such scrutiny varies with LPCO's "enemies," because the SoS office does not have the resources to randomly audit committee accounts, but would respond to public complaint. To protect LPCO from failing such an audit, it is recommended that TRACER be reconciled with available QuickBooks, Stripe, Eventbrite, PayPal, Zettle, Shopify, and PNC Bank records from the 2021 convention to date.

All transactions in Libertarian Party of Colorado (LPCO) accounts must also be documented in the double entry accounting system, QuickBooks. There is evidence of missing transactions in QuickBooks, although an audit thereof is beyond this committee's scope.

LPCO is a FEC filer. Federal filing requires an organization to have an account that is limited as far as practical to federal election related business. All activity in that account is to be reported to the FEC, so it is in LPCO's interest to restrict activity to federal only and thus limit the reporting requirement. The Shopify transfers have been linked to LPCO's fed checking account, causing the need to report all of that activity to the FEC.

The total of FEC entries that match bank and other records is 6. The total of missing FEC entries for which there is a bank or other record is 28.

The Secretary of State's office, elections department, automatically fines organizations for late filing of TRACER reports. The fine is \$50/day for each late filing. As long as reports are filed on time, there is no monitoring of transaction dates. Reports can be amended to include old transactions or the old transactions can be included in subsequent reports.

In addition to late filings, incomplete donor information is non-compliant. Individuals who donate \$20 or more per calendar year must have all of their contributions recorded and their address must be documented. For one-time donations of \$100 or more, the donor's employer and occupation must also be reported.

If a Member or other non-Board Member hosts a fundraiser for LPCO, all cash directly collected by the host gets transferred to the Treasurer. In so doing, the host becomes a conduit for the

donations and the amount is counted against his or her personal contribution limit when the funds are transferred to the Party. Online and check donations to LPCO avoid this issue.

The goal of campaign finance reporting should be to pass an audit with no findings. TRACER reporting includes an “explanation” box in which to describe the transaction. This field is not required by SoS. It is for the benefit of the Membership and of auditors to verify the validity of the transaction.

During the period investigated by the Audit Committee, it is clear that reporting requirements were not consistently met.

Suggested Improvements

To be in compliance with State Law, all of the deficiencies noted by the Committee and others of the same nature that occurred outside the investigated period must be rectified. Due to the size of the tasks, it is recommended that the LPCO board create a temporary group to promptly address the necessary corrections in legally required reports and to implement the record keeping changes recommended in this report.

The federal (FEC) bank account should be restricted to only federal receipts and disbursements to avoid unnecessary reporting. The position of Assistant Treasurer should be created (per FEC best practice recommendation) to share the large workload and to provide an immediate replacement if a treasurer becomes unavailable.

TRACER filers may submit information via electronic data interchange (EDI) with pre-approved Excel spreadsheets. The technical requirements of EDI make it more practical for committees with very large numbers of contributions and expenditures. When the Treasurer in 2015 asked SoS about using this method, he was left with the impression that it was only for very large institutions, so it was not pursued at that time. LPCO may contact the Campaign Finance Support Team at cpfhelp@sos.state.co.us for more information on EDI filing. Whether EDI would help or harm efficiency of reporting by LPCO is unknown but worth investigating.

Introduction

An internal audit was undertaken after questions were raised about the efficiency and accuracy of the current record keeping as evidenced by public TRACER reports provided to the Colorado Secretary of State. This report presents the findings of a three-person audit committee created by the board of the Libertarian Party of Colorado (LPCO) and provides recommended corrective actions for the audited areas.

The audit committee consists of Beatriz Sutton, John Hjersman and Reyd Dotson. We would like to acknowledge and thank the treasurer, board members and other committee members for their full cooperation and positive involvement during the audit process. Without their knowledge and help, this audit would not have been possible.

Audit Scope and Mandate

As approved by the board of the Libertarian Party of Colorado on December 12, 2022:

The Audit Committee, composed of three (3) members, is responsible for providing independent review and oversight of financial transactions, including reviewing all financial records and reports to government authorities, reporting findings, and making recommendations to strengthen LPCO's financial systems and address members' recent concerns. The expected time frame for a report of its findings and recommendations is sixty days. The Audit Committee has no decision-making authority. The Audit Committee shall have access to the Party's financial records and reports to government authorities.

