



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 10, 1999

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
THE REPUBLICAN PARTY OF VIRGINIA

Attached please find a copy of the final audit report and related documents on the Republican Party of Virginia which was approved by the Commission on August 3, 1999.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel
Office of Public Disclosure
Reports Analysis Division
FEC Library

0045.525.3400

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22.07.025.3402



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

**REPORT OF THE AUDIT DIVISION
ON THE
REPUBLICAN PARTY OF VIRGINIA
EXECUTIVE SUMMARY**

The Republican Party of Virginia (RPV) registered with The Comptroller General of the United States as the Republican Party of Virginia on April 17, 1972 and maintains its headquarters in Richmond Virginia. The Treasurer during the period covered by the audit was John H. Hager. The current Treasurer is Anne P. Petera.

The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The one finding arising from the audit were presented to representatives of RPV at the completion of fieldwork on May 6, 1999 and later in the interim audit report. RPV's response to the finding is contained in the audit report.

The following is an overview of the finding contained in the audit report.

USE OF FUNDS FROM NON-FEDERAL ACCOUNTS 11 CFR §§102.5(a)(1)(i), 106.5(g)(1)(i) & (ii) (A) and 104.10(b)(4).

1. *Expenditures Related To A Federal/Non-Federal Event Funded From a Non-Federal Account.*

Disbursements totaling \$27,419 for expenses associated with the 1995 RPV Issues Briefing and Presidential Straw Poll were paid from a non-federal account. This event had both federal and non-federal components and the associated expenses should have been paid from the federal account, with reimbursement from the non-federal for its portion. In its response to the interim audit report, RPV filed amended (memo) Schedules H-4 disclosing the transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.

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2. Shared Administrative Expenses Funded from a Non-Federal Account

The Republican Party of Virginia State Account, a non-federal checking account, made payments directly to vendors for shared administrative expenses totaling \$9,943. These administrative expenses should have been paid from the federal account and reimbursed by the non-federal for its share. The federal share of these expenditures was 43%, or \$4,275. In its response to the interim audit report, RPV filed amended (memo) Schedules H-4 disclosing the transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.

3. Expenditures in Connection with the Republican National Convention Funded by the Non-Federal Account

RPV's non-federal accounts made five expenditures, totaling \$26,521 for hotel accommodations for the Virginia delegates at the San Diego Republican National Convention held in August 1996. In its response to the interim audit report, RPV filed amended (memo) Schedules H-4 disclosing the transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.



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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

***REPORT OF THE AUDIT DIVISION
ON THE
REPUBLICAN PARTY OF VIRGINIA, INC.***

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of the Republican Party of Virginia, Inc. (RPV), undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended (the Act). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. 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.

B. AUDIT COVERAGE

The audit covered the period from January 1, 1995, through December 31, 1996. During this period, RPV reported a beginning cash balance of \$7,200; total receipts of \$2,268,537; total disbursements of \$2,220,671; and a closing cash balance of \$55,066¹.

C. COMMITTEE ORGANIZATION

RPV registered with the Comptroller General of the United States as the Republican Party of Virginia on April 17, 1972 and maintains its headquarters in Richmond Virginia. The Treasurer during the period covered by the audit was John H. Hager. The current Treasurer is Anne P. Petera.

¹ All figures in this report have been rounded to the nearest dollar.

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To manage its federal financial activity, the RPV used three bank accounts. From these accounts RPV made approximately 2040 disbursements. Receipts were composed of contributions from individuals (\$1,674,105); contributions from other political committees (\$28,961); transfers from affiliated and other party committees (\$35,900); various other receipts (\$69,228) and transfers from its non-federal accounts totaling \$460,344.

D. AUDIT SCOPE AND PROCEDURES

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to bank records;
7. adequate recordkeeping for transactions;
8. proper disclosure of the allocation of costs associated with administrative expenses and activities conducted jointly on behalf of federal and non-federal elections and candidates (See Findings II.A.1., 2. and 3.); and
9. other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue any of the matters discussed in this report in an enforcement action.

II. AUDIT FINDINGS AND RECOMMENDATIONS

A. USE OF FUNDS FROM NON-FEDERAL ACCOUNTS

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in relevant part, that each organization, including a party committee, which finances political activity in connection with both federal and non-federal elections shall establish a separate federal account in a depository in accordance with 11 CFR part 103. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate federal account. All disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. No transfers may be made to such federal account from any other account(s) maintained by such organization for the purpose of financing activity in connection with non-federal elections, except as provided in 11 CFR 106.5(g).

Section 106.5(g)(1)(i) and (ii) (A) of Title 11 of the Code of Federal Regulations states, in part, committees that have established separate federal and non-federal accounts under 11 CFR 102.5(a)(1)(i) or (b)(1)(i) shall establish a separate allocation account into which funds from its federal and nonfederal accounts shall be deposited solely for the purpose paying the allocable expenses of joint federal and non-federal activities; or pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense.

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states, in part, a political committee that pays allocable expenses in accordance with 11 CFR 106.5(g) or 106.6(e) shall also report each disbursement from its federal account or separate allocation account in payment for a joint federal and non-federal expense or activity.

1. Expenditures Related To A Federal/Non-Federal Event Funded From a Non-Federal Account.

The Audit staff reviewed all disbursements made from non-federal accounts. The review identified disbursements totaling \$27,419 for expenses associated with the 1995 RPV Issues Briefing and Presidential Straw Poll that took place between June 16 and June 18, 1995. This event featured various workshops and presentations such as: "U.S. Term Limits"; "Precinct Organization" and "Building a Fall Campaign Action Plan". The \$25 cost of registration for the conference included the right to vote in

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the presidential straw poll. Time was scheduled during the morning of June 17, for a GOP Presidential Preview attended by some of the 1996 Republican presidential candidates. During the afternoon of that same day, attendees voted in the straw poll. The results were published in a subsequent newsletter.

