



Final Audit Report of the Commission on the Illinois Republican Party

(January 1, 2011 - December 31, 2012)

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

Financial Activity² (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 1,129,720
○ Contributions from Political Committees	1,201,954
○ Transfers from Affiliated and Other Political Committees	1,576,813
○ Transfers from Non-federal Account	395,959
○ Other Receipts	272,048
Total Receipts	\$ 4,576,494
• Disbursements	
○ Operating Expenditures	\$ 1,295,631
○ Federal Election Activity	3,122,532
○ Contributions to Federal Candidates	5,500
○ Other Disbursements	90,720
Total Disbursements	\$ 4,514,383

Commission Findings (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Recordkeeping for Communications (Finding 2)
- Reporting of Debts and Obligations (Finding 3)
- Recordkeeping for Employees (Finding 4)

¹ 52 U.S.C. §30111(b).

² IRP had a Levin account that began the audit period with a balance of \$0, made no expenditures for Levin activity, and an ending balance of \$459.

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Part I

Background

Authority for Audit

This report is based on an audit of the Illinois Republican Party (IRP), 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 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. 52 U.S.C. §30111(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;
6. the disclosure of independent expenditures; and
7. other committee operations necessary to the review.

Commission Guidance

Request for Early Commission Consideration of a Legal Question

Pursuant to the Commission's "Policy Statement Establishing a Program for Requesting Consideration of Legal Questions by the Commission," several state party committees unaffiliated with IRP requested early consideration of a legal question raised during audits covering the 2010 election cycle. 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 it will not 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. The Audit staff informed IRP representatives 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. This audit report does not include any findings or recommendations with respect to IRP employees paid with 100 percent federal funds and reported as such.

Audit Hearing

IRP requested a hearing before the Commission. The request was granted and the hearing was held on June 22, 2017. At the hearing, IRP addressed three issues, Reporting of Apparent Independent Expenditures, Recordkeeping for Communications and Receipt of Apparent Prohibited In-Kind Contributions.³

³ At the Open Meeting of the Commission held August 17, 2017, the Commission considered the Audit Division Recommendation Memorandum and decided by a vote of 4 to 1 to reject the following two findings: Reporting of Apparent Independent Expenditures and Receipt of Apparent Prohibited In-Kind Contributions. As a result, these two findings were removed from the audit report.

Part II Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	July 10, 1976
• Audit Coverage	January 1, 2011 - December 31, 2012
Headquarters	Chicago, Illinois
Bank Information	
• Bank Depositories	One
• Bank Accounts	Four Federal and Two Non-federal
Treasurer	
• Treasurer When Audit Was Conducted	Judy Diekelman - May 20, 2014 - Present Dave Syverson - through May 19, 2014
• Treasurer During Period Covered by Audit	Dave Syverson
Management Information	
• Attended Commission Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid and Volunteer Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ January 1, 2011	\$ 24,000
Receipts	
○ Contributions from Individuals	1,129,720
○ Contributions from Political Committees	1,201,954
○ Transfers from Affiliated and Other Political Committees	1,576,813
○ Transfers from Non-federal Account	395,959
○ Other Receipts	272,048
Total Receipts	\$ 4,576,494
Disbursements	
○ Operating Expenditures	1,295,631
○ Federal Election Activity	3,122,532
○ Contributions to Federal Candidates	5,500
○ Other Disbursements	90,720
Total Disbursements	\$4,514,383
Cash-on-hand @ December 31, 2012	\$ 86,111

Part III

Summaries

Commission Findings

Finding 1. Misstatement of Financial Activity

During audit fieldwork, a comparison of IRP's reported financial activity with bank records revealed a misstatement of receipts, disbursements and ending cash for 2011 and a misstatement of receipts and disbursements for 2012. In 2011, IRP overstated its receipts by \$36,327, its disbursements by \$46,370 and understated its ending cash by \$13,717. In 2012, IRP understated its receipts by \$181,648 and its disbursements by \$222,664. In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the misstatements for both 2011 and 2012.

The Commission approved a finding that IRP misstated its financial activity for calendar years 2011 and 2012. (For more detail, see p. 6.)

