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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 31, 1996

MEMORANDUM

TO: RON M. HARRIS
PRESS OFFICER
PRESS OFFICE

FROM: ROBERT J. COSTA 
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON
UNITED REPUBLICAN FUND OF ILLINOIS, INC. FEDERAL
ELECTION COMMITTEE

Attached please find a copy of the final audit report and related documents on the United Republican Fund of Illinois, Inc. Federal Election Committee which was approved by the Commission on May 17, 1996.

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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**REPORT OF THE AUDIT DIVISION
ON**

**United Republican Fund of Illinois, Inc.
Federal Election Committee**

Approved May 17, 1996



**FEDERAL ELECTION COMMISSION
999 E. STREET, N.W.
WASHINGTON, D.C.**

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FEDERAL ELECTION COMMITTEE

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

FINAL AUDIT REPORT
ON
UNITED REPUBLICAN FUND OF ILLINOIS, INC.
FEDERAL ELECTION COMMITTEE

EXECUTIVE SUMMARY

The United Republican Fund of Illinois, Inc. Federal Election Committee (the Committee) registered with the United States House of Representatives on April 20, 1972. Based on the Audit staff's review of Committee activities during the period covered by the audit, it was determined that for purposes of this audit the Committee would be considered a non-connected committee (see 11 CFR §106.6).

The audit was conducted pursuant to 2 U.S.C. §438(b), which states that the Commission may conduct audits of any political committee whose reports fail to meet the threshold level of compliance set by the Commission.

The findings of the audit were presented to the Committee at an exit conference held at the completion of fieldwork on November 6, 1995 and later in an interim audit report. The Committee's response to those findings are included in this final audit report.

The following is an overview of the findings contained in the final audit report.

Apparent Over-funding by the Non-federal Account - 11 CFR §§102.5(a) and 106.6(e). The Audit staff reviewed expenses paid from federal and non-federal accounts and initially identified \$90,084 in federal expenses that had impermissibly been paid by the non-federal account between January 1 and December 31, 1992.

That amount was reduced based on Committee documentation showing that \$41,620 of the questioned expenses were actually non-federal rather than federal expenses. The remaining \$48,464, however, appeared to represent federal expenses paid with non-federal funds. Those expenses were disclosed as debts owed to the non-federal account on amended Schedules D (Debts and Obligations).

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Schedule H Reporting (Shared Federal/Non-federal Expenses) - 11 CFR §§106.6(d) and (e), 104.10(b), 104.3(b). The Audit staff identified various disclosure errors relative to the Schedules H filed by the Committee.

In response to the interim audit report, the Committee submitted documentation in support of a joint federal and non-federal fundraising event and filed an amended Schedule H-2 (Allocation Ratios) which included revised allocation ratios for this event. The Committee also filed amended Schedules H-3 (Transfers from Non-federal Accounts) and Schedules H-4 (Joint Federal/Non-federal Activity Schedule) which materially corrected the Committee's previous filings.

Misstatement of Financial Activity - 2 U.S.C. §§434(b)(1), (2) and (4). For 1992, the Committee's reported totals for receipts and disbursements were overstated by approximately \$23,000 primarily due to the reporting of \$15,625 in transfers made from the federal account to the allocation account, the over-reporting of a transfer from the non-federal account by \$4,500 and the reporting of an unexplained addition to disbursements in the amount of \$4,500. In response to the interim audit report, the Committee filed an amendment which materially corrected these misstatements.

Reporting of Debts and Obligations - 2 U.S.C. §434(b)(8) and 11 CFR §104.11. The audit identified 17 debts and obligations, totaling \$11,117, which had not been disclosed as required. In response to the interim audit report, the Committee filed amended Schedules D which materially corrected these discrepancies.

Recordkeeping for Contributions - 2 U.S.C. §432(c). The audit identified 26 contributions, totaling \$16,025, which lacked the required supporting documentation. In response to the interim audit report, the Committee provided documentation which the Audit staff determined materially complied with the interim audit report recommendation.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20543

REPORT OF THE AUDIT DIVISION
ON
UNITED REPUBLICAN FUND OF ILLINOIS, INC.
FEDERAL ELECTION COMMITTEE

I. Background

A. Audit Authority

This report is based on an audit of the United Republican Fund of Illinois, Inc. Federal Election 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 the 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.

B. Audit Coverage

The audit covered the period from January 1, 1991 through December 31, 1992. The Committee reported a beginning cash balance at January 1, 1991 of \$4,832; total receipts for the period of \$191,232; total disbursements for the period of \$194,565; and an ending cash balance on December 31, 1992 of \$1,499.1/

C. Committee Organization

The Committee registered with the United States House of Representatives on April 20, 1972 and maintains its headquarters in Chicago, Illinois. The current Treasurer of the

1/ All figures in this report have been rounded to the nearest dollar. The reported receipt and disbursement totals were overstated (see Finding II.C.).