Legal Requirements and Audit Focus

Colorado state law requires that recognized political parties report to the Secretary of State all contributions and expenditures and obligations per the designated reporting dates. These reports must include:

- The name and address of any contributor of \$20 or more aggregated over a calendar year.
- The employer and occupation of any contributor of \$100 or more at any time.

Contributions of below \$20 can not remain anonymous if the donor's aggregation for a calendar year equals or exceeds \$20.

Federal law requires political parties involved in federal elections to maintain a federal bank account. One recommended practice is to maintain a federal account used exclusively for federal activity and a non federal account for other activities. This avoids the necessity of reporting receipts and disbursements to the federal government that are not related to federal election activities. In any case, all receipts and disbursements in the federal account are subject to federal election law. Specific reporting requirements for the federal bank account include:

- Name and address of contributor. Amount and date received.
- Contributor's occupation and employer if total amount is over \$200 in a calendar year.
- Retaining a full-size image of any contribution check over \$50.
- Disbursements must identify date, amount, name and address of payee and purpose.

Both state and federal law assess fines and other penalties for late filing. In the case of missing contributor information, both state and federal law require a "best effort" to acquire the additional data.

The primary focus of this committee, per our mandate, is review of required government reporting and related record keeping. Where relevant, we will touch on recommended best practice. It would be wise to evaluate specific bookkeeping procedures and accounting changes henceforth.

The Colorado Secretary of State web page has available a Campaign and Political Finance Manual. The Political Party Section, pgs 22-23, (January 2021 Revision) are of particular interest to the Party Treasurer. (<https://www.sos.state.co.us/pubs/elections/CampaignFinance/files/CPFManual.pdf>)

Audit Findings

Stripe Contributions Compared to TRACER Data 10/1/2021 - 12/6/2022

Count	Description
78	Stripe Contributions logged in TRACER
236	Multiple Stripe Contributions logged consolidated in TRACER
9	Stripe Contributions logged in TRACER with different amount or date
122	Stripe Contributions not logged into TRACER
48	Stripe Contributions dated after TRACER download data

Bank Deposits Compared to TRACER Data 3/15/2022 – 6/29/2022

Count	Description
2	Reportable Checking Deposits not logged in TRACER
0	Reportable Checking Deposits logged in TRACER

Bank Expenditures Compared to TRACER Data 11/10/2021 – 11/28/2022

Count	Description
107	Reportable Checking Expenditures not logged in TRACER
23	Reportable Checking Expenditures logged in TRACER
19	Multiple Checking Expenditures logged consolidated in TRACER

Bank Receipts Compared to FEC Data 11/26/2021 – 11/28/2022

Count	Description
23	Reportable Fed Receipts not reported to FEC
3	Reportable Fed Receipts reported to FEC

Bank Disbursements Compared to FEC Data 11/2/2021 – 6/9/2022

Count	Description
5	Reportable Fed Disbursements not reported to FEC
3	Reportable Fed Disbursements reported to FEC

4	Reportable Fed Disbursements not logged in TRACER
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LPCO Merch Shopify Contributions Compared to TRACER Data 2/16/2022 – 11/11/2022

Count	Description
15	Shopify purchases not logged in TRACER
0	Shopify purchases logged in TRACER

PayPal Expenditures Compared to TRACER Data 3/1/2021 - 12/5/2022

Count	Description
4	PayPal Expenditures logged in TRACER
4	PayPal Expenditures not logged in TRACER
1	PayPal Expenditure with mismatched date/amount logged in TRACER
1	PayPal Expenditure of unknown status

PayPal Contributions Compared to TRACER Data 3/1/2021 - 12/5/2022

Count	Description
20	PayPal Contributions logged in TRACER
8	PayPal Contributions not logged in TRACER
6	Multiple PayPal Contributions logged consolidated in TRACER
2	Unknown Zettle Payments

