



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 11, 2008

MEMORANDUM

To: Robert W. Biersack
Press Officer

From: Wanda J. Thomas *WJT*
Acting Assistant Staff Director
Audit Division

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

Attached please find a copy of the audit report on Oregon Republican Party, which was approved by the Commission on December 3, 2008.

All parties involved have received informational copies of the report and the report may be released to the public.

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 Oregon Republican Party

January 1, 2003 – December 31, 2004

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)

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

Financial Activity (p. 2)

• Federal Receipts	
○ Contributions from Individuals	\$ 1,440,106
○ Contributions from Political Committees	12,193
○ Transfers from Affiliated Party Committees	1,730,048
○ Transfers from Non-federal and Levin Funds	143,834
○ Offset to Operating Expenditures	670
○ Other Federal Receipts	602
○ Total Federal Receipts	\$ 3,327,453
• Federal Disbursements	
○ Operating Expenditures	\$ 1,118,373
○ Other Federal Operating Expenditures	597,602
○ Transfers to Affiliated Committees	250,922
○ Contributions to Federal Candidates/Committees	13,434
○ Contribution Refunds	200
○ Other Disbursements	38,474
○ Federal Election Activity	1,272,276
○ Total Federal Disbursements	\$ 3,291,281
• Levin Receipts	\$ 136,792
• Levin Disbursements	\$ 135,838

Findings and Recommendations (p. 3)

- Disclosure of Receipts (Finding 1)
- Disclosure of Occupation/Name of Employer (Finding 2)
- Misstatement of Levin Financial Activity (Finding 3)
- Levin Fund: Receipt of Donations that Exceed the Limit (Finding 4)
- Levin Fund: Disclosure of Donations (Finding 5)

¹ 2 U.S.C. §438(b).

Table of Contents

	Page
Part I. Background	
Authority for Audit	1
Scope of Audit	1
Part II. Overview of Committee	
Committee Organization	2
Overview of Financial Activity	2
Part III. Summaries	
Findings and Recommendations	3
Part IV. Findings and Recommendations	
Finding 1. Disclosure of Receipts	4
Finding 2. Disclosure of Occupation/Name of Employer	5
Finding 3. Misstatement of Levin Financial Activity	6
Finding 4. Levin Fund: Receipt of Donations that Exceed the Limit	8
Finding 5. Levin Fund Disclosure of Donations	9

Part I

Background

Authority for Audit

This report is based on an audit of Oregon Republican Party (ORP), 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 Levin donations received.
4. The disclosure of disbursements, debts and obligations.
5. The disclosure of expenses allocated between federal, non-federal and Levin accounts.
6. The consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

Part II

Overview of Committee

Committee Organization

Important Dates	Oregon Republican Party
• Date of Registration	March 26, 1982
• Audit Coverage	January 1, 2003 – December 31, 2004
Headquarters	Salem, OR
Bank Information	
• Bank Depositories	2
• Bank Accounts	5 Federal, 3 Non-Federal, 1 Levin
Treasurer	
• Treasurer When Audit Was Conducted	Charles Oakes
• Treasurer During Period Covered by Audit	Vance Day
Management Information	
• Attended FEC Campaign Finance Seminar	Yes (2007)
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

Overview of Financial Activity (Audited Amounts)

Federal Cash on hand @ January 1, 2003	\$ 6,577
○ Contributions from Individuals	1,440,106
○ Contributions from Other Political Committees	12,193
○ Transfers from Affiliated Party Committees	1,730,048
○ Transfers from Non-Federal and Levin Funds	143,834
○ Other Receipts	1,272
Total Federal Receipts	3,327,453
○ Operating Expenditures	1,118,373
○ Other Federal Operating Expenditures	597,602
○ Transfers to Affiliates Committees	250,922
○ Contributions to Federal Candidates/Committees	13,434
○ Other Federal Disbursements	38,674
○ Federal Election Activity	1,272,276
Total Federal Disbursements	\$ 3,291,281
Federal Cash on hand @ December 31, 2004	\$ 42,749
Levin Cash on hand @ January 1, 2003	\$ 56
Total Levin Receipts	136,792
Total Levin Disbursements	135,838
Levin Cash on hand @ December 31, 2004	\$ 1,010

