Final Audit Report of the
Commission on the Washington
State Republican Party
January 1, 2009 - December 31, 2010

Why the Audit Was Done
Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.¹ The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

Future Action
The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

About the Committee (p. 2)
The Washington State Republican Party is a state party committee headquartered in Bellevue, Washington. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 3)

- Federal Receipts
  - Contributions from Individuals $1,844,135
  - Contributions from Political Committees 900,961
  - Transfers from Affiliated and Other Political Committees 527,887
  - Transfers from Non-federal and Levin Funds 462,069
  - Other Receipts 44,356
  Total Federal Receipts $3,779,408

- Federal Disbursements
  - Operating Expenditures $3,753,148
  - Transfers to Affiliated and Other Political Committees 32,334
  - Contributions to Other Committees 27,900
  - Federal Election Activity 103,626
  - Refunds/Other Disbursements 23,837
  Total Federal Disbursements $3,940,845

- Levin Receipts $15,000
- Levin Disbursements $32,000

Commission Findings (p. 4)
- Misstatement of Financial Activity (Finding 1)
- Misstatement of Financial Activity – Levin Fund (Finding 2)
- Reporting of Debts and Obligations (Finding 3)

¹ 2 U.S.C. §438(b).
Final Audit Report of the Commission on the Washington State Republican Party

January 1, 2009 - December 31, 2010
Table of Contents

Part I. Background
Authority for Audit 1
Scope of Audit 1
Audit Hearing 1

Part II. Overview of Committee
Committee Organization 2
Overview of Financial Activity 3

Part III. Summaries
Commission Findings 4

Part IV. Commission Findings
Finding 1. Misstatement of Financial Activity 5
Finding 3. Reporting of Debts and Obligations 11
Part I
Background

Authority for Audit
This report is based on an audit of the Washington State Republican Party (WSRP), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine whether the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

Scope of Audit
Following Commission-approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:
1. the disclosure of individual contributors’ occupation and name of employer;
2. the disclosure of disbursements, debts and obligations;
3. the disclosure of expenses allocated between federal and non-federal accounts;
4. the consistency between reported figures and bank records;
5. the completeness of records; and
6. other committee operations necessary to the review.

Audit Hearing
WSRP requested a hearing before the Commission. The request was granted and the hearing was held on June 27, 2012. At the hearing, WSRP addressed one issue related to the misstatement of financial activity.
###重要的日期
- 注册日期：1975年10月14日
- 审计覆盖日期：2009年1月1日 - 2010年12月31日

###总部
- 总部：贝尔维尤，华盛顿

###银行信息
- 银行账户：两家
- 银行账户：11家联邦，9家非联邦，1家 Levin

###出纳
- 审计期间的出纳：Colleen Morse
- 审计覆盖期间的出纳：
  - Ed Mitchell: 2005年2月19日至2009年7月18日
  - Colleen Morse: 2009年7月19日至今

###管理信息
- 是否参加了委员会竞选财务研讨会：是
- 谁负责会计和记录保存任务：现役员工
## Overview of Financial Activity

