

REPORTS ANALYSIS REFERRAL

TO

OFFICE OF GENERAL COUNSEL

DATE: March 23, 2006

ANALYST: Bradley Decker

I. COMMITTEE:

Republican Party of Texas  
(C00143743)  
Christopher Maska, Treasurer  
900 Congress Avenue, Suite 300  
Austin, TX 78701

II. RELEVANT STATUTE:

- 2 U.S.C. §434(b)(2)(A)
- 2 U.S.C. §434(b)(2)(D)
- 2 U.S.C. §434(b)(2)(F)
- 2 U.S.C. §434(b)(2)(I)
- 2 U.S.C. §434(b)(2)(J)
- 2 U.S.C. §434(b)(4)(C)
- 11 C.F.R. §104.3(a)(2)(i)(A)
- 11 C.F.R. §104.3(a)(2)(iii)
- 11 C.F.R. §104.3(a)(2)(vii)(A) and (B)
- 11 C.F.R. §104.3(a)(2)(viii)(A) and (B)
- 11 C.F.R. §104.3(b)(1)(ii)
- 11 C.F.R. §104.17(b)(2)

III. BACKGROUND:

**Failure to Provide Supporting Schedules (Failure to Disclose All Financial Activity)**

The Republican Party of Texas (“the Committee”) filed an Amended 2004 30 Day Post-General Report disclosing \$173,619.33 in additional receipts and also filed an Amended 2005 February Monthly Report disclosing \$65,768.37 in additional receipts and \$65,985.28 in additional disbursements (Attachment 2).

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## **2004 30 Day Post-General Report**

On December 2, 2004, the Committee filed its original 2004 30 Day Post-General Report covering the period from October 14, 2004 to November 22, 2004 (Image 24981536426). This report disclosed \$133,898.51 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons Other than Political Committees), \$142,690.90 in receipts on Line 11(a)(ii) (Unitemized Contributions from Individuals/Persons Other than Political Committees), \$57,500.00 in receipts on Line 11(c) (Contributions from Other Political Committees), \$1,747.05 in receipts on Line 15 (Offsets to Operating Expenditures) and \$29,943.02 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) of the Detailed Summary Page (Image 24981536428).

On January 23, 2005, the Committee filed an Amended 2004 30 Day Post-General Report, covering the period from October 14, 2004 to November 22, 2004 (Image 25980307753). The amended report disclosed \$133,948.51 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons Other than Political Committees), \$142,640.90 in receipts on Line 11(a)(ii) (Unitemized Contributions from Individuals/Persons Other than Political Committees), \$57,613.22 in receipts on Line 11(c) (Contributions from Other Political Committees), \$1,747.05 in receipts on Line 15 (Offsets to Operating Expenditures) and \$202,849.13 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) of the Detailed Summary Page (Image 25980307755).

On April 20, 2005, a Request for Additional Information ("RFAI") was sent to the Committee referencing the Amended 2004 30 Day Post General Report. The RFAI asked, among other issues, for clarification regarding the \$172,906.11 in additional receipts on Line 18(a) that were not disclosed on the Committee's original 2004 30 Day Post-General Report (Image 25038784587).

On May 20, 2005, the Committee filed a miscellaneous electronic submission with the Commission which included a response to RFAI stating that, "the additional receipts totaling \$172,906.11 on Line 18(a) reflects the amount of non-federal transfers that were not disclosed on the original report due to an error in the coding in the software. This was corrected in the amended report filed January 23, 2005" (Image 25970289930).

On June 20, 2005, Susan McClane, a representative of the Committee, called the Reports Analysis Division ("RAD") analyst regarding referable issues on the Committee's Amended 2004 30 Day Post-General Report. Ms. McClane asked the Analyst how she should further clarify the increase in receipts that had been noted on the Committee's report. She said that she had already sent the Commission a miscellaneous electronic submission stating that the missing receipts on the original report had been caused by a software error. The Analyst informed her that the Committee should present any further information it had uncovered regarding the missing receipts, including information on any research that the Committee had conducted (Attachment 3).

