



# Interim Audit Report of the Audit Division on the Dallas County Republican Party (January 1, 2009 - December 31, 2010)

## 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 Dallas County Republican Party<sup>2</sup> is a local party committee headquartered in Dallas, Texas. For more information, see the chart on the Committee Organization, p. 2.

## Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 350,116
○ Transfers from Non-federal Account	196,000
○ Other Federal Receipts	1,009
<b>Total Receipts</b>	<b>\$ 547,125</b>
• Disbursements	
○ Operating Expenditures	\$ 480,625
○ Federal Election Activity	36,372
○ Other Disbursements	31,000
<b>Total Disbursements</b>	<b>\$ 547,997</b>

## Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Recordkeeping for Employees (Finding 2)

<sup>1</sup> 2 U.S.C. §438(b).

<sup>2</sup> On August 16, 2011, the Dallas County Republican Party changed its name to Dallas County Republican Party – Primary.

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# **Part I**

## **Background**

### **Authority for Audit**

This report is based on an audit of the Dallas County Republican Party (DCRP), 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.

### **Commission Guidance**

#### **Request for Early Commission Consideration of a Legal Question**

Pursuant to the Commission "Policy Statement Establishing a Program for Requesting Consideration of Legal Questions by the Commission," several state party committees unaffiliated with DCRP requested early consideration of a legal question raised during an audit. Specifically, the Commission addressed whether monthly time logs under 11 CFR §106.7(d)(1) were required for employees paid with 100 percent federal funds.

The Commission concluded, by a vote of 5-1, that 11 CFR §106.7(d)(1), does require committees to keep a monthly log for employees paid exclusively with federal funds. Exercising its prosecutorial discretion, however, the Commission decided not to pursue recordkeeping violations for the failure to keep time logs or to provide affidavits to account for employee salaries paid with 100 percent federal funds and reported as such. DCRP's representative was informed of the payroll log requirement and of the Commission's decision not to pursue recordkeeping violations for failure to keep payroll logs for salaries paid and correctly reported as 100 percent federal, excluding amended filings. This audit report does not include any finding or recommendation with respect to DCRP employees paid with 100 percent federal funds and reported as such.

## Part II

### Overview of Committee

#### Committee Organization

<b>Important Dates</b>	
• Date of Registration	February 5, 1999
• Audit Coverage	January 1, 2009 - December 31, 2010
<b>Headquarters</b>	
Dallas, Texas	
<b>Bank Information</b>	
• Bank Depositories	One
• Bank Accounts	One federal, three non-federal, one Levin
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Honorable Wade Emmert
• Treasurer During Period Covered by Audit	Jonathan Neerman
<b>Management Information</b>	
• Attended Commission Campaign Finance Seminar	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid staff

#### Overview of Financial Activity (Audited Amounts)

<b>Cash-on-hand @ January 1, 2009</b>	<b>\$ 1,374</b>
<b>Receipts</b>	
○ Contributions from Individuals	350,116
○ Transfers from Non-federal Account	196,000
○ Other Federal Receipts	1,009
<b>Total Receipts</b>	<b>\$ 547,125</b>
<b>Disbursements</b>	
○ Operating Disbursements	480,625
○ Federal Election Activity	36,372
○ Other Disbursements	31,000
<b>Total Disbursements</b>	<b>\$ 547,997</b>
<b>Cash-on-hand @ December 31, 2010</b>	<b>\$ 502</b>

## **Part III**

### **Summaries**

#### **Findings and Recommendations**

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

During audit fieldwork, a comparison of DCRP's reported financial activity with its bank records revealed that, for 2010, DCRP understated its reported receipts and disbursements by \$31,817 and \$32,201, respectively. The Audit staff recommends that DCRP amend its reports to correct the misstatements. (For more detail, see p. 5.)

##### **Finding 2. Recordkeeping for Employees**

During audit fieldwork, the Audit staff determined that DCRP did not maintain any monthly payroll logs, as required, to track the percentage of time each employee spent on federal election activity. For 2009 and 2010, the amount of payroll for which logs were required was \$85,520. This consisted of \$70,520, for which payroll was allocated between federal and non federal funds, and \$15,000 that was paid exclusively with non-federal funds. For DCRP employees paid with an allocation of federal and non-federal funds and/or non-federal funds, the Audit staff recommends that DCRP implement a plan to maintain monthly payroll logs to track the percentage of time each employee spends on federal election activity. (For more detail, see p. 6.)

