



FEDERAL ELECTION COMMISSION
WASHINGTON D.C. 20463

BS003069

January 2, 1992

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RJC*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT
ON RIVERSIDE COUNTY REPUBLICAN CENTRAL COMMITTEE

Attached please find a copy of the Final Audit Report on the Riverside County Republican Central Committee which was approved by the Commission on December 20, 1991.

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

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WASHINGTON, D.C. 20463

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REPORT OF THE AUDIT DIVISION
ON THE
RIVERSIDE COUNTY REPUBLICAN CENTRAL COMMITTEE

I. Background

A. Overview

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This report is based on an audit of the Riverside County Republican Central Committee ("the Committee") undertaken by the Audit Division of the Federal Election Commission in accordance with the Commission's audit policy to determine whether there has been compliance 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 Federal Election Commission on September 29, 1978, and maintains its headquarters in Riverside, California.

The audit covered the period January 1, 1987 through December 31, 1988. The Committee reported a cash balance on January 1, 1987 of \$667.06; total receipts for the period of \$82,591.84; total disbursements for the period of \$82,892.87; and a cash balance on December 31, 1988 of \$366.03.

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

B. Key Personnel

The Treasurer of the Committee during the period covered by the audit was Ms. Kathleen E. Daley. The Committee's current Treasurer is Mr. Ronald Sullivan.

C. Scope

The audit included such tests as verification of total reported receipts, disbursements and individual transactions; review of required supporting documentation; analysis of Committee debts and obligations; and such other audit procedures as deemed necessary under the circumstances, except that although the Committee's recordkeeping with respect to receipts appears to be in compliance with the requirements of 2 U.S.C. §432(c), supporting documentation for a limited number of deposits identified by the Audit staff remain unreconciled (See Finding II.C).

II. Audit Findings and Recommendations
Introduction to Findings

The Audit Staff reviewed the Committee's financial activity for 1987 and 1988, and determined that the Committee did not engage in activity directly supporting federal candidates. The Committee did, however, actively participate in a voter registration program throughout this period. In accordance with both 2 U.S.C. §431(4) and 11 C.F.R. §100.5(a) which state "'political committee' means any committee which makes expenditures aggregating in excess of \$1,000 during a calendar year," the Committee became a political committee on September 18, 1987. On this date the Committee expended in excess of \$1,000, the federal portion of allocated voter registration expenses^{1/}.

The Committee maintained a federal account and a non-federal account during the period audited. The Audit Staff reviewed all federal account activity occurring on and after September 18, 1987. Therefore, all findings noted below pertain to federal account activity from September 4, 1987^{2/} through December 31, 1988.

The Audit staff reviewed the disbursements made by the Committee, for administrative and voter registration expenses from its federal and non-federal accounts. Using an allocation based on the ratio of federal candidates to total candidates on the Riverside County ballots for both the Primary and the General elections, administrative expenses and the voter registration expenses were analyzed. In each category, overpayments in the

^{1/} The Audit Staff calculated the allocable amount of both administrative and voter registration expenses based on a ratio of the number of federal candidates to total candidates on the Riverside County ballots for both the Primary and General elections. The total value of all allocable voter registration expenses was \$72,941.75, of which the federal portion totaled \$31,438.

^{2/} Cash-on-hand on September 18, 1987 contained funds deposited into the federal account on September 4, 14 and 17, 1987.

Primary period and reported loans/debts owed to the non-federal account which arose from contributions that were erroneously deposited into the federal account, were applied to underpayments in the General period. It was determined that the federal committee had paid a reasonable share of both administrative and voter registration expenses during the period audited in accordance with 11 C.F.R. §106.1(e).

A. Misstatement of Financial Activity

Sections 434(b)(2) and (4) of Title 2 of the United States Code state that each report shall disclose for the reporting period and calendar year, the total amount of all receipts, and the total amount of all disbursements.

A reconciliation of bank activity to reported financial activity revealed that the Committee did not report receipts and disbursements, each totalling \$3,031. A review of the deposits into and disbursements from the Committee's federal account revealed that the Committee had deposited into its federal account five checks from the Assembly Republican Political Action Committee (ARPAC). These checks were dated 1/12/88 through 2/17/88. The Committee wrote two checks, each dated April 15, 1988, which were deposited into the Committee's non-federal account. The memo lines on the checks were as follows: for "T/F to SPNB for ARPAC erroneous deposit" and for "T/F to SPNB."^{3/} The Committee did not report either the receipts from ARPAC or the disbursements to the Committee's non-federal account.

At the Exit Conference, a Committee spokesperson indicated the Committee's willingness to file amendments to correct the public record.

In the Interim Audit Report, the Audit staff recommended that the committee, within 30 calendar days of service of that report, file a comprehensive amendment to include \$3,031 in receipts and disbursements.^{4/}

The Committee's response received May 15, 1991 contained a comprehensive amendment for 1988 which corrected the above described misstatement.

Recommendation #1

The Audit Staff recommends no further action with respect to this matter.

^{3/} SPNB is Security Pacific National Bank, the bank at which the Committee maintains its non-federal account.

^{4/} See Finding II.B. regarding the itemization of the disbursements.

B. Itemization of Disbursements

Sections 434(b)(5)(C) and (D) of Title 2 of the United States Code state that each report under this section shall disclose the name and address of each affiliated committee to which a transfer is made by the reporting committee during the reporting period and, where the reporting committee is a political party committee, each transfer of funds by the reporting committee to another political party committee, regardless of whether such committees are affiliated, together with the date and amount of such transfers; and each person who receives a loan repayment from the reporting committee during the reporting period, together with the date and amount of such loan repayment.