(Audited Amounts)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Cash-on-hand @ January 1, 2009</td>
<td>$155,272</td>
</tr>
<tr>
<td>o Contributions from Individuals</td>
<td>$1,844,135</td>
</tr>
<tr>
<td>o Contributions from Political Committees</td>
<td>$900,961</td>
</tr>
<tr>
<td>o Transfers from Affiliated and Other Political Committees</td>
<td>$527,887</td>
</tr>
<tr>
<td>o Transfers from Non-federal and Levin Funds</td>
<td>$462,069</td>
</tr>
<tr>
<td>o Other Receipts</td>
<td>$44,356</td>
</tr>
<tr>
<td><strong>Total Federal Receipts</strong></td>
<td><strong>$3,779,408</strong></td>
</tr>
<tr>
<td>o Operating Expenditures</td>
<td>$3,753,148</td>
</tr>
<tr>
<td>o Transfers to Affiliated and Other Political Committees</td>
<td>$32,334</td>
</tr>
<tr>
<td>o Contributions to Other Committees</td>
<td>$27,900</td>
</tr>
<tr>
<td>o Federal Election Activity</td>
<td>$103,626</td>
</tr>
<tr>
<td>o Refunds/Other Disbursements</td>
<td>$23,837</td>
</tr>
<tr>
<td><strong>Total Federal Disbursements</strong></td>
<td><strong>$3,940,845</strong></td>
</tr>
<tr>
<td>Federal Cash-on-hand @ December 31, 2010</td>
<td>$(6,165)²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levin Cash-on-hand @ January 1, 2009</td>
<td>$17,001</td>
</tr>
<tr>
<td>Total Levin Receipts</td>
<td>$15,000</td>
</tr>
<tr>
<td>Total Levin Disbursements</td>
<td>$32,000</td>
</tr>
<tr>
<td>Levin Cash-on-hand @ December 31, 2010</td>
<td>$1</td>
</tr>
</tbody>
</table>

² Ending cash-on-hand was negative due to outstanding checks as of December 31, 2010.
Part III
Summaries

Commission Findings

Finding 1. Misstatement of Financial Activity
A comparison of WSRP’s reported activity with bank records revealed a misstatement of its beginning cash-on-hand and receipts for 2009 and a misstatement of receipts, disbursements and ending cash-on-hand for 2010. For 2009, WSRP understated beginning cash-on-hand by $30,321 and overstated receipts by $45,641. In 2010, WSRP understated receipts by $697,155 and disbursements by $1,062,382 and it overstated ending cash-on-hand by $362,753. In response to the Interim Audit Report, WSRP filed amended reports that materially corrected the misstatements.

The Commission approved a finding that WSRP misstated financial activity for 2009 and 2010. (For more detail, see p. 5.)

A comparison of WSRP’s reported Levin activity with bank records revealed a misstatement of its beginning cash-on-hand and disbursements for 2009 and a misstatement of disbursements and ending cash-on-hand for 2010. For 2009, WSRP overstated beginning cash-on-hand by $32,499 and overstated disbursements by $32,499. In 2010, WSRP understated disbursements by $15,000 and overstated ending cash-on-hand by $12,500. In response to the Interim Audit Report, WSRP filed amended reports that corrected the misstatements.

The Commission approved a finding that WSRP misstated Levin financial activity for 2009 and 2010. (For more detail, see p. 8.)

Finding 3. Reporting of Debts and Obligations
During audit fieldwork, the Audit staff identified debts to five vendors that WSRP failed to report in calendar years 2009 and 2010. WSRP did not report debts totaling $361,838. In response to the Interim Audit Report, WSRP amended its reports to disclose these debts.

The Commission approved a finding that WSRP failed to report debts for 2009 and 2010. (For more detail, see p. 11.)
Part IV
Commission Findings

Finding 1. Misstatement of Financial Activity

Summary
A comparison of WSRP’s reported activity with bank records revealed a misstatement of its beginning cash-on-hand and receipts for 2009 and a misstatement of receipts, disbursements and ending cash-on-hand for 2010. For 2009, WSRP understated beginning cash-on-hand by $30,321 and overstated receipts by $45,641. In 2010, WSRP understated receipts by $697,155 and disbursements by $1,062,382 and it overstated ending cash-on-hand by $362,753. In response to the Interim Audit Report, WSRP filed amended reports that materially corrected the misstatements.

The Commission approved a finding that WSRP misstated financial activity for 2009 and 2010.