Finding 2. Recordkeeping for Communications

During audit fieldwork, the Audit staff reviewed disbursements to verify the accuracy of the information and proper classification of transactions disclosed on reports. IRP reported 19 expenditures totaling \$357,613,⁴ on Schedule B, Line 30(b) and Schedule H4 (Disbursements for Allocated Federal/Non-federal Activity) with the purposes of FEA Volunteer Mail, Advocacy calls for Federal candidates, Direct Mail Services, equipment and phone minutes for Federal candidates and Auto-Dialer for Federal candidates. Documentation that was provided by IRP was insufficient to make a determination pertaining to the purpose for these disbursements and verification as Federal Election Activity or Allocated Federal/Non-federal Activity. In response to the Interim Audit Report recommendation, IRP stated that it has searched its records and was unable to locate additional documents to substantiate these disclosures. Absent the provision of the records, the Audit staff considers the matter a violation of the recordkeeping requirements at 11 CFR §104.14(b)(1).

The Commission approved a finding that IRP did not provide the necessary records pertaining to disbursements totaling \$357,613. (For more detail, see p. 8.)

Finding 3. Reporting of Debts and Obligations

During audit fieldwork, the Audit staff noted that IRP failed to report debts and obligations to 14 vendors totaling \$294,117⁵ on Schedule D (Debts and Obligations). In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the disclosure of debts and obligations to these vendors.

⁴ Two disbursements totaling \$52,504 were not reported, but are included in the \$357,613.

⁵ This amount will be updated to \$257,396 based on additional information reviewed in response to IRP's response to the Interim Audit Report.

The Commission approved a finding that IRP failed to itemize debts and obligations totaling \$257,396. (For more detail, see p. 11.)

Finding 4. Recordkeeping for Employees

During audit fieldwork, the Audit staff determined that IRP did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For 2011 and 2012, the Audit staff identified payments to IRP employees totaling \$558,089 for which IRP did not maintain monthly payroll logs. This consisted of \$542,812 for which payroll was allocated with federal and non-federal funds, and \$15,277 for which payroll was exclusively non-federal. In response to the Interim Audit Report recommendation, IRP acknowledged that it does not possess any monthly payroll logs for employees for the 2011 – 2012 time period. IRP stated that it did maintain these logs during the 2014 election cycle and going forward, they will continue to maintain monthly payroll logs. As such, IRP has complied with the Interim Audit Report recommendation by providing details of its plan to maintain monthly payroll logs in the future.

The Commission approved a finding that IRP failed to maintain monthly payroll logs totaling \$558,089, as required to document the percentage of time each employee spent in connection with a federal election. (For more detail, see p. 12.)

Part IV

Commission Findings

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of IRP's reported financial activity with bank records revealed a misstatement of receipts, disbursements and ending cash for 2011 and a misstatement of receipts and disbursements for 2012. In 2011, IRP overstated its receipts by \$36,327, its disbursements by \$46,370 and understated its ending cash by \$13,717. In 2012, IRP understated its receipts by \$181,648 and its disbursements by \$222,664. In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the misstatements for both 2011 and 2012.

The Commission approved a finding that IRP misstated its financial activity for calendar years 2011 and 2012.

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

As part of audit fieldwork, the Audit staff reconciled IRP's reported financial activity with its bank records for 2011 and 2012. The reconciliation determined that for 2011, IRP misstated receipts, disbursements and ending cash and for 2012, misstated receipts and disbursements. The following charts outline the discrepancies between IRP's disclosure reports and its bank records.

2011 Reported Activity to Bank Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2011	\$20,326	\$24,000	\$3,674 Understated
Receipts	\$776,115	\$739,788	\$36,327 Overstated
Disbursements	\$749,945	\$703,575	\$46,370 Overstated
Ending Cash Balance @ December 31, 2011	\$46,496	\$60,213	\$13,717 Understated

The beginning cash balance was understated by \$3,674 and is unexplained, but likely resulted from prior-period discrepancies.

The overstatement of receipts resulted from the following:

- Transfers from the non-federal account, reported in error - \$32,070
- Unexplained differences - 4,257
- Overstatement of Receipts - \$36,327**

The overstatement of disbursements resulted from the following:

- The net over reporting of disbursements - \$46,612
- Unexplained differences + 242
- Net Overstatement of Disbursements - \$46,370**

The Audit staff identified 29 disbursements totaling \$52,262 that were reported in January 2011, but not found on bank statements provided. IRP changed depositories prior to the audit cycle. The Audit staff requested the bank statements of the prior depository for the month of January 2011. These statement(s) were not provided to the Audit staff. IRP stated they requested the bank statements but were not able to obtain them. The \$13,717 understatement of the ending cash balance resulted from the misstatements described above.

