



FEDERAL ELECTION COMMISSION
Washington, DC 20463

October 22, 2003

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE AUDIT REPORT ON THE MISSOURI
REPUBLICAN STATE COMMITTEE – FEDERAL COMMITTEE

Attached please find a copy of the audit report on the Missouri Republican State Committee – Federal Committee, which was approved by the Commission on October 9, 2003.

The report may be released to the public on October 22, 2003.

Attachment as stated

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



Report of the Audit Division on the Missouri Republican State Committee – Federal Committee

January 1, 1999 – December 31, 2000

Why the Audit Was Done

Federal law permits the Commission to conduct an audit and field investigation 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 Missouri Republican State Committee – Federal Committee is a state party committee headquartered in Jefferson City, MO. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

- Receipts
 - Contributions from Individuals/Other Political Committees \$ 1,914,417
 - Transfers from Affiliated/Other Party Committees 3,974,806
 - Transfers from the Non-Federal Account 10,774,542
 - Other Receipts 75,617
 - **Total Receipts** \$ 16,739,382
- Disbursements
 - Operating Expenditures \$ 16,176,520
 - Transfers to Affiliated/Other Party Committees 151,300
 - Contributions to Candidates/Committees 211,000
 - Refund of Contributions to Individuals 2,250
 - **Total Disbursements** \$ 16,541,070

Findings and Recommendations (p.3)

- Receipt of Contributions That Exceed Limitations (Finding 1)
- Shared Federal and Non-Federal Expenses (Finding 2)
- Reporting of Transfers (Finding 3)
- Reporting of Refunds and Rebates Received for Shared Activity (Finding 4)
- Transfers from the 1999 State Victory Fund (Memo entries not reported) (Finding 5)
- Misstatement of Financial Activity (Finding 6)

¹ 2 U.S.C. §438(b).

**Report of the
Audit Division on the
Missouri Republican State
Committee – Federal Committee**

January 1, 1999 – December 31, 2000



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Part I

Background

Authority for Audit

This report is based on an audit of the Missouri Republican State Committee – Federal Committee (MRFC), 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 factors and as a result, this audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions and other receipts.
4. The disclosure of disbursements, debts, and obligations.
5. The disclosure of expenses allocated between federal and non-federal accounts.
6. The 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. The period covered by this audit pre-dates these changes. Therefore, the statutory and regulatory requirements cited in this report are those that were in effect during the audit period.

Part II

Overview of Committee

Committee Organization

Important Dates	Missouri Republican State Committee – Federal Committee
• Date of Registration	June 16, 1972
• Audit Coverage	January 1, 1999 – December 31, 2000
Headquarters	Jefferson City, Missouri
Bank Information	
• Bank Depositories	1
• Bank Accounts	4 Federal and 1 Non-Federal Account
Treasurers	
• Treasurer When Audit Was Conducted	Harvey M. Tettlebaum
• Treasurer During Period Covered by Audit	Harvey M. Tettlebaum
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, 1999	\$ 57,894
Receipts	
• Contributions from Individuals/Other Political Committees	\$ 1,914,417
• Transfers From Affiliated/Other Party Committees	3,974,806
• Transfers from the Non-Federal Account	10,774,542 ²
• Other Receipts	75,617
Total Receipts	\$ 16,739,382
Disbursements	
• Operating Expenditures	\$ 16,176,520 ²
• Transfers to Affiliated/Other Party Committees	151,300
• Contributions to Candidates/Committees	211,000
• Refunds of Contributions to Individuals	2,250
Total Disbursements	\$ 16,541,070
Cash on hand @ December 31, 2000	\$ 256,206

² Includes \$6,137,541 paid directly to vendors from the non-federal account for the non-federal portion of allocable expenses; these funds should have been transferred to the allocation account prior to disbursement to the vendors that provided the goods or services. See Finding 2.