## Part IV

# Findings and Recommendations

### Finding 1. Misstatement of Financial Activity

#### Summary

During audit fieldwork, a comparison of DCRP's reported financial activity with its bank records revealed that, for 2010, DCRP understated its reported receipts and disbursements by \$31,817 and \$32,201, respectively. The Audit staff recommends that DCRP amend its 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;
- 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). 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

#### Facts and Analysis

##### A. Facts

During audit fieldwork, the Audit staff reconciled reported financial activity with bank records for calendar years 2009 and 2010 and identified a misstatement of receipts and disbursements for 2010. The following chart outlines the discrepancies.

2010 Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance @ January 1, 2010	\$1,178	\$2,045	\$867 Understated
Receipts	\$287,185	\$319,002	\$31,817 Understated
Disbursements	\$288,344	\$320,545	\$32,201 Understated
Ending Cash Balance @ December 31, 2010	\$19	\$502	\$483 Understated

The understatement of receipts resulted from the following.

• Credit card deposit not reported	\$ 24,277
• March 2016 deposits not reported	5,995
• On-line deposit not reported	1,720
• Miscellaneous identified amounts	<u>(175)</u>
<b>Net Understatement of Receipts</b>	<b><u>\$ 31,817</u></b>

The understatement of disbursements resulted from the following.

• Transfers to non-federal account not reported	\$ 31,000
• Miscellaneous identified disbursements not reported	1,341
• Unidentified difference	<u>(140)</u>
<b>Net Understatement of Disbursements</b>	<b><u>\$ 32,201</u></b>

### **B. Interim Audit Report & Audit Division Recommendation**

At the exit conference, the Audit staff explained the misstatements and provided schedules to DCRP representatives. The representatives offered no comments during or subsequent to the exit conference.

The Audit staff recommends that, within 30 calendar days of service of this report, DCRP amend its reports to correct the misstatements noted above.

## **Finding 2. Recordkeeping for Employees**

### **Summary**

During audit fieldwork, the Audit staff determined that DCRP did not maintain any monthly payroll logs, as required, to track the percentage of time each employee spent on federal election activity. For 2009 and 2010, the amount of payroll for which logs were required was \$85,520. This consisted of \$70,520, for which payroll was allocated between federal and non federal funds, and \$15,000 that was paid exclusively with non-federal funds. For DCRP employees paid with an allocation of federal and non-federal funds and/or non-federal funds, the Audit staff recommends that DCRP implement a plan to maintain monthly payroll logs to track the percentage of time each employee spends on federal election activity.

### **Legal Standard**

**Maintenance of Monthly Logs.** Party committees must keep a monthly log of the percentage of time each employee spends in connection with a federal election.

Allocations of salaries, wages, and fringe benefits are to be undertaken as follows:

- Employees who spend 25% or less of their compensated time in a given month on federal election activities must be paid either from the federal account or have their pay allocated as administrative costs;
- Employees who spend more than 25% of their compensated time in a given month on federal election activities must be paid only from a federal account; and,

- Employees who spend none of their compensated time in a given month on federal election activities may be paid entirely with funds that comply with State law. 11 CFR §106.7(d)(1).

## **Facts and Analysis**

### **A. Facts**

During fieldwork, the Audit staff reviewed disbursements made to employees totaling \$85,520<sup>3,4</sup> for which monthly payroll logs were not provided to document the percentage of time the employee spent in connection with federal election activity. These logs are required to document the proper allocation of federal and non-federal funds used to pay these workers. The total of \$85,520 consisted of \$70,520, for which payroll was allocated between federal and non-federal funds, and \$15,000 that was paid exclusively with non-federal funds.

### **B. Interim Audit Report & Audit Division Recommendation**

At the exit conference and during audit fieldwork, the Audit staff discussed the payroll recordkeeping issue with DCRP representatives. The representatives offered no additional comments or documentation to support the expenses.

For DCRP employees that were paid with exclusively non-federal funds or an allocation of federal and non-federal funds, the Audit staff recommends that, within 30 calendar days of receipt of this report, DCRP provide the following:

- evidence that monthly time logs were maintained to document how much time the employee spent on federal election activity;  
or
- provide and implement a plan to maintain monthly payroll logs to track the percentage of time each employee spends on federal election activity.

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<sup>3</sup> Amounts are net of payroll taxes and benefits totaling \$22,896.

<sup>4</sup> Payments to DCRP employees paid with 100 percent federal funds and reported as such are not included in this finding. (See Background Section- Request for Early Consideration of Legal Question.)