2012 Reported Activity to Bank Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2012	\$45,721 ⁶	\$60,213	\$14,492 Understated
Receipts	\$3,655,057	\$3,836,705	\$181,648 Understated
Disbursements	\$3,588,143	\$3,810,807	\$222,664 Understated
Ending Cash Balance @ December 31, 2012	\$113,410	\$86,111	\$27,299 Overstated

The understatement of receipts resulted from the following:

- Transfers from Political Committees + \$50,000
- In-kind contributions from Political Committees + 33,973
- Transfers from the non-federal account + 36,453
- Settlement Accounting Fees, not reported + 22,126
- Unexplained differences + 39,096
- Understatement of Receipts + \$181,648**

The understatement of disbursements resulted from the following:

- Under-reporting of disbursements + \$168,321
- Underreporting of in-kinds from Political Committees + 33,973

⁶ IRP filed an amended report that reduced its beginning cash by a total of \$775 from the reported 2011 ending cash.

• Settlement of Accounting Fees, not reported	+ 22,126
• Unexplained differences	- <u>1,756</u>
Net Understatement of Disbursements	+<u>\$222,664</u>

The \$27,299 overstatement of ending cash balance resulted from the misstatements described above.

B. Interim Audit Report & Audit Division Recommendation

At the exit conference, the Audit staff provided work papers and discussed the reporting errors that caused the misstatements with IRP representatives. They asked questions about several items and stated that they would file the amendments to ensure that the IRP reports were accurate.

The Interim Audit recommended that IRP amend its disclosure reports to correct the misstatements for 2011 and 2012.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the misstatements for both 2011 and 2012 reports.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that IRP filed amended disclosure reports that materially corrected the misstatement of financial activity.

E. Committee Response to the Draft Final Audit Report

IRP's response to the Draft Final Audit Report provided no additional comments.

F. Audit Hearing

IRP did not address this finding during the Audit Hearing.

Commission Conclusion

On August 17, 2017, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that IRP misstated its financial activity for calendar years 2011 and 2012.

The Commission approved the Audit staff's recommendation.

Finding 2. Recordkeeping for Communications

Summary

During audit fieldwork, the Audit staff reviewed disbursements to verify the accuracy of the information and proper classification of transactions disclosed on reports. IRP reported 19 expenditures totaling \$357,613,⁷ on Schedule B, Line 30(b) and Schedule H4 (Disbursements

⁷ Two disbursements totaling \$52,504 were not reported, but are included in the \$357,613.

for Allocated Federal/Non-federal Activity) with the purposes of FEA Volunteer Mail, Advocacy calls for Federal candidates, Direct Mail Services, equipment and phone minutes for Federal candidates and Auto-Dialer for Federal candidates. Documentation that was provided by IRP was insufficient to make a determination pertaining to the purpose for these disbursements and verification as Federal Election Activity or Allocated Federal/Non-federal Activity. In response to the Interim Audit Report recommendation, IRP stated that it has searched its records and was unable to locate additional documents to substantiate these disclosures. Absent the provision of the records, the Audit staff considers the matter a violation of the recordkeeping requirements at 11 CFR §104.14(b)(1).

The Commission approved a finding that IRP did not provide the necessary records pertaining to disbursements totaling \$357,613.

Legal Standard

A. Formal Requirements Regarding Reports and Statements. Each political committee shall maintain records with respect to the matters required to be reported which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, explained, clarified, and checked for accuracy and completeness. 11 CFR §104.14(b)(1).

B. Preserving Records and Copies of Reports. The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 52 U.S.C. §30102(d).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed disbursements to verify the accuracy of the information and proper classification of transactions disclosed on reports. IRP reported 19 expenditures totaling \$357,613 for which documentation was insufficient to make a determination pertaining to whether these disbursements were correctly reported on Schedule B, Line 30(b) or Schedule H4.

