



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

A85-29

April 23, 1986

MEMORANDUM

TO: FRED EILAND
PRESS OFFICER

FROM: ROBERT J. COSTA *Rec'd For RJC*
ASSISTANT STAFF DIRECTOR *4-23-86*
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT -
MASSACHUSETTS REPUBLICAN STATE COMMITTEE

Attached please find a copy of the final audit report of Massachusetts Republican State Committee which was approved by the Commission on April 10, 1986.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachment as stated

cc: FEC Library
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Office of General Counsel
Public Record

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REPORT OF THE AUDIT DIVISION
ON
MASSACHUSETTS REPUBLICAN STATE COMMITTEE

I. Background

A. Overview

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This report is based on an audit of the Massachusetts Republican State Committee ("the Committee"), undertaken by the Audit Division of the Federal Election Commission in accordance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act"). The audit was conducted pursuant to Section 438(b) of Title 2 of the United States Code which states, in part, that the Commission may conduct audits and field investigations of any political committee required to file a report under section 434 of this title. Prior to conducting any audit under this subsection, the Commission shall 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.

The Committee registered with the Clerk of the House of Representatives on January 16, 1976 as the State Committee of the Republican Party of Massachusetts. The Committee maintains its headquarters in Boston, Massachusetts. The audit covered the period January 1, 1983 through December 31, 1984. The Committee reported a cash balance on January 1, 1983 of \$1,874.78; total receipts of \$633,974.83; total expenditures of \$576,591.27; and a cash balance on December 31, 1984 of \$59,258.34.

This audit report is based on documents and workpapers which support each of its factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to the Commissioners and appropriate staff for review.

B. Key Personnel

The Treasurers of the Committee during the period covered by the audit were Thomas J. Barry from January 1, 1983 to May 23, 1984 and James L. Edholm from May 24, 1984 to December 31, 1984.

C. Scope

The audit included such tests as verification of total reported receipts and expenditures and individual transactions; review of required supporting documentation; and such other audit procedures as deemed necessary under the circumstances, except that although the disbursement records maintained by the Committee met the recordkeeping requirements of 2 U.S.C. § 432(c)(5) and 11 CFR § 102.9(b), such records were not sufficient to perform testing of debts and obligations. In addition, although the contribution records provided by the Committee met the recordkeeping requirements of 2 U.S.C. § 432(c) and 11 CFR § 102.9(a), such records were not maintained in a manner which allowed testing for correct aggregate contribution totals, proper itemization and compliance with the Act's contribution limitations.

II. Audit Findings and Recommendations

A. Misstatement of Financial Activity

Sections 434(b)(1) and (2) of Title 2 of the United States Codes require disclosure of the amount of cash on hand at the beginning of the reporting period and the total sum of all receipts.

A reconciliation of the Committee's bank activity to its disclosure reports covering the periods January 1, 1983 to December 31, 1983 and January 1, 1984 to December 31, 1984 indicated that reported 1983 receipts were overstated \$6,074.60 (net) and 1984 receipts were overstated by \$32,772.86 (net).

The overstatements were a result of the Committee's failure to properly report contributor checks returned by the bank for insufficient funds, interest income and unitemized receipts.

Committee officials stated that they did not know why the 1983 receipts were overstated, and gave no response in regard to the 1984 receipts overstatement.

The Audit staff recommended that the Committee amend its January 1, 1983 through December 31, 1984 reports to accurately depict its financial activity.

On March 31, 1986, the Committee filed amended summary pages which corrected the irregularities mentioned above.

Recommendation

The Audit staff recommends no further action on this matter.

B. Missing Contributor Records

Sections 432(c)(1), (2), (3) and (d) of Title 2 of the United States Code state that the treasurer of a political committee shall keep an account of all contributions received by or on behalf of such political committees; the name and address of any person who makes any contribution in excess of \$50, together with the identification of any person who makes a contribution or contributions aggregating more than \$200 during a calendar year, together with the date and amount of any such contribution. The treasurer shall preserve all records required to be kept by this section and copies of all reports required to be filed by this subchapter for 3 years after the report is filed.

The Committee provided the Audit staff with copies of contributor checks and deposit slips totaling \$598,736.73. However, the Committee failed to provide receipt records for \$12,015 of the funds deposited.

At the exit conference, the Committee was provided with a schedule of deposits which lacked contributor documentation. On October 11, 1985, the Committee submitted deposit information which adequately documented the items noted above.

Recommendation

The Audit staff recommends no further action on this matter.

C. Omission of Disclosure Information - Receipts

Section 434(b)(3) of Title 2 of the United States Code, states, in part, that each report shall disclose the identification of each person whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year.

Section 104.3(a)(4)(i) of Title 11, Code of Federal Regulations states, in part, that the identification (as defined at 11 CFR § 100.12) of each contributor and the aggregate year-to-date total for such contributor shall be reported for each person who makes a contribution to the reporting committee during the reporting period which aggregates in excess of \$200 per calendar year.

The Audit staff analyzed the records made available and performed testing with respect to those contributions equal to or greater than \$200.01 received from individuals. Based on a discussion with a Committee official and our analysis of the Committee's receipt records, it was apparent that the Committee did not maintain a system for aggregating multiple contributions received from individuals. However, our testing did indicate that the Committee did not include on its reports adequate disclosure information for 110 of 252 contributions received from individuals (43.65%).

Committee officials stated that they did not receive multiple contributions and that generally small checks went into the Federal account. The Committee was provided with a schedule of contributions which lacked the disclosure information noted above.

The Audit staff recommended that the Committee amend its reports to provide the required information and that the Committee develop an adequate system for aggregating contributions received.

On January 3, 1986, the Committee filed amended Schedules A which substantially corrected the irregularities mentioned above.

Recommendation

The Audit staff recommends no further action on this matter.

D. Omission of Disclosure Information - Expenditures

Section 434(b)(5)(A) of Title 2 of the United States Code states, in part, that each report shall disclose the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200 within the calendar year is made, together with the date, amount, and purpose of such operating expenditure.

The Audit staff reviewed the Committee's 1983 and 1984 expenditures to determine if the Act's itemization requirements were satisfied. Our review revealed that the Committee failed to provide adequate disclosure information for 110 of 262 expenditures (42%) which aggregated or had a value in excess of \$200 within a calendar year. The Audit staff provided the Committee with a schedule of the disbursements which required additional disclosure information.

On September 5, 1985, the Committee filed amended Schedules B which corrected the irregularities mentioned above.

Recommendation

The Audit staff recommends no further action on this matter.

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