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. Facts
During audit fieldwork, the Audit staff reconciled reported activity with bank records for 2009 and 2010. It determined that WSRP misstated the beginning cash balance and receipts for 2009 and receipts, disbursements and ending cash balance for 2010. The following charts outline the discrepancies in the cash balances, receipts and disbursements for each year. The succeeding paragraphs address the reasons for the misstatements.
2009 Committee Activity

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$124,951</td>
<td>$155,272</td>
<td>$30,321</td>
</tr>
<tr>
<td>@ January 1, 2009</td>
<td></td>
<td></td>
<td>Understated</td>
</tr>
<tr>
<td>Receipts</td>
<td>$852,256</td>
<td>$806,615</td>
<td>$45,641</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Overstated</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$970,577</td>
<td>$952,783</td>
<td>$17,794</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Overstated</td>
</tr>
<tr>
<td>Ending Cash Balance</td>
<td>$6,630</td>
<td>$9,104</td>
<td>$2,474</td>
</tr>
<tr>
<td>@ December 31, 2009</td>
<td></td>
<td></td>
<td>Understated</td>
</tr>
</tbody>
</table>

WSRP understated the beginning cash-on-hand by $30,321. WSRP did not explain the discrepancy, but it likely resulted from prior period discrepancies.

The overstatement of receipts resulted from the following factors.
- Reported transfers from Levin ($32,499) and non-federal accounts ($30,691) that were not supported by bank deposits or checks/debits by the transferring accounts $ (63,190)
- Transfers from affiliated committee and non-federal account that were not reported 15,097
- Unexplained differences 2,452

Net Overstatement of Receipts $ (45,641)

2010 Committee Activity

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$6,630</td>
<td>$9,104</td>
<td>$2,474</td>
</tr>
<tr>
<td>@ January 1, 2010</td>
<td></td>
<td></td>
<td>Understated</td>
</tr>
<tr>
<td>Receipts</td>
<td>$2,275,638</td>
<td>$2,972,793</td>
<td>$697,155</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Understated</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$1,925,680</td>
<td>$2,988,062</td>
<td>$1,062,382</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Understated</td>
</tr>
<tr>
<td>Ending Cash Balance</td>
<td>$356,588</td>
<td>-$6,165</td>
<td>$362,753</td>
</tr>
<tr>
<td>@ December 31, 2010</td>
<td></td>
<td></td>
<td>Overstated</td>
</tr>
</tbody>
</table>
The understatement of receipts resulted from the following factors.

- Transfer from Levin account not reported $3,000
- Transfers from non-federal accounts not reported 109,078
- Transfers from political committees not reported 487,215
- Contributions from individuals not reported 93,337
- In-kind contributions not reported as receipts 10,976
- Reported transfer not supported by bank deposits (11,675)
- Reported contribution not supported by bank deposit (5,000)
- Unexplained differences 10,224

Net Understatement of Receipts $697,155

The understatement of disbursements resulted from the following factors.

- Payroll expenditures not reported $33,457
- Operating expenditures not reported 1,023,213
- Transfers to political committees not reported 25,000
- Contributions to other committees not reported 10,000
- Reported disbursements not supported by checks or debits (24,185)
- Unexplained differences (5,103)

Net Understatement of Disbursements $1,062,382

The majority of the $1,023,213 in operating expenditures not reported included costs associated with mail pieces provided by nine vendors, totaling $882,966.

The $362,753 overstatement of the ending cash-on-hand resulted from the misstatements described above.

B. Interim Audit Report & Audit Division Recommendation

Audit staff discussed this matter with WSRP representatives at the exit conference. WSRP representatives made no comment on this matter.

The Interim Audit Report recommended that WSRP amend its disclosure reports to correct the misstatements for both 2009 and 2010, and amend its most recently filed report to correct the cash-on-hand balance with an explanation that the change resulted from a prior period audit adjustment.

Further, the Audit staff recommended that WSRP reconcile the cash balance of its most recent report to identify any subsequent discrepancies that might affect the adjustment recommended by the Audit staff.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report, WSRP filed amended reports that materially corrected the misstatements.