Part III Summaries

Findings and Recommendations

Finding 1. Receipt of Contributions That Exceed Limitations

MRFC received contributions from individuals that appeared to exceed the contribution limitations by \$103,200. Of this amount, excessive contributions totaling \$73,200 were either transferred to a non-federal account or reattributed to another individual in an untimely manner. For the remaining excessive contributions, totaling \$30,000, MRFC complied with the Audit staff's recommendation by refunding the contributions. (For more detail, see p. 5)

Finding 2. Shared Federal and Non-Federal Expenses

The Audit staff identified payments totaling \$8,860,461 for shared activity related to issue advocacy media that were not paid out of MRFC's allocation account. Instead, payments were issued directly to the vendors from the federal fund (federal) and general fund (non-federal) accounts. Additionally, MRFC reported only the federal share on Schedules B, rather than both the federal and non-federal shares on Schedules H4. MRFC complied with the Audit staff's recommendation by filing amended Schedules H-4, disclosing as memo entries the total amount paid, the federal share, and the non-federal share. (For more detail, see p. 7)

Finding 3. Reporting of Transfers

MRFC made transfers totaling \$490,517 from its federal accounts to its non-federal account, but failed to report them. MRFC complied with the Audit staff's recommendation by filing amended Schedules B for line 22 (Transfers to Affiliated/Other Party Committees) disclosing the transfers. (For more detail, see p. 9)

Finding 4. Reporting of Refunds and Rebates Received for Shared Activity

The Audit staff identified refunds and rebates totaling \$52,068 in connection with shared federal and non-federal activity. MRFC reported \$28,048 of these on Line 17 (Other Federal Receipts) but did not report the remaining \$24,020. MRFC should have reported the entire amount on Schedule H4, as negative entries, according to the same allocation ratio used to allocate the original disbursements. MRFC complied with the Audit staff's recommendation by filing amended Schedules A, deleting the line 17 entries, and filing amended Schedules H4 disclosing all the refunds and rebates as negative entries. (For more detail, see p. 9)

**Finding 5. Transfers From the 1999 State Victory Fund
(Memo entries not reported)**

MRFC reported \$173,061 as its share of net proceeds from a joint fundraiser with the 1999 State Party Victory Fund. MRFC did not, however, file memo Schedules A itemizing those contributions that required such disclosure. MRFC complied with the Audit staff's recommendation by filing amended Schedules A itemizing (as memo entries) the individual contributors, representing the transfers received from the 1999 State Party Victory Fund. (For more detail, see p. 10)

Finding 6. Misstatement of Financial Activity

When MRFC's reported figures were compared to its bank records, the Audit staff found that, for calendar years 1999 and 2000, receipts, disbursements, and cash-on-hand balances had been misstated. MRFC complied with the Audit staff's recommendation by filing amended reports for calendar years 1999 and 2000 correcting these misstatements. To the extent that current cash on hand amounts were incorrect, MRFC will be amending its reports subsequent to 2000 in the near future. (For more detail, see pg. 11)

Part IV

Findings and Recommendations

Finding 1. Receipt of Contributions That Exceed Limitations

Summary

MRFC received contributions from individuals that appeared to exceed the contribution limitations by \$103,200. Of this amount, excessive contributions totaling \$73,200 were either transferred to a non-federal account or reattributed to another individual in an untimely manner. For the remaining excessive contributions, totaling \$30,000, MRFC complied with the Audit staff's recommendation by refunding the contributions.

Legal Standard

Party Committee Limits. A party committee may not receive more than a total of \$5,000 per year from any one contributor. 2 U.S.C. §441a(a)(1)(C); 11 CFR §§110.1(a) & (d) and 110.9(a).

Handling Contributions That Appear Excessive. If a committee receives a contribution that appears to be excessive, the committee must either:

- Return the questionable check to the donor; or
 - Deposit the check into its federal account and:
 - Keep enough money in the account to cover all potential refunds;
 - Keep a written record explaining why the contribution may be illegal;
 - Include this explanation on Schedule A if the contribution has to be itemized before its legality is established;
 - Seek a reattribution of the excessive portion, following the instructions provided in FEC regulations (see below for explanations of reattribution); and
 - If the committee does not receive a proper reattribution within 60 days after receiving the excessive contribution, refund the excessive portion to the donor.
- 11 CFR §§103.3(b)(3), (4) & (5) and 110.1(k)(3)(ii)(B).

Joint Contributions. Any contribution made by more than one person (except for a contribution made by a partnership) must include the signature of each contributor on the check or in a separate writing. A joint contribution is attributed equally to each donor unless a statement indicates that the funds should be divided differently.

