

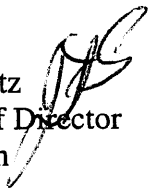


FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 21, 2005

MEMORANDUM

To: Robert W. Biersack
Press Officer

From: Joseph F. Stoltz 
Assistant Staff Director
Audit Division

Subject: Public Issuance of the Audit Report on the Idaho Republican Party

Attached please find a copy of the audit report and related documents on the Idaho Republican Party, which was approved by the Commission on June 15, 2005.

The report may be released to the public on June 22, 2005.

Attachment as stated

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



Report of the Audit Division on the Idaho Republican Party

January 1, 2001 – December 31, 2002

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).¹ The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act. 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 Idaho Republican Party is a state party committee headquartered in Boise, ID. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 402,552
○ Transfers from Non-federal Accounts for Joint Activity	395,706
○ Contributions from Political Committees	18,361
○ Transfers from Affiliated/Other Party Committees	42,020
○ Offsets to Operating Expenditures	93,615
○ Total Receipts	\$ 952,254
• Disbursements	
○ Operating Expenditures	\$ 649,080
○ Transfers to Affiliated Committees	109,000
○ Contributions to Federal Candidates/Committees	47,278
○ Contribution Refunds	19,170
○ Other Disbursements	119,847
○ Total Disbursements	\$ 944,375

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Disclosure of Occupation/Name of Employer (Finding 2)
- Disclosure of Payroll Disbursements (Finding 3)

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of the Idaho 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 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

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. Disclosure of contributions and other receipts.
4. Disclosure of disbursements debts and obligations.
5. Disclosure of expenses allocated between federal and non-federal accounts.
6. Consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

Changes to the Law

On March 27, 2002, President Bush signed into law the Bipartisan Campaign Reform Act of 2002 (BCRA). The BCRA contains many substantial and technical changes to the federal campaign finance law. Most of the changes became effective November 6, 2002. Except for the period November 6, 2002, through December 31, 2002, the period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are primarily those that were in effect prior to November 6, 2002.

Part II

Overview of Committee

Committee Organization

Important Dates	Idaho Republican Party
• Date of Registration	September 19, 1983
• Audit Coverage	January 1, 2001 – December 31, 2002
Headquarters	Boise, Idaho
Bank Information	
• Bank Depositories	2
• Bank Accounts	1 Federal and 3 Non-federal Checking Accounts
Treasurers	
• Treasurer When Audit Was Conducted	Andrew Fales
• Treasurer During Period Covered by Audit	Lela Pumphrey
Management Information	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Cash on Hand @ January 1, 2001	\$ 4,857
• Contributions from Individuals	402,552
• Transfers from Non-federal Accounts for Joint Activity	395,706
• Contributions from Political Committees	18,361
• Transfers from Affiliated/Other Party Committees	42,020
• Offsets to Operating Expenditures	93,615
Total Receipts	\$ 952,254
• Operating Expenditures	649,080
• Transfers to Affiliated Committees	109,000
• Contributions to Federal Candidates/Committees	47,278
• Contribution Refunds	19,170
• Other Disbursements	119,847
Total Disbursements	\$ 944,375
Cash on Hand @ December 31, 2002	\$ 12,736

Part III Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

A comparison of the IRP's reported figures to its bank records revealed that the IRP had misstated receipts and disbursements on its disclosure reports for calendar year 2002. In response to the Audit staff's recommendation, the IRP filed corrective amended reports. (For more detail, see p.4)

Finding 2. Disclosure of Occupation/Name of Employer

A review of receipts indicated that the IRP did not disclose the occupation and/or name of employer for approximately 31% of contributions from individuals itemized on its disclosure reports and no "best efforts" to obtain, maintain and submit the information was documented. In response to the interim audit report, the IRP stated that letters were sent to each contributor requesting the required information. (For more detail, see p.5)

Finding 3. Disclosure of Payroll Disbursements

The IRP did not correctly disclose the disbursements associated with 80% of the dollar total of its disbursements for payroll. Payments disclosed were to the payroll vendor and did not include the required memo entries with information about the staff person who ultimately received these payments. In response to the Audit staff's recommendation, the IRP filed amended Schedules H4 which corrected these errors. (For more detail, see p. 7)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

A comparison of the IRP's reported figures to its bank records revealed that the IRP had misstated receipts and disbursements on its disclosure reports for calendar year 2002. In response to the Audit staff's recommendation, the IRP filed corrective amended reports.