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Committee is Ms. Deborah D. Dietz. She became Treasurer on January 27, 1995. The following individuals served as the Committee Treasurer during the period covered by the audit:

Mr. Michael Ross	1/01/91 - 8/02/91
Mr. Richard C. Rue	8/03/91 - 4/13/92
Ms. Joyce Gardner	4/14/92 - 12/31/92

Based on the Audit staff's review of Committee activities during the period covered by the audit, it was determined that for purposes of this audit the Committee would be considered a non-connected committee (see 11 CFR §106.6). At the exit conference, the Committee Treasurer stated that she agreed with this determination. To handle its federal financial activity, the Committee used a federal account and a separate allocation account. The Committee received contributions from individuals, a contribution from a political committee, as well as transfers from a non-federal account for shared expenses.

D. Audit Scope and Procedures

There were several categories covered by this audit where the scope of our testing was limited due to a lack of sufficient documentation. We were unable to perform the substantive testing normally undertaken when reviewing the following: (1) contributions from individuals (see Finding II.E.); (2) disbursements (see Finding II.D.); (3) proceeds from fundraising events (see Finding II.B.1.); (4) debts and obligations owed by the Committee (see Finding II.D.); and, (5) expenses associated with transfers from a non-federal account to the separate allocation account (see Finding II.B.3.).

The audit included testing of the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations;
2. The receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
3. Proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. Proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.B.);
5. Proper disclosure of Committee debts and obligations;

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6. Accuracy of total reported receipts, disbursements and cash balances as compared to Committee bank records (see Finding II.C.);
7. Adequate recordkeeping for Committee transactions (see Finding II.E.);
8. Proper reporting and funding of allocable expenses (see Finding II.A. and B.); and
9. Other audit procedures that were deemed necessary in the situation.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

II. Audit Findings and Recommendations

A. Apparent Over-funding by the Non-federal Account

Section 102.5(a)(1)(i) of Title 11 of the Code of Federal Regulations states, in part, that if committees which finance political activity in connection with federal and non-federal elections establish a separate federal account in a depository, no transfers may be made to such federal account from any other accounts maintained by such organization for the purpose of financing activity in connection with non-federal elections, except as provided in 11 CFR 106.6(e).

Section 106.6(e)(1) of Title 11 of the Code of Federal Regulations provides that nonconnected committees that have established separate federal and non-federal accounts under 11 CFR §102.5(a)(1)(i) shall pay the expenses of joint federal and non-federal activities as follows: (i) pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense; or (ii) establish a separate allocation account into which funds from its federal and non-federal accounts shall be deposited solely for the purpose paying the allocable expenses of joint federal and non-federal activities.

Additionally, 11 CFR §106.6(e)(1)(B) states that the committee shall transfer funds from its federal and non-federal accounts to its allocation account in amounts proportionate to the federal and non-federal share of each allocable expense. Section 106.6(e)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that any portion of a transfer from a committee's non-federal account to its allocation account that does not meet the requirements of paragraph (e)(2)(ii) of this section shall be presumed to be a loan or contribution from the non-federal account to a federal account, in violation of the Act.

The Committee opened a separate allocation account on September 11, 1992 pursuant to 11 CFR \$106.6(e)(1)(ii). Prior to this date, all federal and non-federal operating expenses, excluding bank service charges, were paid from a non-federal account; a practice not in accordance with 11 CFR \$106.6(e)(1)(i).^{2/} After September 11, 1992, the majority of payments made from the non-federal account were either transfers to the allocation account or direct contributions to non-federal candidates.

The Audit staff identified a fundraising event which, based on a number of contributor cards entitled "Federal and State Candidate Reception," involved contributions for both federal and non-federal purposes. No documentation was available relative to the particulars of this event nor were any records available relative to any other possible federal/non-federal fundraising events. As a result, the Audit staff considered all other expenses administrative and generic voter drive costs.

To determine the correct allocation of administrative expenses and generic voter drive costs, the Audit staff calculated the funds expended ratio which is the ratio of funds spent by the Committee on behalf of federal candidates to funds spent for all federal and non-federal candidates over the two-year federal election cycle pursuant to 11 CFR \$106.6(c)(1).

The Audit staff then reviewed all expenses paid in 1992 from the non-federal account prior to the opening of the allocation account and applied the funds expended ratio to payments considered administrative expenses. As a result, it was determined that federal expenses totaling \$86,746 were paid from the non-federal account between January 1, 1992 and September 10, 1992. During this time period, the Committee did not follow either of the two options provided for at 11 CFR \$106.6(e)(1). Allocable expenses were not initially paid from a federal account and the Committee had not yet opened an allocation account. The Committee should have reported these payments as memo entries on Schedules H-4 (Joint Federal/Non-federal Activity Schedule) (see Finding II.B.5).