11 CFR §110.1(k)(1) and (2).

Reattribution of Excessive Contributions. FEC regulations permit committees to ask donors of excessive contributions (or contributions that exceed the committee's net debts outstanding) whether they had intended their contribution to be a joint contribution from more than one person and whether they would like to reattribute the excess amount to the other contributor. The committee must inform the contributor that:

- The reattribution must be signed by both contributors;
- The reattribution must be received by the committee within 60 days after the committee received the original contribution; and
- The contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3). Within 60 days after receiving the excessive contribution, the committee must either receive the proper reattribution or refund the excessive portion to the donor. 11 CFR §§103.3(b)(3) and 110.1(k)(3)(ii)(B). Further, a political committee must retain written records concerning the reattribution in order for it to be effective. 11 CFR §110.1(l)(5).

Revised Regulations Applied. The Commission recently adopted new regulations that allow committees greater latitude to reattribute contributions to joint account holders and has decided to apply these regulations to current matters. The Audit staff has evaluated the excessive contributions discussed below using the new regulations.

Facts and Analysis

A review of MRFC's receipt records identified contributions from individuals that appeared to exceed the contribution limitations by \$103,200. Of this amount, \$71,200 was timely transferred to a non-federal account³ and a contribution in the amount of \$2,000 was reattributed untimely. The remaining \$30,000 in excessive contributions had not been resolved. MRFC did not deposit any of these excessive contributions (\$30,000) into a separate account but consistently maintained sufficient funds to make refunds. Finally, MRFC neither disclosed the amounts received in excess of the limitation, nor disclosed the excessive amounts transferred to the non-federal account⁴.

At the exit conference, the Audit staff gave MRFC representatives a schedule of the excessive contributions. In response, MRFC contended that a substantial part of the contributions were received in connection with events held at the same location and on the same date as events held by the Republican National Committee (RNC). MRFC contacted an RNC representative who believed that the RNC may have some or all of the reattribution letters, which were signed at the time the contributions were received by MRFC. MRFC expected to provide the documentation in response to the interim audit report.

Interim Audit Report Recommendation

The Audit staff recommended that MRFC:

- Provide evidence demonstrating that the contributions in question were not excessive;
- or

³ MRFC received Requests for Additional Information (RAFI) from the Commission's Reports Analysis Division related to apparent excessive contributions. Although a refund of the above described excessive contributions would normally be warranted, the Commission is not requiring refunds (of \$71,200) because the language in the RAFI letters may not have fully clarified the requirements for transfers of excessive contributions.

⁴ The disclosure of the excessive contributions, or portions thereof, and subsequent transfers to the non-federal account are addressed at Finding 6.

- Refund \$30,000 and provide evidence of such refunds (copies of front and back of the negotiated refund checks). If funds are not available to make the necessary refunds, disclose those contributions requiring refunds on Schedule D (Debts and Obligations) until funds become available to make the refunds.

Committee Response to Recommendation and Audit Staff's Assessment

In response to the interim audit report, MRFC refunded the excessive contributions. MRFC provided copies of 4 negotiated refund checks totaling \$20,000 and copies of 2 outstanding checks (front only) totaling \$10,000.⁵

Finding 2. Shared Federal and Non-Federal Expenses

Summary

The Audit staff identified payments totaling \$8,860,461 for shared activity related to issue advocacy media that were not paid out of MRFC's allocation account. Instead, payments were issued directly to the vendors from the federal fund (federal) and general fund (non-federal) accounts. Additionally, MRFC reported only the federal share on Schedules B, rather than both the federal and non-federal shares on Schedules H4. MRFC complied with the Audit staff's recommendation by filing amended Schedules H-4, disclosing as memo entries the total amount paid, the federal share, and the non-federal share.

Legal Standard

Accounts for Federal and Non-Federal Activity. A party committee that finances political activity in connection with both federal and non-federal elections must establish two accounts (federal and non-federal) and allocate shared expenses--those that simultaneously support federal and non-federal election activity—between the two accounts. Alternatively, the committee may conduct both federal and non-federal activity from one bank account, considered a federal account. 11 CFR §102.5(a)(1)(i).

Federal vs. Non-Federal Account. The federal account may contain only those funds that are permissible under the federal election law; the non-federal account may contain funds that are not permitted under the federal law (but are legal under state law), such as contributions that exceed the limits of the federal law and contributions from prohibited sources, such as corporations and labor organizations. 11 CFR §102.5(a)(1)(i) and (a)(3).