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 Schedules A (Itemized Receipts) or Schedule B (Itemized Disbursements). 2 U.S.C. §434(b)(1), (2) and (4).

Facts and Analysis

The Audit staff reconciled the IRP's reported activity to its bank records and determined that there was a net understatement of both receipts and disbursements for calendar year 2002 in the amount of \$20,834. The following chart details the discrepancies between the Commission disclosure reports filed by the IRP and its bank records.

2002 Committee Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance at January 1, 2002	\$573	\$373	(\$200) overstated
Receipts	\$570,084	\$590,918	\$20,834 understated
Disbursements	\$557,721	\$578,555	\$20,834 understated
Ending Cash Balance at December 31, 2002	\$12,936	\$12,736	(\$200) overstated

Receipts

The understatement of receipts was the net result of the following:

• Unreported transfer from a non-federal account in April 2002	\$14,312
• Unreported contributions from individuals	14,075
• Over reported transfers from non-federal accounts	(8,910)
• Unexplained Difference	<u>1,357</u>
Total understatement	\$20,834

Disbursements

The understatement of disbursements was the net result of the following:

• Two unreported disbursements to a non-federal candidate during May 2002	\$20,278
• Disbursements not reported	17,088
• Reported disbursements not supported by a check or debit memo	(10,356)
• Reported transfer to a non-federal account not supported by a check or debit memo	(5,966)
• Unexplained Difference	(<u>210</u>)
Net understatement	\$20,834

An IRP representative wrote that it appears that the two unreported transfers to a non-federal candidate in May 2002 (\$20,278) were "...mistakenly believed to have been written as a transfer to our state (nonfederal) account" and that "...sometimes amounts transferred from the federal to the nonfederal account were 'netted' against amounts that were transferred from the nonfederal to the federal account and only the net transfer was disclosed." He further explained that it appears that these two checks were offset against the \$14,312 unreported transfer from a non-federal account in April 2002 resulting in the reported net transfer of \$5,966 (\$20,278 - \$14,312) from the federal account to the non-federal account. He concluded that "[w]hen the truth about these checks was surely discovered (probably when the applicable state report was prepared in the fall of 2002), it must not have been properly noted that the FEC reports needed to be amended to show the correct information."

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that the IRP file complete amended disclosure reports for 2002, by reporting period, to correct the misstatements noted above.²

The IRP filed corrective amended reports.

Finding 2. Disclosure of Occupation/Name of Employer

Summary

A review of receipts indicated that the IRP did not disclose the occupation and/or name of employer for approximately 31% of contributions from individuals itemized on its disclosure reports and no "best efforts" to obtain, maintain and submit the information was documented. In response to the interim audit report, the IRP provided a copy of a letter mailed to each contributor requesting the required information.

² Since the IRP filed disclosure reports electronically beginning in calendar year 2001, complete electronic amended reports were required.

Legal Standard

A. Required Information for Contributions from Individuals. For each itemized contribution from an individual, the committee must disclose the contributor's occupation and the name of his or her employer. 2 U.S.C. §434(b)(3)(A) and 11 CFR §100.12.

B. Best Efforts Ensures Compliance. When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(i).

C. Definition of Best Efforts. The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
 - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
 - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

Facts and Analysis

The Audit staff reviewed contributions from individuals itemized on Schedules A (Itemized Receipts) and determined that IRP did not adequately disclose the occupation and/or name of employer for approximately 31% of them. The word "information requested" was filled in for 90% of these entries, but the IRP was unable to demonstrate that it had made any follow-up requests for the missing information. Also, no samples of solicitation devices were maintained by IRP that would have allowed the Audit staff to verify what information had been requested initially.