The Committee disclosed debt owed to the non-federal account on each of the three FEC disclosure reports covering this time period. The amounts disclosed by the Committee were reasonably close to the federal share of allocable expenses as determined by the Audit staff for these report periods. However, no transfers were made from the federal accounts to the non-federal account relative to these expenses and the Committee discontinued the disclosure of this debt owed to the non-federal account beginning with the 1992 Post-General report (covering activity October 15, 1992 through November 23, 1992).

^{2/} There was no federal activity during calendar year 1991.

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The Audit staff determined that subsequent to the opening of the allocation account through December 31, 1992, the federal portion of expenses paid by the Committee from the allocation account was \$18,963. Since transfers from the federal account to the allocation account totaled \$15,625 during this period, the Audit staff considered the \$3,338 difference as federal expenses paid with non-federal funds.^{3/}

In summary, the Audit staff determined that the federal portion of shared expenses paid from the non-federal account totaled \$90,084 (\$86,746 + \$3,338). Photocopies of the workpapers supporting the \$90,084 total were provided to the Committee at the exit conference. The Committee Treasurer stated that she understood the analysis and would attempt to demonstrate that some of the expenses were not shared expenses. She added that she would reopen a federal account^{4/} and disclose the amount owed as a debt to the non-federal account.

In the interim audit report, the Audit staff recommended that the Committee either demonstrate that the non-federal account did not over-fund its portion of shared expenses in the amount of \$90,084, or refund the over-funded amount to the non-federal account. In the event of a refund, the Audit staff further recommended that the Committee submit documentation in support of the transaction.

In the Committee's response to the interim audit report the Treasurer stated that certain expenses considered allocable by the Audit staff were related only to non-federal activities. The Committee included documentation which demonstrated that \$38,282 of the \$86,746 considered by the Audit staff to be the federal portion of shared expenses paid directly from the non-federal account were non-federal expenses and therefore not allocable.

The Treasurer also stated that "[p]revious URF Treasurers clearly did not understand that only joint expenses for political, administrative and fundraising were to be paid out of the separate allocation account. We regret that this misunderstanding by previous Treasurers resulted in erroneous reporting." The Committee also provided documentation demonstrating that more than \$3,338 in expenses paid from the allocation account were 100% non-federal and therefore not

^{3/} The Audit staff was unable to test the timing of transfers from the non-federal account to the separate allocation account (see Finding II.B.3.)

^{4/} At the exit conference the Committee Treasurer stated that the Committee's federal and allocation accounts were apparently closed in June 1994 by the previous Treasurer. No additional information was provided to the Audit staff concerning why these accounts were closed.

allocable. Based upon the documentation available during the audit fieldwork, the Audit staff had initially considered \$3,338 in expenses paid from the separate allocation account to have been improperly funded by the non-federal account. In summary, it now appears that the amount of over-funding by the non-federal account equaled \$48,464 (\$90,084 - \$38,282 - \$3,338).

No refund was made to the non-federal account, but the Committee did file amended Schedules D (Debts and Obligations) to several reports disclosing a \$48,600 debt owed to the non-federal account as of December 31, 1992.

B. Schedule H Reporting Irregularities

1. Disclosure of Allocation Ratios on Schedules H-2

Section 106.6(d) of Title 11 of the Code of Federal Regulations states, in part, that if federal and non-federal funds are collected by one committee through a joint activity, that committee shall allocate its direct costs of fundraising based on the ratio of funds received into its federal account to its total receipts from each fundraising program or event.

The Audit staff was aware of at least one joint federal and non-federal fundraising event based on a number of contributor cards entitled "Federal and State Candidate Reception." No documentation was available relative to the particulars of this event nor were any records available relative to any other possible fundraising events. The Committee should have filed Schedules H-2 (Allocation Ratios) disclosing the federal and non-federal allocation ratios for this event and for any other fundraising events which may have occurred during the period covered by the audit.

At the exit conference, the Committee treasurer stated that she had no knowledge of fundraising events occurring in the audit period since she was not associated with the Committee at that time. She added that she would attempt to obtain and provide the Audit staff with the necessary information.

2. Disclosure of Allocable Activities Funded By Transfers From the Non-federal Account on Schedules H-3

Section 104.10(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that a political committee that pays allocable expenses in accordance with 11 CFR §106.6(e) shall report each transfer of funds from its non-federal account to its federal account or to its allocation account for the purpose of paying such expenses and that in the report covering

the period in which the transfer occurred, the committee shall explain in a memo entry the allocable expenses to which the transfer relates and the date on which the transfer was made.

