



# Interim Report of the Audit Division on the Republican Party of Minnesota

January 1, 2007 - December 31, 2008

## 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.<sup>1</sup> 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 Republican Party of Minnesota is a state party committee headquartered in St. Paul, Minnesota. For more information, see chart on Committee Organization, page 2.

## Financial Activity (p. 2)

• <b>Receipts</b>	
○ Contributions from Individuals	\$ 7,089,954
○ Contributions from Other Political Committees	132,390
○ Transfers from Affiliated and Other Party Committees	6,297,089
○ Loans Received	511,101
○ Offsets to Operating Expenditures	164,596
○ Other Receipts	356,761
○ Transfers from Non-Federal Accounts	1,235,414
○ <b>Total Receipts</b>	<b>\$ 15,787,305</b>
• <b>Disbursements</b>	
○ Operating Expenditures	\$ 4,319,592
○ Transfers to Affiliated/Other Party Committees	1,262,473
○ Contributions to Federal Candidates/Committees and Other Political Committees	3,850
○ Independent Expenditures	335,266
○ Coordinated Expenditures	80,000
○ Loan Repayments Made	417,994
○ Refunds of Contributions	19,810
○ Other Disbursements	419,223
○ Federal Election Activity	8,551,821
○ <b>Total Disbursements</b>	<b>\$ 15,410,029</b>

## Finding and Recommendation (p. 4)

- Misstatement of Financial Activity

<sup>1</sup> 2 U.S.C. §438(b).

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Republican Party of Minnesota (RPM), 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 if 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.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	<b>Republican Party of Minnesota</b>
• Date of Registration	August 8, 1975
• Audit Coverage	January 1, 2007 – December 31, 2008
<b>Headquarters</b>	St. Paul, Minnesota
<b>Bank Information</b>	
• Bank Depositories	Two
• Bank Accounts	Eleven
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Anthony Sutton ( 3/19/07 - 7/9/09) David E. Sturrock (7/10/09 - Present)
• Treasurer During Period Covered by Audit	Marina Taubenberger (5/8/02- 3/18/07) Anthony Sutton ( 3/19/07 - 7/9/09)
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

## Overview of Financial Activity (Audited Amounts)

<b>Cash on hand @ January 1, 2007</b>	<b>\$ 65</b>
o Contributions from Individuals	\$7,089,954
o Contributions from Other Political Committees	132,390
o Transfers from Affiliated and Other Party Committees	6,297,089
o Loans Received	511,101
o Offsets to Operating Expenditures	164,596
o Other Receipts	356,761
o Transfers from Non-Federal Accounts	1,235,414
<b>Total Receipts</b>	<b>\$ 15,787,305</b>
o Operating Expenditures	\$4,319,592
o Transfers to Affiliated/Other Party Committees	1,262,473
o Contributions to Federal Candidates/Committees and Other Political Committees	3,850
o Independent Expenditures	335,266
o Coordinated Expenditures	80,000
o Loan Repayments Made	417,994
o Refunds of Contributions	19,810
o Other Disbursements	419,223
o Federal Election Activity	8,551,821
<b>Total Disbursements</b>	<b>\$ 15,410,029</b>
<b>Cash on hand @ December 31, 2008</b>	<b>\$ 377,341</b>

## **Part III**

### **Summary**

#### **Finding and Recommendation**

##### **Misstatement of Financial Activity**

A comparison of the RPM's reported financial activity to the bank records revealed an understatement of receipts in 2007 by \$75,267, an understatement of disbursements in 2007 by \$71,446, and an understatement of ending cash on hand in calendar year 2008 by \$174,238. Most of the reporting errors can be attributed to unreported transfers to and from the RPM's non-federal accounts. The Audit staff recommends that the RPM file amended disclosure reports to correct the misstatements. (For more detail, see p. 5)

## Part IV

# Finding and Recommendation

### Misstatement of Financial Activity

#### Summary

A comparison of the RPM's reported financial activity to the bank records revealed an understatement of receipts in 2007 by \$75,267, an understatement of disbursements in 2007 by \$71,446, and an understatement of ending cash on hand in calendar year 2008 by \$174,238. Most of the reporting errors can be attributed to unreported transfers to and from the RPM's non-federal accounts. The Audit staff recommends that the RPM file amended disclosure reports to correct the misstatements.