An IRP representative stated that the software used by IRP automatically entered "information requested" in the occupation and/or name of employer field when left blank and that no further actions had been taken by IRP staff. He added that this problem has since been corrected, and written procedures are now in place, a copy of which was provided to the Audit staff. The Audit staff's review of these written procedures determined that, if followed, they would be adequate.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that the IRP attempt to contact those individuals for whom the required information was missing, in accordance with 11 CFR §104.7; provide documentation of such effort, such as copies of letters to the contributors and/or phone logs of oral requests; and, file amended Schedules A to disclose any information obtained from those individuals.³ In response to the interim audit report, an IRP representative

³ See footnote 2.

stated that on April 15, 2005, letters were sent to contributors requesting the missing information and they will disclose the information as responses are received. Once the IRP discloses this information, they will have complied with the interim audit report recommendation.

Finding 3. Disclosure of Payroll Disbursements

Summary

The IRP did not correctly disclose the disbursements associated with 80% of the dollar total of its disbursements for payroll. Payments disclosed were to the payroll vendor and did not include the required memo entries with information about the staff person who ultimately received these payments. In response to the Audit staff's recommendation, the IRP filed amended Schedules H4 which corrected these errors.

Legal Standard

A. Reporting Operating Expenditures. When operating expenditures to the same person exceed \$200 in a calendar year, the committee must report the:

- Amount;
 - Date when the expenditures were made;
 - Name and address of the payee; and
 - Purpose (a brief description of why the disbursement was made).
- 2 U.S.C. §434(b)(5)(A) and 11 CFR §104.3(b)(3)(i).

B. Reporting Allocable Expenses. A political committee that allocates federal/non-federal expenses must report each disbursement it makes from its federal account (or separate allocation account) to pay for a shared federal/non-federal expense. Committees report these kinds of disbursements on Schedule H-4. 11 CFR §104.10(b)(4).

Facts and Analysis

The IRP made 52 payments (\$250,197) to its payroll vendor, Team America Human Resources (TAHR), during the period covered by the audit. For 42 (\$200,335) of these 52 payments, approximately 80%, the IRP did not disclose the name and address of the staff who received the resulting payroll checks. Thirty-nine of these 42 payments (\$185,025) were disclosed as being made to TAHR on Schedules H4 (Joint Federal/Non-Federal Activity Schedule). Information about the employees that were paid should have been disclosed as memo entries, including the employees' name and address, as well as the date, amount and purpose of the payments. The other three (42-39) payments (\$15,310) were inadvertently disbursed from the non-federal account and were not disclosed.⁴

The IRP disclosed the other 10 (52-42) payments, totaling \$49,862 (\$250,197-\$200,335), on Schedules B -- instead of Schedules H4. For these payments, made between July and December 2002, the IRP disclosed the payee as TAHR; and, did include as memo entries,

⁴ The IRP became aware of these payments being made from the non-federal account prior to audit fieldwork and made the appropriate corrective transfers.

the employees' name and address, as well as the date, amount and purpose of the payments.

An IRP representative stated that, at the time, a problem with the software used by the IRP did not allow them to create memo entries on Schedules H4. As a result, the IRP disclosed some of the payroll disbursements on Schedules B. The Audit staff presented this matter to the IRP representative during the exit conference. The IRP representative stated that he thought the problem has been corrected and memo entries can now be created on Schedules H4.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that the IRP amend its reports to include as memo entries on Schedules H4 (Joint Federal/Non-Federal Activity) the required information for the 42 payroll disbursements noted above. It was further recommended that the 10 disbursements previously disclosed on Schedules B be included on amended Schedules H4.⁵

The IRP filed amended schedules H4 which corrected these errors.

⁵ See footnote 2.