



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

February 26, 2025

MEMORANDUM

To: The Commission

Through: Alec Palmer *AP*
Staff Director

From: Patricia C. Orrock *PCO*
Chief Compliance Officer

Zuzana O. Pacious *ZOP*
Acting Assistant Staff Director
Audit Division

Nicole Burgess *NB*
Audit Manager

By: Chris Carrell *CJC*
Lead Auditor

Subject: Audit Division Recommendation Memorandum on the Nebraska
Republican Party (A23-13)

Pursuant to Commission Directive No. 70 (FEC Directive on Processing Audit Reports), the Audit staff presented the Draft Final Audit Report (DFAR) to Nebraska Republican Party (NRP) on February 3, 2025 (see attachment). NRP did not request an audit hearing.

This memorandum provides the Audit staff's recommendation for the finding outlined in the DFAR.

In response to the DFAR, NRP did not provide any additional comments.

Misstatement of Financial Activity

The Audit staff recommends that the Commission find that, in calendar year 2021, NRP overstated its reported disbursements, and beginning and ending cash on hand balances by \$72,527, \$164,877 and \$20,853, respectively, and understated its receipts by \$71,498; and, in calendar year 2022, understated its reported receipts and disbursements by \$150,545 and \$275,323, respectively.

The Office of General Counsel has reviewed this memorandum and concurs with the recommendation.

If this memorandum is approved, the Proposed Final Audit Report will be prepared and circulated within 30 days of the Commission's approval.

If this Audit Division Recommendation Memorandum is not approved on a tally vote, Directive No. 70 states that the matter will be placed on the next regularly scheduled open session agenda.

Documents related to this audit report can be viewed in the Voting Ballot Matters folder. Should you have any questions, please contact Chris Carrell or Nicole Burgess at 694-1200.

Attachment:

- Draft Final Audit Report of the Audit Division on the Nebraska Republican Party

cc: Office of General Counsel



Draft Final Audit Report of the Audit Division on the Nebraska Republican Party

(January 1, 2021 - December 31, 2022)

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 This audit determined only whether the committee complied with the disclosure requirements of the Act in relation to the committee's bank accounts.

Future Action

The Commission may initiate an enforcement action, at a later time, with respect to the matter discussed in this report, as well as issues that are outside the parameters of this audit.

About the Committee (p. 2)

Nebraska Republican Party is a state party committee headquartered in Lincoln, Nebraska. For more information, see the Committee Organization chart, p. 2.

Financial Activity (p. 3)

• Receipts

○ Contributions from Individuals	\$ 736,915
○ Contributions from Political Party Committees	24,000
○ Contributions from Other Political Committees	33,080
○ Transfers from Affiliated Committees	462,385
○ Offsets to Operating Expenditures	9,827
○ Other Federal Receipts	53,792
○ Transfers from Non-Federal Account	550,290
Total Receipts	\$ 1,870,289

Disbursements

○ Operating Expenditures	\$ 1,768,729
○ Transfers to Affiliated Committees	17,250
○ Contribution Refunds	5,178
○ Other Federal Disbursements	89,775
○ Federal Election Activity	25,738
Total Disbursements	\$ 1,906,670

Finding and Recommendation (p. 4)

- Misstatement of Financial Activity

¹ 52 U.S.C. §30111(b).



Draft Final Audit Report of the Audit Division on the Nebraska Republican Party

(January 1, 2021 - December 31, 2022)

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Part I

Background

Authority for Audit

This report is based on an audit of the Nebraska Republican Party (NRP), 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 52 U.S.C. §30111(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 52 U.S.C. §30104. Prior to conducting any audit under this subsection, the Commission shall 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. 52 U.S.C. §30111(b).

Scope of Audit

Following Commission-approved procedures, the Audit staff evaluated risk factors in this limited-scope audit that examined only:

1. the consistency between reported figures and bank records; and
2. other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	May 25, 1976
• Audit Coverage	January 1, 2021 - December 31, 2022
Headquarters	Lincoln, Nebraska
Bank Information	
• Bank Depositories	One
• Bank Accounts	Two Federal, Four Non-Federal
Treasurer	
• Treasurer When Audit Was Conducted	David Plond (3/23/2023 – Present)
• Treasurer During Period Covered by Audit	Rodney Krogh (1/1/2020 – 7/19/2022) Mike Kennedy (7/20/2022 – 3/22/2023)
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2021	\$ 64,778
Receipts	
○ Contributions from Individuals	736,915
○ Contributions from Political Party Committees	24,000
○ Contributions from Other Political Committees	33,080
○ Transfers from Affiliated Committees	462,385
○ Offsets to Operating Expenditures	9,827
○ Other Federal Receipts	53,792
○ Transfers from Non-Federal Account	550,290
Total Receipts	\$ 1,870,289
Disbursements	
○ Operating Expenditures	1,768,729
○ Transfers to Affiliated Committees	17,250
○ Contribution Refunds	5,178
○ Other Federal Disbursements	89,775
○ Federal Election Activity	25,738
Total Disbursements	\$ 1,906,670
Cash on hand @ December 31, 2022	\$ 28,397

Part III

Summary

Finding and Recommendation

Misstatement of Financial Activity

During audit fieldwork, a comparison of NRP's reported financial activity with its bank records revealed a misstatement of receipts, disbursements, beginning and ending cash on hand for calendar year 2021, as well as receipts and disbursements for calendar year 2022. Specifically, for 2021, NRP overstated disbursements, beginning and ending cash on hand by, \$72,527, \$164,877 and \$20,853, respectively, and understated receipts by \$71,498. For 2022, NRP understated receipts and disbursements by \$150,545 and \$275,323, respectively. After the audit notification letter, NRP amended five of its disclosure reports which materially corrected the 2022 misstated receipts. In response to the Interim Audit Report recommendation, NRP corrected the public record for the misstated beginning and ending cash on hand balances, receipts and disbursements by amending its disclosure reports for 2021 and 2022. (For more detail, see p. 5.)