Also on June 20, 2005, the Committee filed an Amended 2004 30 Day Post-General Report that disclosed \$2,297.05, an additional \$550.00, in receipts on Line 15 (Offsets to Operating Expenditures) of the Detailed Summary Page. The report disclosed

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no changes in the amount of receipts on any other lines of the Detailed Summary Page (Image 25970414543). A memo text statement within the report noted that the \$172,906.11 omitted from the original 2004 30 Day Post-General report came from two non-federal funds transfers. The memo text also stated that "there is little specific information to clarify why the amount was omitted from the original report, other than the time period in which the original report was filed." The Committee further explained that the former director of accounting was replaced by a consultant during September and then by a new director of accounting at the end of September who had no training in the preparation of reports. The Committee highlighted that, "prior to September, a detailed spreadsheet was used by the Director to prepare the reports." The Committee indicated that it could not locate any backups or spreadsheets for the relevant report. Finally, the Committee Treasurer stated, "I have reviewed other reports, including the state reports prepared at the same time and found that coding within the software was the reason that data was reported incorrectly or omitted. I have tried to find some backup to the preparation but have been unable to find any additional information to explain the omission in the original report." (Image 25970414845)

On July 22, 2005, the Committee amended its 2004 30 Day Post-General Report for the fifth time (Image 25970760938). This last amendment disclosed \$133,998.51 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons Other than Political Committees), \$142,640.90 in receipts on Line 11(a)(ii) (Unitemized Contributions from Individuals/Persons Other than Political Committees), \$57,613.22 in receipts on Line 11(c) (Contributions from Other Political Committees), \$2,297.05 in receipts on Line 15 (Offsets to Operating Expenditures) and \$202,849.21 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) of the Detailed Summary Page (Image 25970760940).

### **2005 February Monthly Report**

On February 20, 2005 the Committee filed its original 2005 February Monthly Report, covering the period from January 1, 2005 to January 31, 2005 (Image 25990092857). This report disclosed \$31,300.00 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons other than Political Committees), \$0.00 in receipts on Line 17 (Other Federal Receipts), \$43,377.21 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) and \$0.00 in disbursements on Line 22 (Transfers to Affiliated/Other Party Committees) of the Detailed Summary Page (Images 25990092859 and 25990092860).

On March 20, 2005 the Committee filed an Amended 2005 February Monthly Report, covering the period from January 1, 2005 to January 31, 2005 (Image 25990272117). This report disclosed \$37,300.00 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons other than Political Committees), \$9.52 in receipts on Line 17 (Other Federal Receipts), \$43,377.21 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) and \$0.00 in disbursements on Line 22 (Transfers to Affiliated/Other Party Committees) of the Detailed Summary Page (Images 25990272119 and 25990272120).

On August 29, 2005 the Committee filed an Amended 2005 February Monthly Report, covering the period from January 1, 2005 through January 31, 2005 (Image

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25970987048). This report disclosed \$37,300.00 in receipts on Line 11(a)(i) (Itemized Contributions from Individuals/Persons other than Political Committees), \$9.52 in receipts on Line 17 (Other Federal Receipts), \$43,377.21 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) and \$65,985.28 on Line 22<sup>1</sup> (Transfers to Affiliated/Other Party Committees) of the Detailed Summary Page (Images 25970987050 and 25970987051).

On September 21, 2005, a Request for Additional Information ("RFAI") was sent to the Committee referencing the Amended 2005 February Monthly Report. Among other questions, the RFAI asked for clarification regarding the \$65,985.28 in additional disbursements on Line 22 that were not disclosed on the Committee's original 2005 February Monthly Report (Image 25038894673).

On October 21, 2005 the Committee filed an Amended 2005 February Monthly Report (Image 25971398429). The report disclosed \$37,300.00 in receipts on Line 11(a)(i) (Itemized contributions from Individuals/Persons other than Political Committees), \$9.52 in receipts on Line 17 (Other Federal Receipts) and \$103,136.06 in receipts on Line 18(a) (Transfers from Non-Federal Account for Allocated Activity) of the Detailed Summary Page. The report contained a memo text attachment stating, "As a result of our review of this report, we determined that a transfer from our non-federal account for allocated expenses reported on line 18(a) was incorrectly reported in our prior report and have included it on this report in the amount of \$59,758.94. The entry was inadvertently omitted due to improper coding" (Images 25971398431 and 25971398513).