This event had both federal and non-federal components and the associated expenses should have been paid from the federal account, with reimbursement from the non-federal for its portion. Instead, the RPV non-federal paid all of the expenses (\$27,419).

At the exit conference, RPV representatives were advised of this matter and were provided copies of workpapers. RPV representatives indicated they understood the issue but offered no further comments.

The interim audit report recommended that RPV demonstrate that the 1995 RPV Issues Briefing and Presidential Straw Poll should not be considered a shared federal/non-federal activity. Absent such a demonstration, it was recommended that RPV file appropriate memo Schedules H-4 (by reporting period) to disclose these expenditures and that an appropriate transfer be made to reimburse the non-federal account.

In its response to the interim audit report, RPV filed amended (memo) Schedules H-4 disclosing the transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.

2. Shared Administrative Expenses Funded from a Non-Federal Account

Our review of disbursements made from the Republican Party of Virginia State Account, a non-federal checking account, identified \$9,943 in payments made directly to vendors for shared administrative expenses. The majority of the expenditures related to maintenance and repair costs for RPV head quarters. These administrative expenses should have been paid from the federal account and reimbursed by the non-federal for its share. The federal share of these expenditures was 43%, or \$4,275. Further, they should have been reported on Schedules H-4, Joint Federal/Non-Federal Activity Schedule.

This matter was discussed with RPV representatives at the exit conference and a schedule detailing the above noted expenditures was provided. RVP representatives indicated they understood the issue but offered no further comment.

The interim audit report recommended that RPV demonstrate that these are not shared administrative expenditures made from a non-federal account. Absent

such a demonstration, it was recommended that RPV file appropriate memo Schedules H-4 by reporting period to disclose these expenditures and that an appropriate transfer be made to reimburse the non-federal account.

In its response to the interim audit report, RPV filed amended (memo) Schedules H-4 disclosing these transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.

3. Expenditures in Connection with the Republican National Convention Funded by the Non-Federal Account

As a result of our review of disbursements from RPV's non-federal accounts; the Audit staff identified five expenditures, totaling \$26,521² for hotel accommodations for the Virginia delegates at the San Diego Republican National Convention held in August 1996.

RPV's representatives were advised of this matter at the exit conference and provided a schedule detailing these expenditures. In response to the exit conference RPV representatives agreed that the identified expenditures should have been paid by the federal account.

The interim audit report recommended that RPV file appropriate memo Schedules B, for each reporting period, to disclose the expenditures. It was further recommended that an appropriate transfer be made to reimburse the non-federal account.

In its response to the interim audit report, RPV filed amended (memo) Schedules B disclosing these transactions. The response also states that the federal account had overpaid its share of allocable expenses and, as such, RPV does not believe that any transfer from the federal account to the non-federal account is required. The demonstrated amount of the overpayment by the federal account during this period is more than enough to cover these transactions.

² Three of these payments, totaling \$24,271, were made in 1997.



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

August 5, 1999

Ms. Anne Petera, Treasurer
Republican Party of Virginia
115 East Grace Street
Richmond, VA 23219

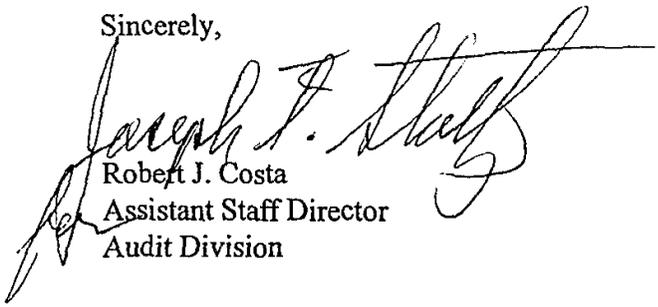
Dear Ms. Petera:

Attached please find the Report of the Audit Division on the Republican Party of Virginia. The Commission approved the report on August 3, 1999. As noted on page 4, the Commission may pursue any of the matters discussed in an enforcement action.

The Commission approved Audit Report will be placed on the public record on August 10, 1999. Should you have any questions regarding the public release of this report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you may have related to matters covered during the audit or in the audit report should be directed to Philomena Brooks or Alex Boniewicz of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,


Robert J. Costa
Assistant Staff Director
Audit Division

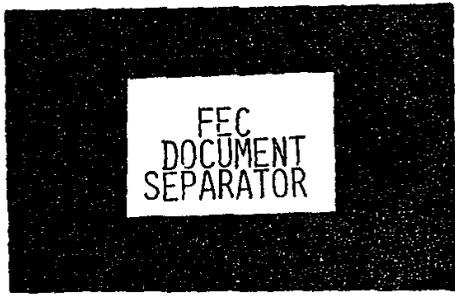
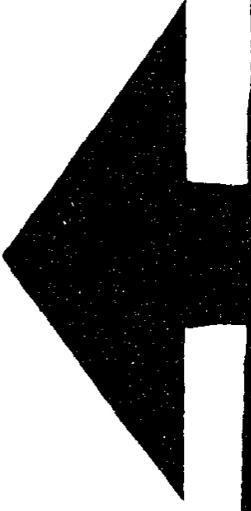
Attachment as stated

CHRONOLOGY

REPUBLICAN PARTY OF VIRGINIA

Audit Fieldwork	4/19/99 - 5/6/99
Interim Audit Report to the Committee	6/11/99
Response Received to the Interim Audit Report	7/14/99
Final Audit Report Approved	8/3/99

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