#### 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; and
- The total amount of disbursements for the reporting period and for the calendar year;
- Certain transactions that require itemization on Schedules A (Itemized Receipts), Schedules B (Itemized Disbursements), Schedules H3 (Transfers from Non-federal Accounts for Allocated Federal/Non-federal Activity), or Schedules H4 (Disbursements for Allocated Federal/Non-federal Activity). 2 U.S.C. §434(b)(1), (2), (3), (4), and (5).

#### Facts and Analysis

The Audit staff reconciled the RPM's reported financial activity to its bank records for 2007 and 2008. Below are charts that outline the discrepancies in both years followed by explanations of the misstatements, if known.

<b>2007. Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash Balance @ January 1, 2007	(\$28,325)	\$65	\$28,390 Understated
Receipts	\$3,556,121	\$3,631,388	\$75,267 Understated
Disbursements	\$3,185,395	\$3,256,841	\$71,446 Understated
Ending Cash Balance @ December 31, 2007	\$342,401	\$374,612	\$32,211 Understated

The beginning cash balance on January 1, 2007 was understated by \$28,390 and is unexplained, but likely resulted from prior period discrepancies.

The understatement of receipts resulted from the following:

• Three unreported transfers from non-federal accounts	+	\$50,853
• Unexplained difference	+	24,414
<b>Understatement of Receipts</b>		<b>\$75,267</b>

The understatement of disbursements resulted from the following:

• Unreported transfer to non-federal account	+	\$50,000
• Unreported Bank Fees	+	1,115
• Unexplained difference	+	20,331
<b>Understatement of Disbursements</b>		<b>\$71,446</b>

The RPM transferred \$50,000 from a federal account to a non-federal account on October 18, 2007. On October 24, 2007, the RPM transferred \$50,000 back to the same federal account. These transfers were not reported.

The \$32,211 understatement of ending cash on hand resulted from the unexplained beginning cash balance difference as well as the receipt and disbursement misstatements noted above.

<b>2008 Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Opening Cash Balance @ January 1, 2008	\$342,401	\$374,612	\$32,211 Understated
Receipts	\$12,003,907	\$12,155,917	\$152,010 Understated
Disbursements	\$12,149,205	\$12,153,188	\$3,983 Understated
Ending Cash Balance @ December 31, 2008	\$203,103 <sup>2</sup>	\$377,341	\$174,238 Understated

The net understatement of receipts resulted from the following:

• Ten unreported transfers from non-federal accounts	+	\$204,166
• Unexplained difference	-	52,156
<b>Net Understatement of Receipts</b>		<b>\$152,010</b>

There was no apparent reason for the unreported transfers from RPM's non-federal accounts. The Audit staff notes that nine of the ten unreported transfers came from an account that was formerly a federal account.

<sup>2</sup> The RPM's beginning cash on its September Monthly 2008 report was \$6,000 greater than its reported ending cash on the previous report. As a result of this discrepancy, the amounts in the "Reported" column do not total correctly.

The understatement of disbursements resulted from the following:

• Unreported transfer to non-federal account	+	\$1,550
• Unexplained difference	+	2,433
<b>Understatement of Disbursements</b>		<b>\$3,983</b>

On December 31, 2008, the cash balance was understated by \$174,238 as a result of the errors described above.

The matter was presented to the RPM counsel during the exit conference. The RPM counsel acknowledged the discrepancies in the reports and indicated that the corrections would be made as recommended by the auditors.

#### **Interim Audit Report Recommendation**

The Audit staff recommends that, within 30 calendar days of receipt of this report, the RPM:

- Amend its reports to correct the misstatements for 2007 and 2008 as noted above; 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 RPM should reconcile the cash balance of its most recent report to identify any subsequent discrepancies that may impact the \$174,238 adjustment recommended by the Audit staff.