The Audit staff's analysis resulted in the following:

i. Disbursements- No Invoices or Copies of Communications Provided (\$280,277)

Disbursements totaling \$280,277 were paid to four mail vendors and three phone bank vendors, and were disclosed on Schedule B and Schedule H4, with purposes of FEA Volunteer Mail, Advocacy calls for Federal candidates, Direct Mail Services, equipment and phone minutes for Federal candidates and Auto-Dialer for Federal candidates. Without sufficient details, the Audit staff is unable to verify IRP's reporting of these amounts as Federal Election Activity or Allocated Federal/Non-federal Activity. The Audit staff requested copies of the invoices for the associated mail pieces and phone bank scripts for each phone disbursement. To date, these invoices or other information to associate the payments to a particular communication have not been provided.

ii. **Disbursements- Invoices Provided – Not Able to Associate with Copies of Communications (\$77,336)**

IRP reported paying disbursements totaling \$77,336 to two mail vendors. IRP disclosed three disbursements on Schedule B, Line 30(b) with purposes of “FEA Volunteer Mail – Walsh”. For these disbursements, IRP provided invoices but did not provide information about the related mail communications. Without sufficient details, the Audit staff is unable to verify IRP’s reporting of these amounts as FEA Volunteer Mail. The Audit staff requested information that would allow an association between the invoice and the communication, however, to date IRP has not provided this information.

B. Interim Audit Report & Audit Division Recommendation

At the exit conference, the Audit staff presented IRP schedules of the disbursements for which further records were necessary to verify the accuracy of reporting. At that time the Audit staff again requested that IRP provide invoices, copies of communications and scripts that would associate each invoice to the corresponding communication to the committee disclosure reports. The Interim Audit Report recommended that IRP provide the invoices, scripts and associated mail communications for the disbursements totaling \$357,613.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, IRP stated that it searched its records and was not able to locate additional documents to substantiate these disclosures. Absent the provision of the records, the Audit staff considers the matter a violation of the recordkeeping requirements at 11 CFR §104.14(b)(1).

D. Draft Final Audit Report

The Draft Final Audit Report reiterated that IRP did not provide the necessary records pertaining to disbursements totaling \$357,613.

E. Committee Response to the Draft Final Audit Report

IRP had no additional comments in response to the DFAR.

F. Audit Hearing

During the Audit hearing, IRP reiterated that it has performed a thorough search and no additional documents were located.

Commission Conclusion

On August 17, 2017, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that IRP did not provide the necessary records pertaining to disbursements totaling \$357,613.

The Commission approved the Audit Staff’s recommendation.

Finding 3. Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that IRP failed to report debts and obligations to 14 vendors totaling \$294,117⁸ on Schedule D (Debts and Obligations). In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the disclosure of debts and obligations to these vendors.

The Commission approved a finding that IRP failed to itemize debts and obligations totaling \$257,396.

Legal Standard

A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 52 U.S.C. §30104(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Separate Schedules. A political committee must file separate schedules for debts owed by and to the committee with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished. 11 CFR §104.11(a).

C. Itemizing Debts and Obligations.

- A debt of \$500 or less must be reported as of the time payment is made or not later 60 days after such obligation is incurred, whichever comes first.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff reviewed IRP disbursement records and disclosure reports for proper reporting of debts and obligations.⁹ The review identified debts and obligations to 14 vendors totaling \$294,117¹⁰ not reported on Schedule D (Debts and Obligations). Of these debts, \$173,348¹¹ was incurred during the audit period and \$120,769 was incurred prior to the audit period and remained outstanding as of the beginning of the audit period. Based on the records, these vendors provided mainly legal services, accounting services, telemarketing and mail services.

⁸ Additional records were requested at the exit conference relating to possible debt amounts that IRP disclosed on a separate filing prior to fieldwork. Those records were not provided to the Audit staff. This amount is update to \$257,396.

⁹ IRP provided the Audit staff with 177 invoices for 724 disbursements.

¹⁰ Each debt in this amount was counted once even if it requires disclosure over multiple periods. This amount has been updated to \$257,396.

¹¹ This amount has been updated to \$136,627.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the reporting of debts and obligations with IRP's representatives at the exit conference and provided work papers detailing the unreported debts. IRP representatives stated they would research this matter, provide additional documentation and amend their reports.

The Interim Audit Report recommended that IRP amend its disclosure reports to disclose these debts.

C. Committee Response to Interim Audit Response

In response to the Interim Audit Report recommendation, IRP amended its disclosure reports to materially correct the disclosure of debts and obligations to these vendors. In addition, IRP acknowledged that the items identified in the Interim Audit Report "...arguably should have been reported as debt on Schedule D during the relevant reporting period."

