



Interim Audit Report of the Audit Division on the New Jersey Republican State Committee

(January 1, 2015 - December 31, 2016)

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 New Jersey Republican State Committee is a state party committee headquartered in Trenton, New Jersey. For more information, see the chart on the Committee Organization, p.2.

Financial Activity (p. 2)

• Receipts

○ Contributions from Individuals	\$ 1,103,366
○ Contributions from Political Committees	315,325
○ Transfers from Affiliated Committees	1,593,755
○ Other Receipts	2,265
Total Receipts	\$ 3,014,711

• Disbursements

○ Operating Expenditures	\$ 1,055,532
○ Transfers to Affiliated Committees	1,605,635
○ Coordinated Party Expenditures	93,721
○ Contribution Refunds	23,110
○ Federal Election Activity	335,379
○ Other Disbursements	61,500
Total Disbursements	\$ 3,174,877

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Reporting of Debts and Obligations (Finding 2)

¹ 52 U.S.C. §30111(b).

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Part I

Background

Authority for Audit

This report is based on an audit of the New Jersey Republican State Committee (NJRSC), 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 receipt of excessive contributions;
2. the receipt of contributions from prohibited sources;
3. the disclosure of contributions received;
4. the disclosure of individual contributors' occupation and name of employer;
5. the disclosure of disbursements, debts and obligations;
6. the disclosure of expenses allocated between federal and non-federal accounts;
7. the consistency between reported figures and bank records;
8. the completeness of records; and
9. other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	July 23, 1982
• Audit Coverage	January 1, 2015 - December 31, 2016
Headquarters	Trenton, New Jersey
Bank Information	
• Bank Depositories	Three
• Bank Accounts	Three Federal, Three Non-Federal
Treasurer	
• Treasurer When Audit Was Conducted	April Bengivenga
• Treasurer During Period Covered by Audit	John O. Bennett, January 1, 2015 - March 17, 2015 James Foerst, March 18, 2015 - December 31, 2016
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, 2015	\$ 237,334
Receipts	
○ Contributions from Individuals	\$ 1,103,366
○ Contributions from Political Committees	315,325
○ Transfers from Affiliated Committees	1,593,755
○ Other Receipts	2,265
Total Receipts	\$ 3,014,711
Disbursements	
○ Operating Expenditures	\$ 1,055,532
○ Transfers to Affiliated Committees	1,605,635
○ Coordinated Party Expenditures	93,721
○ Contribution Refunds	23,110
○ Federal Election Activity	335,379
○ Other Disbursements	61,500
Total Disbursements	\$ 3,174,877
Cash-on-hand @ December 31, 2016	\$ 77,168

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

During audit fieldwork, a comparison of NJRSC's reported financial activity with its bank records revealed a misstatement of receipts and disbursements in calendar year 2016. Specifically, NJRSC understated its receipts and disbursements by \$100,000 and \$99,980, respectively. Subsequent to the exit conference, NJRSC filed an amended disclosure report that corrected the receipts and disbursements. The Audit staff recommends that NJRSC provide any additional comments it may have with respect to this matter.

(For more detail, see p. 4.)

Finding 2. Reporting of Debts and Obligations

During audit fieldwork, the Audit staff noted that NJRSC failed to disclose debts and obligations owed to eight vendors totaling \$58,324. The Audit staff recommends that, absent documentation demonstrating that these expenditures did not require reporting on Schedule D (Debts and Obligations), NJRSC amend its reports to disclose these debts or file a Form 99 (Miscellaneous Text Submission) to disclose these debts.

(For more detail, see p. 5.)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of NJRSC's reported financial activity with its bank records revealed a misstatement of receipts and disbursements in calendar year 2016. Specifically, NJRSC understated its receipts and disbursements by \$100,000 and \$99,980, respectfully. Subsequent to the exit conference, NJRSC filed an amended disclosure report that corrected the receipts and disbursements. The Audit staff recommends that NJRSC provide any additional comments it may have with respect to this matter.