Paying for Allocable Expenses. FEC regulations offer party committees two ways to pay for allocable, shared federal/non-federal expenses.

- They may pay the entire amount of the shared expense from the federal account and transfer funds from the non-federal account to the federal account to cover the non-federal share of that expense; or

⁵ For the two outstanding refund checks, MRFC will provide copies of the front and back of the refund checks once they are negotiated.

- They may establish a separate, federal allocation account into which the committee deposits funds from both its federal and non-federal accounts solely for the purpose of paying the allocable expenses of shared federal/non-federal activities. 11 CFR §106.5(g)(1)(i) and (ii)(A).

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 H4. 11 CFR §104.10(b)(4)

Allocation Required for Generic Voter Drives. State and local party committees must allocate all of their costs for generic voter drives. A generic voter drive is an activity that urges the general public:

- To register to vote;
- To vote; or
- To support candidates of a particular party or candidates who are associated with a particular issue, without mentioning a specific candidate. 11 CFR §106.5(a)(2)(iv).

Facts and Analysis

MRFC established an allocation account pursuant to 11 CFR §102.5(a)(1)(i). As such, payments for shared activity⁶ should have been paid from its allocation account. The Audit staff identified payments totaling \$8,860,461 for shared activity related to issue advocacy media that were not paid out of MRFC's allocation account. MRFC paid \$2,722,920 to six vendors directly from its federal account and \$6,137,541 to the same vendors, for the same services, directly from its non-federal account.

MRFC should have: 1) transferred the federal portion of these expenses from its federal account into its allocation account; 2) transferred the non-federal portion of these expenses from its non-federal account into its allocation account; and, 3) paid these vendors from the allocation account.

These payments should have then been reported on both Schedules H4 and on Line 21a of the Detailed Summary Page. Instead, MRFC reported the federal share (\$2,722,920) on Schedules B and Line 21b (Other Federal Operating Expenditures), but did not report the non-federal share (\$6,137,541).

Interim Audit Report Recommendation and Committee Response

In response to a recommendation in the interim audit report, MRFC filed amended reports retaining the Schedule B, line 21(b) entries⁷ and disclosing on Schedule H-4 as memo entries, the total amount paid, the federal share, and the non-federal share. The

⁶ Shared activity refers to activity that relates to both federal and non-federal elections. Committees must allocate expenses for shared activity between their federal and non-federal accounts. See Legal Standard above.

⁷ The original entries on Schedule B must remain since the Schedule H4 entries must be entirely memo entries. Electronically filed Schedules H4 may not contain entries that are partially memo and partially non-memo.

description on each memo entry on Schedule H-4 stated “to recognize payments from the non-federal account directly to vendor.”

Finding 3. Reporting of Transfers

Summary

MRFC made transfers totaling \$490,517 from its federal accounts to its non-federal account, but failed to report them. MRFC complied with the Audit staff’s recommendation by filing amended Schedules B for line 22 (Transfers to Affiliated/Other Party Committees) disclosing the transfers.

Legal Standard

Itemizing Transfers to Affiliated Committees. Political party committees must itemize all transfers (i.e., the full name, address, date, amount, and purpose) regardless of amount to other political party committees. 11 CFR §104.3(b)(3)(ii).

Facts and Analysis

MRFC transferred \$490,517 from its federal accounts to its non-federal account, but failed to report the transfers. Transfers from the federal fund account, totaling \$76,300, represented the excessive portion of contributions (\$71,200), a non-excessive contribution (\$5,000), and a prohibited contribution (\$100). Transfers primarily from the federal allocation account, totaling \$414,217, represented adjustments necessary to reconcile the federal balance in the allocation account.

Interim Audit Report Recommendation

The Audit staff recommended that MRFC file amended Schedules B for line 22 (Transfers to Affiliated/Other Party Committees) to disclose the transfers totaling \$414,217 (\$490,517 - \$76,300)⁸.

Committee Response to Recommendation and Audit Staff’s Assessment

In response to the interim audit report, MRFC filed amended Schedules B for line 22 disclosing the transfers, totaling \$414,217.