Part III

Summaries

Findings and Recommendations

Finding 1. Disclosure of Receipts

The Audit staff reviewed contributions from individuals on a sample basis and determined that ORP failed to properly disclose approximately 19% of these contributions. The contributors' names were not disclosed correctly. The Audit staff recommended that ORP file amended reports correctly disclosing contributors' names on their Schedules A (Itemized Receipts). In response, ORP filed amended Schedules A which materially corrected these errors. (For more detail, see page 4)

Finding 2. Disclosure of Occupation/Name of Employer

ORP did not adequately disclose the occupation and/or name of employer for 35% of contributions from individuals requiring itemization on its disclosure reports. The Audit staff notes that the majority of the missing information was available in ORP's records. The Audit staff recommended that ORP file amended reports correctly disclosing the missing information on Schedules A (Itemized Receipts). In response, ORP filed amended Schedules A, lowering the error rate from 35% to 24%. Subsequent to the presentation of this report to the Commission, ORP filed additional amended Schedules A which further decreased the error rate from 24% to 11%. (For more detail, see page 5)

Finding 3. Misstatement of Levin Financial Activity

A comparison of ORP's reported Levin financial activity to Levin bank records revealed that in 2004, receipts and disbursements were understated by \$25,542 and \$51,902, respectively. The Audit staff recommended that ORP amend its disclosure reports to properly report its Levin receipts and disbursements activity. In response, ORP filed corrective amended reports. (For more detail, see page 6)

Finding 4. Levin Fund: Receipt of Donations that Exceed the Limit

The Audit staff identified three donations to the Levin fund from two donors that exceeded the limitation by \$12,500. The Audit staff recommended that ORP refund these contributions and submit evidence of the refunds, or present evidence that the donations were not excessive. In response, ORP representatives stated that Levin funds were depleted, and as a result, they reported the excess Levin donations as debts owed on a subsequent report. (For more detail, see page 8)

Finding 5. Levin Fund: Disclosure of Donations

The Audit staff identified 12 donations reported on Schedules L-A (Levin Fund Receipts) totaling \$67,500, which lacked or had inadequate disclosure information. The Audit staff recommended that ORP file amended reports correctly disclosing these donations. In response, ORP filed the requested amendments. (For more detail, see page 9)

Part IV

Findings and Recommendations

Finding 1. Disclosure of Receipts

Summary

The Audit staff reviewed contributions from individuals on a sample basis and determined that ORP failed to properly disclose approximately 19% of these contributions. The contributors' names were not disclosed correctly. The Audit staff recommended that ORP file amended reports correctly disclosing contributors' names on their Schedules A (Itemized Receipts). In response, ORP filed amended Schedules A which materially corrected these errors.

Legal Standard

Disclosure of Receipts. For each itemized contribution, the committee must provide the following information:

- The full name and address (including zip code) of the contributor or other source;
- The name of the contributor's employer (if the contributor is an individual);
- The contributor's occupation (if the contributor is an individual);
- The date of receipt;
- The amount; and
- The aggregate year-to-date total of all receipts (within the same category) from the same source. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

Facts and Analysis

The Audit staff reviewed individual contributions on a sample basis and determined that ORP failed to properly disclose 19% of these contributions. The errors resulted from ORP disclosing the contributions from the first name that appeared on a joint accountholder check instead of attributing them to the contributor who signed the check. In several instances ORP disclosed both accountholders' names from the contribution check as "Mr. and Mrs. _____" instead of the check signer's name. This practice could cause errors in the aggregation of contributions needed to monitor year-to-date balances and limitations.²

This matter was presented to ORP representatives during the exit conference, who in turn stated that they would file amended Schedules A.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that ORP file amended reports to correct the disclosure errors discussed above. ORP amended its reports materially correcting the disclosure errors noted above.