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 NJRSC's reported financial activity with its bank records for calendar years 2015 and 2016. The reconciliation determined that NJRSC misstated receipts and disbursements for 2016. The following chart details the discrepancies between NJRSC's disclosure reports and bank activity. The succeeding paragraphs explain why the discrepancies occurred.

2016 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2016	\$62,830	\$59,129	\$3,701 Overstated
Receipts	\$2,606,298	\$2,706,298	(\$100,000) Understated
Disbursements	\$2,588,279	\$2,688,259	(\$99,980) Understated
Ending Cash Balance @ December 31, 2016	\$80,849	\$77,168	\$3,681 Overstated

The beginning cash balance was overstated by \$3,701 and is unexplained, but likely resulted from prior period reporting discrepancies.

The misstatement of receipts resulted from the following difference:

• Transfer from affiliated committee not reported	<u>\$100,000</u>
Understatement of Receipts	\$100,000

The misstatement of disbursements resulted from the following differences:

• Transfer to affiliated committee not reported	\$99,980
• Wire fee for transfer to affiliated committee not reported	20
• Transfer to affiliated committee reported incorrectly	<u>(20)</u>
Net Understatement of Disbursements	\$99,980

B. Interim Audit Report & Audit Division Recommendation

At the exit conference, the Audit staff discussed the misstatements for calendar year 2016 with NJRSC representatives and provided schedules detailing the misstatements. NJRSC representatives did not provide any comments.

Subsequent to the exit conference, NJRSC filed an amended disclosure report that corrected the receipts and disbursements.

The Audit staff recommends that, within 30 calendar days of service of this report, NJRSC provide any additional comments it may have with respect to this matter.

Finding 2. Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that NJRSC failed to disclose debts and obligations owed to eight vendors totaling \$58,324. The Audit staff recommends that, absent documentation demonstrating that these expenditures did not require reporting on Schedule D (Debts and Obligations), NJRSC amend its reports to disclose these debts or file a Form 99 (Miscellaneous Text Submission) to disclose these debts.

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 the committee and debts owed to the committee, together 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 once it has been outstanding 60 days from the date incurred (the date of the transaction); the committee reports it on the next regularly scheduled report.
- 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 NJRSC's disbursement records and disclosure reports for proper reporting of debts and obligations. This review identified debts owed to eight vendors totaling \$58,324² that NJRSC failed to report on Schedule D during the audit period. Based on a review of the records, these vendors mainly provided parking space, utilities³, marketing, advertising, solicitation/fundraising, consulting, and legal services. NJRSC reported debt totaling \$91,849 on Schedule D during the audit cycle. The Audit staff calculated the debts owed to the vendors based on the invoice date and the subsequent payment date.⁴ Debts were outstanding for periods ranging from 18 to 300⁵ days.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff discussed the reporting of debts and obligations with NJRSC representatives at the exit conference and provided a schedule detailing the transactions requiring disclosure on Schedule D. NJRSC representatives asked questions pertaining to the calculation of debt, and stated that they would verify the amounts paid.

The Audit staff recommends that, within 30 calendar days of service of this report, NJRSC provide additional documentation demonstrating that these transactions were not obligations which required reporting on Schedule D. Absent such documentation, the Audit staff recommends that NJRSC amend its reports or file a Form 99 (Miscellaneous Text Submission)⁶ to correctly disclose these debts and obligations on Schedule D.

² Each debt in this amount was counted only once even if it was required to be disclosed over multiple periods.

³ Utilities were gas and electric payments for a NJRSC satellite office. The debt was incurred in 2014 but was not paid until March 2015. Therefore, the debt should have been reported on the 2015 February Monthly, March Monthly, and April Monthly reports.

⁴ For one vendor, where the invoice date was unavailable, the ending date of the period of service for which the service was performed was utilized. For example, if services were performed during the period ranging from April-June 2015, then the Audit staff used June 30, 2015 as the invoice date.

⁵ Two debts were outstanding for 18 and 29 days, respectively. Both of these items were outstanding at the end of reporting periods and therefore reportable.

⁶ If the committee chooses to file a Form 99 instead of amending its disclosure reports, the form must contain all pertinent information that is required on each schedule.