Finding 4. Reporting of Refunds and Rebates Received for Shared Activity

Summary

The Audit staff identified refunds and rebates totaling \$52,068 in connection with shared federal and non-federal activity. MRFC reported \$28,048 of these on Line 17 (Other Federal Receipts) but did not report the remaining \$24,020. MRFC should have reported the entire amount on Schedule H4, as negative entries, according to the same allocation

⁸ Transfers of \$76,300, representing contributions, or portions thereof, that were not reported, are addressed in Finding 6.

ratio used to allocate the original disbursements. MRFC complied with the Audit staff's recommendation by filing amended Schedules A, deleting the line 17 entries, and filing amended Schedules H4 disclosing all the refunds and rebates as negative entries.

Legal Standard

Reporting of Refunds and Rebates of Allocable Expenses. If a committee receives a refund or a rebate of an allocable expense, the refund or rebate must be deposited in the federal or allocation account. The refund or rebate must then be allocated between the federal and non-federal accounts according to the same allocation ratio used to allocate the original disbursement.

The refund or a rebate may be reported in one of two ways:

- The committee may disclose receipt of the refund or rebate and the federal and non-federal shares on Schedule H4. The amounts are *negative entries* subtracted from total shared federal and non-federal disbursements for the reporting period.
- The committee may disclose receipt the refund or rebate under the category "Offsets to Operating Expenditures." The committee then uses Schedule H4 to disclose the federal account's transfer to the non-federal account for the non-federal share.
AO 1995-22.

Facts and Analysis

The Audit staff identified refunds and rebates totaling \$52,068 in connection with shared federal and non-federal activity. Of this amount, refunds and rebates totaling \$28,048 were reported on Line 17 (Other Federal Receipts) of MRFC's disclosure reports. The remaining refunds and rebates totaling \$24,020 were not reported. MRFC should have reported the refunds and rebates as well as the federal and non-federal shares of these items on Schedule H4 (as negative entries), according to the same allocation ratio used to allocate the original disbursements.

Interim Audit Report Recommendation and Committee Response

In response to a recommendation in the interim audit report, MRFC filed amended reports deleting the Schedule A, line 17 entries (\$28,048), and disclosing on Schedules H4 all the refunds and rebates – including (as negative entries) the total received, the federal share, and the non-federal share.

Finding 5. Transfers from the 1999 State Victory Fund (Memo entries not reported)

Summary

MRFC reported \$173,061 as its share of net proceeds from a joint fundraiser with the 1999 State Party Victory Fund. MRFC did not, however, file memo Schedules A itemizing those contributions that required such disclosure. MRFC complied with the Audit staff's recommendation by filing amended Schedules A itemizing (as memo entries) the individual contributors, representing the transfers received from the 1999 State Party Victory Fund.

Legal Standard

Itemization of Contributions From Joint Fundraising Efforts. Participating political committees shall report joint fundraising proceeds in accordance with 11 CFR §102.17(c)(8) when such funds are received from the fundraising representative. 11 CFR §102.17(c)(3)(iii).

Each participating political committee reports its share of the net proceeds as a transfer-in from the fundraising representative and shall also file a memo Schedule A itemizing its share of gross receipts as contributions from the original contributors to the extent required under 11 CFR §104.3(a). 11 CFR §102.17(c)(8)(i)(B).

Itemization Required. Political committees must itemize:

- Any contribution from an individual if it exceeds \$200 per calendar year (or per election cycle in the case of authorized candidate committees) either by itself or when aggregated with other contributions from the same contributor. 11 CFR §104.3(a)(4)(i); and
- Every contribution from any political committee, regardless of the amount. 2 U.S.C. §434(b)(3)(A) and (B).

Facts and Analysis

MRFC received \$173,061 in joint fundraising proceeds from the 1999 State Victory Fund.⁹ MRFC reported these net proceeds as a transfer-in on Schedule A, but did not itemize its share of gross receipts (\$186,496) as contributions from the original donors on *memo entry* Schedules A.

The Audit staff noted that MRFC did maintain a listing of the contributors including their names, addresses, occupations/names of employer, and the date and amount of the contributions.

Interim Audit Report Recommendation and Committee Response

In response to a recommendation in the interim audit report, MRFC filed amended Schedules A itemizing, as memo entries, the individual contributors, representing the transfers received from the 1999 State Party Victory Fund.

Finding 6. Misstatement of Financial Activity

Summary

When MRFC's reported figures were compared to its bank records, the Audit staff found that, for calendar years 1999 and 2000, receipts, disbursements, and cash-on-hand balances had been misstated. MRFC complied with the Audit staff's recommendation by filing amended reports for calendar years 1999 and 2000 correcting these misstatements. To the extent that current cash on hand amounts were incorrect, MRFC will be amending its reports subsequent to 2000 in the near future.