Eventbrite Convention Tickets Compared to TRACER data 1/12/2022 - 3/12/2022

Count	Description
0	Convention tickets logged in TRACER
168	Convention tickets not logged in TRACER

Eventbrite Birthday Bash Tickets Compared to TRACER data 11/17/2021 - 12/7/2021

Count	Description
0	Birthday Bash contributions logged in TRACER
42	Birthday Bash contributions not logged in TRACER
2	Birthday Bash mismatched contributions logged in TRACER
1	Birthday Bash unknown contributions logged in TRACER

Risk Assessment

TRACER penalties for late filing of nine separate reports of contributions and expenditures, 6/13/22 to 9/6/22, initially totaled \$20,150.00. Waiver requests have been submitted. Review of these requests by SoS is ongoing but as of 30 Jan, the penalties have been reduced to \$12,500. Further reductions may be forthcoming.

The Secretary of State's office reports missing TRACER information on contributors. Committee does not have login access to TRACER to identify the specific audit items. If the Secretary of State should decide to open an investigation, LPCO could be found responsible for reasonable attorney fees and costs of the department in connection with such a proceeding. There is also the possibility of additional sanctions.

Recommended Corrective Actions

- Missing contributions (Fed receipts) and expenditures (Fed disbursements) from TRACER and FECFile must be corrected. To this end, reportable transactions beyond the period of this audit dating from the 2021 state convention must be reconciled with TRACER and FECFile. The audit committee has notated pertinent financial statements as to the status of individual transactions' presence or not in TRACER. This data in Excel format will be made available to the next treasurer or whoever will be in charge of the full cleanup.

- Because all transactions in the Fed checking account must be reported to the FEC, that account should be limited to only Fed related transactions. FEC information on bank accounts is here: www.fec.gov/bank-accounts-political-party-committees/ The Shopify connection to that account involves unnecessary reporting. Shopify should link to a normal checking account.

The audit committee was informed by the Treasurer that Zettle, a PayPal subsidiary, was used at the 2022 convention. The Treasurer was unable to provide login information to that account, so no information as to those transactions has been available to the audit committee. Access to this account needs to be established.

LPCO is put in a precarious situation when only one individual has access to TRACER, QuickBooks, PayPal, Zettle, Shopify, Eventbrite, etc. The below-recommended Assistant Treasurer can provide this backup in the event that the Treasurer is unavailable for any reason. Until such a position is filled, it is recommended that the Chair have full access to all such accounts.

- The position of Assistant Treasurer should be created per FEC guidelines since technically the party cannot receive deposits to the federal bank account if a treasurer is not available. The assistant would automatically assume the treasurer position whenever the current treasurer resigns or is unable to fulfill official duties. Moreover, the assistant could help with what is undoubtedly a heavy workload for an unpaid position.

- In order to most effectively defend an audit, as well as to comply with campaign finance rules, recurring contributions should be entered one by one, not consolidated, in order that the TRACER contributions match the bank records. Refer to Campaign Finance Rule 10.4 Date of a contribution or donation, which states: 10.4.1 A contribution or donation by check or money order is accepted, at the earliest on the date that it is received or at the latest, on the date that the contribution or donation is deposited into the committee account.

- For transparency and for compliance with campaign finance rules, multiple contributions from one donor whether or not in different amounts should not be consolidated in the TRACER report.

- The explanation box is not required by SoS but is very important for LPCO members to know what is happening with their funds.

- When there are electronic records that could be subject to subpoena, there's no hiding a noncompliant claim of anonymity.

- All financial transactions, including internal ones, need to be recorded in QuickBooks, the double entry system required by the bylaws.

- All Financial Institution accounts should be owned by LPCO. The account ownership ideally should be under a LPCO email address. LPCO Treasurer must have online access to all such accounts for reporting purposes.
- Missing TRACER contributor information requires “best effort” to obtain and report. Addresses are frequently available in CiviCRM. Employer and Occupation are as well for individuals who have contributed via LPCO’s web page. Sometimes a phone call or email are needed. Emailing the SoS approved occupation titles to a donor helps them select the most appropriate occupation.