The Amended 2005 February Monthly Report, received October 21, 2005 also included a memo text attachment, which addressed the increase in disbursements noted on the RFAI sent September 21, 2005. The memo text stated that the Committee was conducting "a thorough review and reconciliation of prior reports" and "determined that the transfers listed on Line 22 of the Detailed Summary Page and itemized on Schedule B, had been inadvertently omitted from the prior report." Additionally, the Committee stated that, "as part of our ongoing review, we are finding that entries into the software have been coded in a manner that results in items not being included on the reports" (Image 25971398513).

On October 28, 2005, an RFAI was sent to the Committee referencing the Amended 2005 February Monthly Report. Among other questions, the RFAI asked for further clarification regarding the \$65,768.37 in additional receipts on Lines 11(a)(i), 17 and 18(a) that were not disclosed on the Committee's original 2005 February Monthly Report (Image 25038921178).

On November 28, 2005, the Committee again filed an Amended 2005 February Monthly Report (Image 25971553255). The amended report disclosed no change in the amount of total receipts and total disbursements made by the Committee. The

<sup>1</sup> This amendment disclosed the movement of \$4,775.58 from Line 21(b) (Other Federal Operating Expenditures) to Lines 21(a)(i), 21(a)(ii) and 30(b) of the Detailed Summary Page. Furthermore, a \$3,750.00 disbursement was disclosed on Schedule B supporting Line 22 (Transfers to Affiliated/Other Party Committees) and not added to the Line total figure for Line 22, which had been previously disclosed on Schedule B for Line 21(b) on the Committee's original 2005 February Monthly Report. The reclassification of this financial activity corresponded to a decrease in activity on Line 21(b) totaling \$8,525.58.

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amendment included a memo text attachment stating that the failure to include \$65,768.37 in receipts on the original report resulted from problems with software coding. The Committee also indicated that the original report had been filed during a period in which it was undergoing personnel changes. The memo text further explained that "the data covered in the report was entered prior to the departure of key personnel responsible for the filing and the data contained in the report was assumed to have been entered correctly into the software. The change in personnel has caused inadvertent errors; however, the Party has endeavored to correct each error through continuous reconciliations of the data included." (Image 25971553340)

On December 15, 2005 the RAD analyst contacted Susan McClane, a representative of the Committee. The RAD analyst informed Ms. McClane that the increases in receipts and disbursements noted on the amendments to the 2005 February Monthly Report were referable to the Office of General Counsel. Ms. McClane noted that the Committee had already included memo text attachments on subsequent amendments to the report, which indicated why the increases had occurred. The RAD analyst told her that if the Committee had any additional information regarding this activity, they should place it on the public record in the form of a miscellaneous text document submitted electronically to the Commission. Ms. McClane said that she would prepare and upload an explanatory document (Attachment 4).

On December 20, 2005, the Committee filed a miscellaneous electronic submission, which detailed the causes for the increases in receipts and disbursements on the Amended 2005 February Monthly Report. Specifically, the Committee stated that due to a change in accounting staff "some of the 'first hand knowledge' of transactions that occurred within the filing period was lost." The Committee further explained that it believed the original report was accurate as filed, that the omission of financial transactions was inadvertent and that "initial attempts by new accounting staff to reconcile this information did not reveal any discrepancies". The Committee noted that it "relied on excel spreadsheets that pulled information from the software" but that "standard reconciliation processes did not ensure proper coding with the compliance software." The Committee further explained that "Additionally, due to improper coding in the accounting software, a virtual duplication of allocated expenses occurred. These two incidents are a result of inadvertent errors of coding within the software programs. As a result, we have now developed additional processes to ensure accurate reconciliations and better data entry procedures..." The miscellaneous electronic submission indicated that the Committee realized its own error and "took immediate action to correct it." The Committee also outlined the steps it had taken to comply with the Commission's reporting requirements, including attending conferences and responding to the Commission's RFAI's (Image 25980690843).

On January 3, 2006, the Committee filed another Amended 2005 February Monthly Report. This amended report disclosed no change in the amount of total receipts and total disbursements made by the Committee (Image 26990014522).

To date, no further communication has been received from the Committee regarding the above referenced matters.

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