In addition, a WSRP representative explained that Audit staff should have treated a $43,921 disbursement from a federal account and a transfer of an identical amount from the non-federal account to the federal account—both of which were included as unreported in the Interim Audit Report—as reversing transactions. These transactions involved a payment mistakenly made from a federal account for non-federal activity and
the subsequent reimbursement from the non-federal account. WSRP included both transactions in the amended reports.

D. Draft Final Audit Report
The Draft Final Audit Report noted that, in response to the Interim Audit Report, WSRP filed amended reports that materially corrected the misstatements as recommended by the Audit staff.

E. Committee Response to the Draft Final Audit Report
WSRP requested an audit hearing for the Commission to consider whether an unreported disbursement of $43,921 made on August 5, 2010, and a corresponding unreported receipt in the same amount on August 12, 2010, should have been included in the misstatement total.

F. Audit Hearing
During the audit hearing, counsel for WSRP reiterated that the unreported disbursement of $43,921 made on August 5, 2010, was a payment for non-federal activity that WSRP made in error from the federal account, and the unreported receipt in the same amount on August 12, 2010, was the subsequent reimbursement from the non-federal account. Both transactions occurred in the same reporting period. As a consequence, WSRP stated its belief that these offsetting transactions were obvious errors and that it should not have been required to include these transactions on its disclosure report.

Commission Conclusion
On September 13, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff (1) maintained that the reversing transactions questioned by WSRP during the audit hearing should be reported and included as part of the WSRP activity that was misstated for 2010, and (2) recommended that the Commission find WSRP misstated its financial activity in 2009 and 2010.

The Commission approved the Audit staff’s recommendation.


Summary
A comparison of WSRP’s reported Levin activity with bank records revealed a misstatement of its beginning cash-on-hand and disbursements for 2009 and a misstatement of disbursements and ending cash-on-hand for 2010. For 2009, WSRP overstated beginning cash-on-hand by $32,499 and overstated disbursements by $32,499. In 2010, WSRP understated disbursements by $15,000 and overstated ending cash-on-hand by $12,500. In response to the Interim Audit Report, WSRP filed amended reports that corrected the misstatements.

The Commission approved a finding that WSRP misstated Levin financial activity for 2009 and 2010.
Legal Standard

Contents of Levin Reports. Each report must disclose:

• the amount of cash-on-hand for Levin funds at the beginning and end of the reporting period;
• the total amount of Levin fund receipts and disbursements (including allocation transfers) for the reporting period and for the calendar year; and
• certain transactions that require itemization on Schedule L-A (Itemized Receipts of Levin Funds) or Schedule L-B (Itemized Disbursements of Levin Funds). 11 CFR §300.36 (b)(2)(B).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled reported Levin activity with bank records for 2009 and 2010. It determined that WSRP misstated beginning cash-on-hand and disbursements for 2009 and disbursements and ending cash-on-hand for 2010. The following charts outline the discrepancies for the cash balances, receipts, and disbursements for each year. The succeeding paragraphs address the reasons for the misstatements.

<table>
<thead>
<tr>
<th>2009 Committee Activity</th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>$49,500</td>
<td>$17,001</td>
<td>$32,499</td>
</tr>
<tr>
<td>@ January 1, 2009</td>
<td></td>
<td></td>
<td>Overstated</td>
</tr>
<tr>
<td>Receipts</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$49,499</td>
<td>$17,000</td>
<td>$32,499</td>
</tr>
<tr>
<td>@ December 31, 2009</td>
<td>$1</td>
<td>$1</td>
<td>$0</td>
</tr>
</tbody>
</table>

WSRP overstated the beginning cash balance by $32,499. WSRP did not explain the discrepancy, but it likely resulted from prior period discrepancies.