⁹ The 1999 State Victory Fund, the joint fundraising representative, is an affiliated committee of MRFC.

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; and
 - The total amount of disbursements for the reporting period and for the calendar year.
- 2 U.S.C. §434(b)(1), (2) and (4).

Facts and Analysis

The following chart details the discrepancies between the totals on MRFC's disclosure reports and bank records. The chart lists (a) the amounts MRFC reported, (b) the actual amounts listed on its bank statements, and (c) the discrepancies between the two figures. Succeeding paragraphs explain why the discrepancies occurred. MRFC did not provide records to explain how amounts shown on its reports were calculated; as such, not all discrepancies could be explained.

Comparison of Disclosure Reports and Bank Records

Calendar Year	Reported	Bank Records	Difference
Cash on Hand at 01/01/99	\$127,075	\$57,894	\$69,181 Overstated
1999 Receipts	\$1,295,434	\$1,366,887	\$71,453 Understated
1999 Disbursements	\$1,280,546	\$1,313,306	\$32,760 Understated
2000 Receipts	\$9,396,291	\$9,234,954	\$161,337 Overstated
2000 Disbursements	\$8,863,716	\$9,111,017	\$247,301 Understated
Cash on Hand at 12/31/00	\$696,686	\$256,206	\$440,480 Overstated

Explanation of Discrepancies

Beginning Cash on Hand – January 1, 1999

The overstatement of cash on hand was the result of the following transactions:

- | | |
|---|-------------------|
| • Erroneous adjustment made to beginning cash by MRFC | \$ -68,821 |
| • Unexplained difference | <u>-360</u> |
| Net overstatement | \$ <u>-69,181</u> |

Receipts – 1999

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

- | | |
|---|-----------|
| • Contributions and other receipts not reported | \$ 42,169 |
| • Refunds, rebates, and reimbursements not reported | 22,995 |
| • Party committee transfers not reported | 7,500 |

• Transfers from the non-federal account reported in error	-4,626
• Unexplained difference	<u>3,415</u>
Net understatement	\$ <u>71,453</u>

Disbursements – 1999

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

• Transfers to the non-federal account not reported	\$ 36,314
• Disbursements not reported	5,751
• Disbursement amount reported incorrectly	-7,949
• Miscellaneous disbursement reporting errors	- 444
• Unexplained difference	<u>-912</u>
Net understatement	\$ <u>32,760</u>

Receipts – 2000

The overstatement of receipts was the net result of the following transactions:

• Transfers from the non-federal account not reported	\$ 107,792
• Contributions not reported	73,700
• Republican National Committee transfers not reported	48,000
• Refunds, rebates, and other receipts not reported	2,055
• National party transfers to the non-federal account reported	-359,838
• Contributions deposited to the non-federal account reported	-15,000
• Unexplained difference	<u>-18,045</u>
Net overstatement	\$ <u>161,337</u>

Disbursements – 2000

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

• Transfers to the non-federal account not reported	\$ 454,202
• Disbursements not reported or under-reported	83,574
• Disbursements reported twice	-275,987
• Disbursement amount reported incorrectly	-10,386
• Unexplained difference	<u>-4,102</u>
Net understatement	\$ <u>247,301</u>

Ending Cash on Hand – December 31, 2000

The overstatement of the closing cash on hand was the net result of the misstatements described above.

\$-440,480

In addition to the above, MRFC's reports of receipts and disbursements were understated by an additional \$6,137,541. These payments were made directly to vendors from the non-federal account. However, since they represented shared activity, such amounts should have been transferred to the allocation account, disbursed and reported (See Finding 2).

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that MRFC:

- Disclose as memo entries on amended Schedules A contributions, or portions thereof, which were transferred to the non-federal account and, as memo entries on amended Schedules B, the subsequent transfers of these amounts to the non-federal account (Also see Findings 1 and 3 above).
- File amended reports for each reporting period in calendar years 1999 and 2000 for the remaining misstated transactions. These reports should include the amended schedules requested in previous findings. Finally, to the extent that current cash on hand amounts are incorrect, amended reports to correct recent reports should be filed.

In response MRFC filed amended reports materially correcting the misstatements discussed above.