





## **Finding 1. Misstatement of Financial Activity**

### **Summary**

A comparison of NDRP's bank activity with its most recent amended reports prior to the audit revealed material misstatements in 2009 and 2010. In addition, a comparison of NDRP's bank activity with its original reports for 2009 and 2010 also revealed material misstatements.

In response to the Interim Audit Report recommendation, NDRP attempted to correct the public record by filing amended disclosure reports. However, the amendments only materially corrected receipts for 2010. Receipts for 2009 and disbursements for 2009 and 2010 remained misstated. Subsequent to the receiving the Draft Final Audit Report, NDRP filed additional amended disclosure reports for 2009 and 2010. These amendments materially corrected the misstatements. Regarding the understatement of disbursement activity on NDRP's original reports, NDRP did not submit any comments in response to the Interim Audit Report recommendation or after receiving the Draft Final Audit Report.

The Commission approved a finding that NDRP misstated the beginning cash-on-hand balance in 2009 and receipts and disbursements in 2009 and 2010 on the most recent reports filed as of audit notification. In addition, the Commission approved a finding that NDRP filed original disclosure reports for 2009 and 2010 that materially understated its disbursements.

### **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 election cycle;
- the total amount of disbursements for the reporting period and for the election cycle; 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**

As part of this audit, the Audit staff reconciled NDRP's reported financial activity with its bank records for 2009 and 2010. The following charts outline the discrepancies between NDRP's disclosure reports and its bank records. Succeeding paragraphs explain why the discrepancies occurred.

<b>2009 Committee Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash-on-Hand @ January 1, 2009	\$15,496	\$2,151	\$13,345 Overstated
Receipts	\$563,007	\$584,942	(\$21,935) Understated
Disbursements	\$497,890	\$515,172	(\$17,282) Understated
Ending Cash-on-Hand @ December 31, 2009	\$80,613	\$71,921	\$8,692 Overstated

The overstatement of beginning cash-on-hand of \$13,345 likely resulted from prior-period discrepancies.

The understatement in receipts resulted from the following.

• Transfers from non-federal account, not reported <sup>1</sup>	\$ 94,500
• Non-federal receipts reported in error <sup>2</sup>	(85,230)
• Receipts not reported	12,811
• Unexplained difference	<u>(146)</u>
<b>Net Understatement of Receipts</b>	<b>\$ 21,935</b>

The understatement in disbursements resulted from the following.

• Debits and checks that cleared the bank, not reported	\$ 25,492
• Reported disbursements that did not clear bank accounts	(8,629)
• Unexplained difference	<u>419</u>
<b>Net Understatement of Disbursements</b>	<b>\$ 17,282</b>

The misstatements described above resulted in the overstatement of ending cash-on-hand by \$8,692.

<b>2010 Committee Activity</b>			
	<b>Reported</b>	<b>Bank Records</b>	<b>Discrepancy</b>
Beginning Cash-on-Hand @ January 1, 2010	\$80,613	\$71,921	\$8,692 overstated
Receipts	\$982,166	\$1,141,428	(\$159,262) understated
Disbursements	\$979,328	\$1,202,310	(\$222,982) understated
Ending Cash-on-Hand @ December 31, 2010	\$83,451	\$11,039	\$72,412 overstated

<sup>1</sup> In July 2009, NDRP failed to disclose two transfers (\$60,000 and \$34,500) from its non-federal account to its federal account.

<sup>2</sup> These receipts consist of individual (\$83,865) and PAC (\$1,365) non-federal contributions that NDRP deposited into a non-federal account but mistakenly included in its disclosure reports.



#### ~~4. Draft Final Audit Report~~

In the Draft Final Audit Report, the Audit staff stated that NDRP had not fully complied with the Interim Audit Report recommendation by filing amended disclosure reports that materially corrected the misstatements for 2009 and 2010.

#### 5. Committee Response to the Draft Final Audit Report

In response to the Draft Final Audit Report, NDRP submitted additional amended disclosure reports that materially corrected the misstatements for 2009 and 2010.

### B. Misstatement of Financial Activity – Original Reports Filed

#### 1. Facts

In addition to examining NDRP's most recent reports filed prior to the audit notification, the Audit staff compared NDRP's original reports filed with bank records and discovered a \$657,482 understatement of disbursements over the two-year period (2009 and 2010)<sup>5</sup>. As noted in the charts above, the latest amendments filed prior to this audit also included a net understatement of disbursements totaling \$240,264 (\$17,282 in 2009 plus \$222,982 in 2010). Therefore, the latest amendments filed prior to this audit did not correct all of the understated disbursement activity for the two-year period<sup>6</sup>.

#### 2. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the understatement of disbursements on its original reports filed with NDRP representatives during the exit conference and provided copies of relevant work papers detailing the disbursements not reported. The representatives had no specific comments at the time.

The Interim Audit Report recommended that NDRP submit any additional information or written comments it considered relevant to this matter.

#### 3. Committee Response to the Interim Audit Report

NDRP did not submit any additional information or written comments regarding this matter in its response to the Interim Audit Report recommendation.

#### 4. Draft Final Audit Report

In the Draft Final Audit Report, the Audit staff noted that NDRP did not submit any comments regarding the understatement of disbursements in its original reports. Further, no additional comments were submitted subsequent to the Draft Final Audit Report.

#### Commission Conclusion

On December 17, 2013, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission find that NDRP misstated the beginning cash-on-hand balance in 2009

<sup>5</sup> This figure includes the \$17,282 and \$222,982 understatement of disbursements from 2009 and 2010, respectively, discussed in Section A (Misstatement of Financial Activity – 2009 and 2010).

<sup>6</sup> On average, NDRP filed four amended reports per reporting period. There were seven reporting periods during 2010 in which NDRP filed six or more amendments for the reporting period.

~~and receipts and disbursements in 2009 and 2010 on the most recent reports filed as of~~  
audit notification. In addition, the Audit staff recommended that the Commission find  
that NDRP filed original disclosure reports for 2009 and 2010 that materially  
understated its disbursements.

The Commission approved the Audit staff's recommendations.

ACCOUNTS RECEIVABLE