² No presumptive reattributions pursuant to 11 CFR §110.1(k) were made relative to these contributions.

Finding 2. Disclosure of Occupation/Name of Employer

Summary

ORP did not adequately disclose the occupation and/or name of employer for 35% of contributions from individuals requiring itemization on its disclosure reports. The Audit staff notes that the majority of the missing information was available in ORP's records. The Audit staff recommended that ORP file amended reports correctly disclosing the missing information on Schedules A (Itemized Receipts). In response, ORP filed amended Schedules A, lowering the error rate from 35% to 24%. Subsequent to the presentation of this report to the Commission, ORP filed additional amended Schedules A which further decreased the error rate from 24% to 11%.

Legal Standard

A. Required Information for Contributions From Individuals. For each itemized contribution from an individual, the committee must provide 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. Joint Fundraising Activity. Each participating political committee must also file a memo Schedule A (Itemized Receipts) itemizing its 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).

C. 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).

D. 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 all contributions from individuals itemized on Schedules A and determined that ORP did not adequately disclose 35% of the occupation and/or name of employer information. A majority of the errors were related to proceeds received from

the 2004 Joint State committee, a joint fundraiser in which ORP participated, and for which ORP disclosed memo entries with the notation “information requested.” The Audit staff notes that the majority of the missing information was available in ORP’s records but not disclosed.

The Audit staff provided a schedule of the errors to ORP representatives who stated that they were under the impression that the missing occupation and/or name of employer information had been obtained by the 2004 Joint State committee and had been disclosed by that committee on ORP’s behalf.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that ORP file amended reports correctly disclosing the missing information on Schedules A. In response, ORP amended its reports, disclosing an additional 11% of the missing occupation/name of employer. This lowered the error rate from 35% to 24%. Most of the remaining errors were from ORP’s 2004 Joint State committee proceeds and, as noted above, much of the information is in ORP’s files.

Subsequent to the presentation of this report to the Commission, ORP filed additional amended Schedules A which further decreased the error rate from 24% to 11%.

Finding 3. Misstatement of Levin Financial Activity

Summary

A comparison of ORP’s reported Levin financial activity to Levin bank records revealed that in 2004, receipts and disbursements were understated by \$25,542 and \$51,902, respectively. The Audit staff recommended that ORP amend its disclosure reports to properly report its Levin receipts and disbursements activity. In response, ORP filed corrective amended reports.

Legal Standard

What to Report. A state, district or local party committee of a political party that is a political committee must report all receipts and disbursements made for Federal election activity (FEA) if the aggregate amount of such receipts and disbursements is \$5,000 or more during the calendar year. The disclosure required must include receipts and disbursements of Federal funds and of Levin funds used for Federal election activity.

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
- The total amount of transfers of Levin Funds from its Levin account to its Federal or allocation account. 11 CFR §300.36(b)(2).

Facts and Analysis

The Audit staff reconciled ORP’s reported Levin financial activity to its Levin bank records and determined that there was an understatement of receipts, disbursements and

an overstatement of ending cash on hand. The following chart details the discrepancies between the disclosure reports filed by ORP and its bank records:

2004 Levin Fund Activity			
	Reported	Bank Records	Discrepancy
Opening Cash Balance	0	\$56	(\$56) Understated
Receipts	\$111,250	\$136,792	(\$25,542) Understated
Disbursements	\$83,936	\$135,838	(\$51,902) Understated
Ending Cash Balance	\$27,314	\$1,010	\$26,304 Overstated

Receipts

The understatement of receipts was the result of the following:

• Under reported transfers from RNC Transfer Account	\$ 392 ³
• Under reported transfers from Victory 2004 Federal Account	<u>25,150⁴</u>
Total understatement	<u><u>\$25,542</u></u>

Disbursements

The understatement of disbursements was the result of the following:

• Unreported transfers to ORP Federal	\$19,613
• Unreported transfers to ORP Non-Federal	31,000 ⁵
• Unreported contributions to county committees	1,069
• Unreported bank fees	<u>220</u>
Total understatement	<u><u>\$51,902</u></u>

Ending Cash on Hand

The \$26,304 overstatement of ORP's closing cash on hand was the result of the misstatements mentioned above.