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that IRP filed amended disclosure reports that materially corrected the debts and obligations.

E. Committee Response to the Draft Final Audit Report

IRP acknowledged that the items identified in the Interim Audit Report should have been reported as debt on Schedule D during the relevant reporting period.

F. Audit Hearing

IRP did not address this finding during the Audit Hearing.

Commission Conclusion

On August 17, 2017, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that IRP failed to disclose debts and obligations totaling \$257,396.

The Commission approved a finding that IRP failed to itemize debts and obligations totaling \$257,396.

Finding 4 Recordkeeping for Employees

Summary

During audit fieldwork, the Audit staff determined that IRP did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. For 2011 and 2012, the Audit staff identified payments to IRP employees totaling \$558,089¹² for which IRP did not maintain monthly payroll logs. This consisted of \$542,812 for which payroll was allocated with federal and non-federal funds, and \$15,277 for which payroll was exclusively non-federal. In response to the Interim Audit Report recommendation, IRP acknowledged that it does not possess any monthly payroll logs for

¹² IRP did not have employees paid with a mixture of federal and non-federal funds and exclusively non-federal funds during the same month.

employees for the 2011 – 2012 time period. IRP stated that it did maintain these logs during the 2014 election cycle and going forward, they will continue to maintain monthly payroll logs. As such, IRP has complied with the Interim Audit Report recommendation by providing details of its plan to maintain monthly payroll logs in the future.

The Commission approved a finding that IRP failed to maintain monthly payroll logs totaling \$558,089, as required to document the percentage of time each employee spent in connection with a federal election.

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 percent or less of their compensated time in a given month on federal election activities must be paid either from the federal account or be allocated as administrative costs;
- employees who spend more than 25 percent 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

Prior to audit fieldwork, the Audit staff was informed by IRP that it did not maintain any monthly payroll logs, as required, to document the percentage of time each employee spent in connection with a federal election. These logs are required to document the proper allocation of federal and non-federal funds used to pay employee salaries and wages. For 2011 and 2012, IRP did not maintain monthly logs for \$558,089¹³ in payroll disbursements. This amount includes payroll paid as follows to IRP employees.

- Employees reported on Schedule H4 and paid with federal and non-federal funds during the same month (totaling \$542,812) and;
- Employees paid exclusively with non-federal funds in a given month (totaling \$15,277).

B. Interim Audit Report & Audit Division Recommendation

Prior to audit fieldwork and at the exit conference, the Audit staff discussed the payroll recordkeeping matter with IRP's representative and counsel. IRP counsel noted that IRP did not maintain payrolls during the 2011-2012 election cycle, however, currently does maintain the payroll logs.

¹³ This total does not include payroll for employees paid with 100 percent federal funds and reported as such (see Part I, Background, Commission Guidance, Request for Early Commission Consideration of a Legal Question, Page 1). Payroll amounts are stated net of taxes and fringe benefits.

The Interim Audit Report recommended that IRP provide evidence that it maintained monthly time logs to document the percentage of time an employee spent in connection with federal election; or implement a plan to maintain monthly payroll logs in the future.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report recommendation, IRP acknowledged that it did not possess any monthly payroll logs for employees for the 2011 – 2012 time period. IRP stated that it maintained these logs during the 2014 election and going forward, IRP will require all of its employees who are paid by both federal and non-federal funds to maintain monthly logs of the time each spends on federal and non-federal activities. As such, IRP has complied with the Interim Audit Report recommendation by providing details of its plan to maintain monthly payroll logs in the future.

D. Draft Final Audit Report

The Draft Final Audit Report acknowledged that IRP did not possess any monthly payroll logs for employees for the 2011 – 2012 time period. IRP stated that it maintained these logs during the 2014 election and going forward, IRP will require all of its employees who are paid by both federal and non-federal funds to maintain monthly logs of the time each spends on federal and non-federal activities.

E. Committee Response to the Draft Final Audit Report

IRP had no additional comments in response to the DFAR.

F. Audit Hearing

IRP did not address this finding during the Audit Hearing.

Commission Conclusion

On August 17, 2017, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that IRP failed to maintain monthly payroll logs totaling \$558,089 as required, to document the percentage of time each employee spent in connection with a federal election.

The Commission approved the Audit staff's recommendation.