The overstatement of disbursements resulted when WSRP erroneously reported transfers of $32,499 to the federal account. WSRP also identified these transactions as an adjustment to the federal bank reconciliation. (See Finding 1, page 5.) These transfers appear to have been reported to correct the overstatement of cash-on-hand as of January 1, 2009.
**2010 Committee Activity**

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Bank Records</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance @ January 1, 2010</td>
<td>$1</td>
<td>$1</td>
<td>$0</td>
</tr>
<tr>
<td>Receipts</td>
<td>$12,500</td>
<td>$15,000</td>
<td>$2,500 Understated</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$0</td>
<td>$15,000</td>
<td>$15,000 Understated</td>
</tr>
<tr>
<td>Ending Cash Balance @ December 31, 2010</td>
<td>$12,501</td>
<td>$1</td>
<td>$12,500 Overstated</td>
</tr>
</tbody>
</table>

WSRP did not report a $15,000 transfer it made to the federal account. The $12,500 overstatement of the ending cash balance resulted from the misstated receipts and disbursements noted above.

**B. Interim Audit Report & Audit Division Recommendation**
Audit staff discussed this matter with WSRP representatives at the exit conference. WSRP representatives made no comment on this matter.

The Interim Audit Report recommended that WSRP amend its disclosure reports to correct the misstatements for both 2009 and 2010.³

**C. Committee Response to Interim Audit Report**
In response to the Interim Audit Report, WSRP filed amended reports that corrected the misstatements.

**D. Draft Final Audit Report**
The Draft Final Audit Report noted that, in response to the Interim Audit Report, WSRP filed amended reports that corrected the misstatements as recommended by the Audit staff.

**E. Committee Response to the Draft Final Audit Report**
WSRP made no comment on this finding.

**Commission Conclusion**
On September 13, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that WSRP misstated its Levin fund financial activity for calendar years 2009 and 2010.

The Commission approved the Audit staff's recommendation.

---

³ WSRP has not reported any Levin activity for calendar year 2011.
Finding 3. Reporting of Debts and Obligations

Summary
During audit fieldwork, the Audit staff identified debts to five vendors that WSRP failed to report in calendar years 2009 and 2010. WSRP did not report debts totaling $361,838. In response to the Interim Audit Report, WSRP amended its reports to disclose these debts.

The Commission approved a finding that WSRP failed to report debts for 2009 and 2010.

Legal Standard
A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 2 U.S.C. §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. A political committee must file separate schedules for debts owed by and to the committee with a statement explaining the circumstances and conditions under which it incurred or extinguished each debt and obligation. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.
- Once it has been outstanding 60 days from the date incurred, a debt of $500 or less must be reported on the next regularly scheduled report.
- A debt exceeding $500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis
A. Facts
The Audit staff reviewed vendor invoices and computer files containing WSRP disbursements made in 2009 and 2010. Although WSRP paid the majority of invoices in a timely manner, it carried outstanding balances with five vendors that were not disclosed as debts on Schedule D (Debts and Obligations). The debts totaled $361,838.4

B. Interim Audit Report & Audit Division Recommendation
The Audit staff informed WSRP representatives of this matter at the exit conference and provided schedules detailing the undisclosed debts for each reporting period. WSRP representatives made no comment on this matter.

The Interim Audit Report recommended that WSRP amend its reports to disclose the debts and obligations addressed above.

---

4 Each debt in this amount was counted once. In order for WSRP to correctly file amended reports, Audit staff provided a schedule that included the amount of each debt required to be reported for each reporting period.
C. Committee Response to Interim Audit Report
In response to the Interim Audit Report, WSRP filed amended reports disclosing the debts and obligations.

D. Draft Final Audit Report
The Draft Final Audit Report noted that, in response to the Interim Audit Report, WSRP filed amended reports disclosing the debts and obligations.

E. Committee Response to the Draft Final Audit Report
WSRP made no comment on this finding.

Commission Conclusion
On September 13, 2012, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that WSRP failed to report debts to vendors for calendar years 2009 and 2010.

The Commission approved the Audit staff's recommendation.