A review of Committee disbursements revealed seven disbursements made from the Committee's federal account to its non-federal account, totalling \$13,108 which were not itemized as required. Of these disbursements, two disbursements totalling \$3,031 were made to reimburse the non-federal account for receipts erroneously deposited into the federal account (see Finding II.A.). Five disbursements, totalling \$10,077, were loan repayments and reductions of debts which also arose from contributions erroneously deposited into the federal account, and were reflected as such on Schedules C and D respectively. However, these individual payments were not itemized as disbursements on Schedule B.

At the Exit Conference, a Committee representative was provided with a copy of the schedule of disbursements which were not itemized on the Committee's reports. A Committee spokesperson indicated the Committee's willingness to amend its reports to correct the public record.

In the Interim Audit Report the Audit staff recommended that the Committee, within 30 calendar days of service of that report, amend its reports to disclose the payee, date and amount of the seven disbursements, totalling \$13,108, made to the Committee's non-federal account.

The Committee's response, received May 15, 1991, contained Schedules B disclosing the above noted disbursements.

Recommendation #2

The Audit staff recommends no further action with respect to this matter.

C. Deposit of Contributions

Section 432(h)(1) of Title 2 of the United States Code states that each political committee shall designate one or more State banks, federally chartered depository institutions, or

depository institutions the deposits or accounts of which are insured by the Federal Deposit Insurance Corporation, the Federal Savings Loan Insurance Corporation, or the National Credit Union Administration, as its campaign depository or depositories. All receipts received by such committee shall be deposited in such accounts.

A review of contributions received by the Committee and deposits, made by the Committee, into its federal account revealed two deposits for which the supporting contributions exceeded the deposit amount. The deposits in question are dated 11/15/88 for \$583.64 and 12/4/87 for \$2,465.70.

In addition, checks made payable to an individual, associated with the Committee, were among the associated contributions for the 11/15/88 deposit. Due to recurrent same-dollar-amount checks and multiple checks drawn on the same banks, the Audit staff was unable to identify the checks actually deposited.

At the Exit Conference, a Committee spokesperson stated that the checks made payable to the individual, associated with the Committee, resulted from a fundraiser given by this individual, to which attendees were to bring food or contribute \$10.00.

In Interim Audit Report, the Audit staff recommended that, within 30 calendar days of service of that report, the Committee provide an explanation as to why the amounts for deposits made on 11/15/88 and 12/4/87 do not equal the total of the associated contributions, as well as documentation to support the deposit of checks, made payable to an individual associated with the Committee.

The Committee's response, received May 15, 1991, noted its inability to reconcile the above mentioned deposits. The Audit staff is of the opinion that, in view of the limited problem identified, the matter not be pursued.

Recommendation #3

The Audit staff recommends no further action with respect to this matter (see Background Section I.C., Scope).

D. Prohibited Funds

Section 441b(a) of Title 2 of the United States Code states that it is unlawful for any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or for any political committee knowingly to accept or receive any contribution prohibited by this section.

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states that each organization, including a party committee, which finances political activity in connection with both federal and non-federal elections and which qualifies as a political committee shall establish a separate federal account. Such account shall be treated as a separate federal political committee which shall comply with the requirements of the Act. Only funds subject to the prohibitions and limitations of the Act shall be deposited in such separate federal account.

A review of the Committee receipts revealed that the Committee received and deposited into its federal account 32 items totalling \$28,857.20 from unregistered political organizations. One of the contributing committees notified the Commission in a letter dated June 17, 1988, that it had "donated monies to the Republican Party of Riverside with the understanding that these monies would be used in the State of California elections only."

At the Entrance Conference, the Committee Treasurer, for the period covered by the audit, stated that when she assumed the job of the Treasurer in 1987 she was told that the federal account was the non-federal account and that the non-federal account was the federal account. She said that she made the Committee's deposits accordingly until she realized the error in about June 1988. In an attempt to rectify the error she reported the funds that should have been deposited in the non-federal account but were deposited into the federal account, as loans from the non-federal account to the federal account. As funds became available in the federal account, repayments were made to the non-federal account, and the loan balance decreased by that amount. At the Exit Conference, a Committee spokesperson requested information as to what remedies were available to settle this issue.

In the Interim Audit Report, the Audit staff recommended that the Committee, within 30 calendar days of service of that report, provide the Audit staff with documentation to demonstrate the \$28,857.20 at issue was from permissible sources, or transfer the amount of the contributions to the Committee's non-federal account and provide evidence of the transfer.^{5/}

The Audit staff also recommended, that with 30 days of service of the Interim Audit Report, that the Committee provide documentation to support the balance of the loans payable to the

^{5/} Although not provided for in the Commission's Regulations, the transfer of funds from the Committee's Federal Account to its non-Federal account is recommended in this instance to effect the contributors apparent intent as well as the Committee's which was for the contributions to be used for non-Federal activities.

State Account as of December 31, 1987. The documentation may include worksheets, check copies, deposit and contribution records.

The Committee's response, received May 15, 1991, contained workpapers with respect to the loans payable balance and indicated that the Committee had transferred funds to the non-federal account and/or made payments on behalf of the non-federal account sufficient to resolve the matter regarding these funds. In addition to the above, overpayments related to administrative and voter registration expenses by the federal account on behalf of the non-federal account, totaling in excess of \$28,000, were noted during the period these apparent prohibited funds were deposited to the federal account. Also, during 1987, when contributions were deposited into the wrong accounts, deposits totalling approximately \$20,000 were made to the non-federal account.

On December 10, 1991, based upon the facts as presented above, the Commission determined that no further action was necessary concerning this matter.

Recommendation #4

Therefore, the Audit staff recommends no further action.

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