The Audit staff discussed this matter with ORP's representatives and presented them with relevant schedules. An ORP representative stated that corrective amendments would be filed.

³ ORP transferred \$392 from their RNC transfer account into their Levin account to reimburse the federal account 36% for voter registration that was paid out of the Levin account to various county GOP committees. This was an immaterial prohibited contribution.

⁴ These individual contributions were erroneously deposited into the federal account.

⁵ It appears that the ORP administrator did not "click" all the required parameters within the software that would have put this information on the Schedules H6 (Disbursements of Federal and Levin Funds for Allocated Federal Election Activity) when amendments were filed.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that ORP amend its Schedules L (Aggregation Page: Levin Funds), Schedules L-A (Itemized Receipts of Levin Funds), and Schedules L-B (Itemized Disbursements of Levin Funds) to properly report the Levin receipts and disbursements activity. In response, ORP filed amended disclosure reports that materially corrected the misstatements of reported activity.

Finding 4. Levin Fund: Receipt of Donations that Exceed the Limit

Summary

The Audit staff identified three donations to the Levin fund from two donors that exceeded the limitation by \$12,500. The Audit staff recommended that ORP refund these contributions and submit evidence of the refunds, or present evidence that the donations were not excessive. In response, ORP representatives stated that Levin funds were depleted, and as a result, they reported the excess Levin donations as debts owed on a subsequent report.

Legal Standard

A. Party Committee Limits. A state, district or local committee of a political party must not solicit or accept from any person (including any entity established, financed, maintained, or controlled by such person) one or more donations of Levin Funds aggregating more than \$10,000 in a calendar year. If the state limit is less than \$10,000, the committee must adhere to that limit. 11 CFR §300.31 (d) (1)-(2).

Facts and Analysis

The Audit staff identified three donations to the Levin fund from two donors that exceeded the limitation by \$12,500. Oregon state law allows unlimited donations from corporations; therefore the federal limit for the Levin donations of \$10,000 per donor in a calendar year should have been followed. These excessive contributions consisted of one \$20,000 contribution from a corporation made on March 12, 2004 that exceeded the donation limit by \$10,000. Two donations were made by a lumber company that exceeded the donation limit by \$2,500. The company made a \$10,000 donation on February 10, 2004 and a \$2,500 donation on July 28, 2004.

This matter was presented to ORP representatives who offered no comment.

Interim Audit Report Recommendation and Committee Responses

The Audit staff recommended that ORP refund the \$12,500 and provide evidence of such refunds (copies of the front and back of the cancelled checks). ORP representatives stated that Levin funds were depleted. As a result, they reported the \$12,500 excess Levin donations as debts owed on the November 2007 monthly report.

Finding 5. Levin Fund Disclosure of Donations

Summary

The Audit staff identified 12 donations reported on Schedules L-A (Levin Fund Receipts) totaling \$67,500, which lacked or had inadequate disclosure information. The Audit staff recommended that ORP file amended reports correctly disclosing these donations. In response, ORP filed the requested amendments.

Legal Standard

Disclosure of Receipts. For each itemized contribution, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The contributor's occupation and the name of his or her employer;
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The calendar year-to-date total of all contributions from the same individual. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(A).

Facts and Analysis

The Audit staff identified 12 donations reported on Schedules L-A totaling \$67,500 which lacked or had inadequate disclosure information. ORP used the contributor card information and attributed corporate donations to the individuals whose names appeared on the donor card or check. This accounted for most of these errors and could result in excessive receipts (combining corporate receipt limits with personal limits). For the Levin account, corporate receipts *are* permitted (subject to state law) and the contributions should be disclosed as such.

This matter was presented to ORP representatives who offered no comment.

Interim Audit Report Recommendation and Committee Response

The Audit staff recommended that ORP file complete amended reports, correctly disclosing these contributions on Schedules L-A. ORP filed amended Schedules L-A which materially corrected these errors.