Part IV

Finding and Recommendation

Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of NRP's reported financial activity with its bank records revealed a misstatement of receipts, disbursements, beginning and ending cash on hand for calendar year 2021, as well as receipts and disbursements for calendar year 2022. Specifically, for 2021, NRP overstated disbursements, beginning and ending cash on hand by, \$72,527, \$164,877 and \$20,853, respectively, and understated receipts by \$71,498. For 2022, NRP understated receipts and disbursements by \$150,545 and \$275,323, respectively. After the audit notification letter, NRP amended five of its disclosure reports, which materially corrected the 2022 misstated receipts. In response to the Interim Audit Report recommendation, NRP corrected the public record for the misstated beginning and ending cash on hand balances, receipts and disbursements by amending its disclosure reports for 2021 and 2022.

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). 52 U.S.C. §30104(b)(1), (2), (3), (4), and (5).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reconciled NRP's reported financial activity with its bank records for calendar years 2021 and 2022. The reconciliation determined that NRP misstated beginning and ending cash on hand for 2021, as well as receipts and disbursements for 2021 and 2022. The following charts detail the discrepancies between NRP's disclosure reports and its bank activity.

2021 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2021	\$229,655	\$64,778	\$164,877 Overstated
Receipts	\$397,641	\$469,139	\$71,498 Understated
Disbursements	\$606,562	\$534,035	\$72,527 Overstated
Ending Cash on hand @ December 31, 2021	\$20,734	(\$119)	\$20,853 Overstated

The beginning cash on hand balance was overstated by \$164,877 and the reporting discrepancy is unexplained, but likely resulted from prior period adjustments.

The net understatement of receipts resulted from the following:

○ Receipts not reported	\$100,563
○ Receipts underreported	450
○ Receipts reported that did not clear bank	(30,885)
○ Unexplained differences	<u>1,370</u>
Net Understatement of Receipts	\$71,498

The net overstatement of disbursements resulted from the following:

○ Disbursements not reported	\$89,905
○ Disbursements reported that did not clear bank	(168,190)
○ Disbursements underreported	7,005
○ Unexplained differences	<u>(1,247)</u>
Net Overstatement of Disbursements	(\$72,527)

The \$20,853 overstatement of the ending cash on hand balance was a result of the reporting discrepancies described above.

2022 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash on hand @ January 1, 2022	\$17	(\$119)	\$136 Overstated
Receipts	\$1,250,605	\$1,401,150	\$150,545 Understated
Disbursements	\$1,097,311	\$1,372,634	\$275,323 Understated
Ending Cash on hand @ December 31, 2022	\$18,018 ²	\$28,397	\$10,379 Understated

The net understatement of receipts resulted from the following:

○ Receipts not reported	\$196,349
○ Receipts overreported	(26,682)
○ Unitemized Receipts that did not clear bank	(18,347)
○ Unexplained differences	<u>(775)</u>
Net Understatement of Receipts	\$150,545

The net understatement of disbursements resulted from the following:

○ Disbursements not reported	\$280,549
○ Disbursements reported that did not clear bank	(6,378)
○ Unexplained differences	<u>1,152</u>
Net Understatement of Disbursements	\$275,323

After the audit notification letter, NRP filed amended disclosure reports which materially corrected the 2022 misstated receipts and partially corrected the 2022 misstated disbursements.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed this matter with NRP representatives during the exit conference and provided schedules detailing the misstatements. In response to the exit conference, NRP stated, “[t]he committee’s compliance consultant will be starting the process of amending the committee’s 2021 and remaining 2022 reports.”

The Interim Audit Report recommended that NRP amend its disclosure reports to correct the misstatements noted above.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, NRP stated it “...undertook an extensive process to rebuild and amend the remaining 2021-2022 campaign finance reports based on information available to the Committee.” NRP stated that, on July 9, 2022, it

² The reported 2022 ending cash on hand balance does not equal reported beginning cash on hand balance plus reported receipts minus reported disbursements. This was due to a mathematical discrepancy in which the reported beginning cash on hand balance for the 2022 February Monthly report did not equal the ending cash on hand balance reported for the 2021 Year-End Report.

underwent a leadership transition by electing a new chairman; and, subsequently, a new treasurer. NRP further stated it terminated its relationship with its external reporting firm; engaged new FEC reporting specialists; and retained a new law firm. NRP's new leadership, however, was unsuccessful in obtaining original financial records related to the audit period from its previous leadership and FEC reporting firm.

In addition to its narrative response, NRP amended its remaining disclosure reports and materially corrected the public records for the 2021 misstated beginning and ending cash balances, receipts and disbursements. Finally, NRP materially corrected the public record by amending the 2022 disclosure reports to correct the remaining misstated disbursements.