Section 106.6(d)(2) of Title 11 of the Code of Federal Regulations requires committees that transfer funds from its non-federal account to its separate allocation account, following determination of the final cost of each joint federal and non-federal activity, to itemize in its reports the allocable activities for which the transferred funds are intended to pay and further requires that such funds be transferred no more than 10 days before or 60 days after the payments are made to the vendor.

The Audit staff reviewed the disclosure of all 42 transfers, totaling \$115,550, made from the non-federal account to the allocation account between October 1, 1992 and December 31, 1992. We determined that the breakdown of the allocable expenses for 16 of these transfers, totaling \$42,600, was not categorized on Schedules H-3 (Transfers from Non-federal Accounts) as required.

We were unable to test the timing of transfers from the non-federal account to the allocation account to determine if they were made no more than 10 days before or 60 days after the payments were made to the vendor because the documentation provided did not allow us to identify the expenses associated with the transfers. It appears that the Committee transferred monies when funds were needed without documenting the specific allocable activities as required by 11 CFR §106.6(e)(2)(ii)(A).

A listing of the 16 transfers not disclosed properly on Schedules H-3 was provided to the Committee at the exit conference. The Committee Treasurer stated that she would file the appropriate amendments to include the missing information relative to the 16 transfers.

3. Disclosure of Disbursements on Schedules H-4

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that a political committee that pays allocable expenses in accordance with 11 CFR §106.6(e) shall also report each disbursement from its federal account or its separate allocation account in payment for a joint federal and non-federal expense or activity. In the report covering the period in which the disbursement occurred, the committee shall state the full name and address of each person to whom the disbursement was made, and the date, amount and purpose of each such disbursement.

Section 104.3(b)(3)(i)(A) and (B) of Title 11 of the Code of Federal Regulations states, in part, that "purpose" means a brief statement or description of why the disbursement

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was made. Examples of statements or descriptions which meet the requirements include the following: dinner expenses, media, salary, polling, travel, party fees, phone banks, travel expenses, travel expense reimbursements, and catering costs. However, statements or descriptions such as advance, election day expenses, other expenses, expenses, expense reimbursements, miscellaneous, outside services, get-out-the-vote and voter registration would not meet the requirements of 11 CFR 104.3(b)(3) for reporting the purpose of an expenditure.

During the review of disbursements, the Audit staff noted that the Committee did not provide adequate disclosure information on Schedules H-4 for 90 items, totaling \$75,856 (43% of the dollar total). The Committee did not disclose a purpose for 60 of the 90 items and for 26 of the items disclosed "admin" instead of a purpose as required by 11 CFR §104.3(b)(3)(i). In addition, the incorrect date was disclosed for two items and an incomplete address (no city or state) was disclosed for two items. The missing information was located in the Committee's records for 57 of the 90 errors.

A listing of the 90 disbursements not disclosed properly on Schedules H-4 was provided to the Committee at the exit conference. The Committee Treasurer stated that she would file the appropriate amendments to correct the disclosure of these items.

4. Disclosure of Expense Classification on Schedules H-4

Section 104.10(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that a political committee that pays allocable expenses in accordance with 11 CFR §106.6(e) shall also report each disbursement from its federal account or its separate allocation account in payment for a joint federal and non-federal expense or activity. If the disbursement includes payment for allocable costs of more than one activity, the committee shall itemize the disbursement, showing the amounts designated for payment of administrative expenses and generic voter drives, and for each fundraising program or exempt activity, as described in 11 CFR 106.6(b).

During the review of disbursements, the Audit staff noted that the Committee did not disclose on Schedules H-4 ^{5/} the expense classification (Administrative/Voter Drive, Fundraising, Exempt or Direct Candidate Support) for 47 items, totaling \$29,975 (21% of the dollar total). These 47 items were all disclosed on the 1992 Year End report.

^{5/} The Committee did not file Schedules H-4 until the 1992 October Quarterly report.

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A listing of these disbursements was provided to the Committee at the exit conference. The Committee Treasurer stated that she would file the appropriate amendments to correct these items.

5. Disclosure of Apparent Shared Expenses Paid from the Non-federal Account As Memo Entries on Schedules H-4

Section 106.6(e)(1) of Title 11 of the Code of Federal Regulations provides that nonconnected committees that have established separate federal and non-federal accounts under 11 CFR §102.5(a)(1)(i) shall pay the expenses of joint federal and non-federal activities as follows: (i) pay the entire amount of an allocable expense from its federal account and transfer funds from its non-federal account to its federal account solely to cover the non-federal share of that allocable expense; or (ii) establish a separate allocation account into which funds from its federal and non-federal accounts shall be deposited solely for the purpose paying the allocable expenses of joint federal and non-federal activities.

The Committee opened a separate allocation account on September 11, 1992 pursuant to 11 CFR §106.6(e)(1)(ii). Prior to this date all expenses (federal and non-federal) were paid from a non-federal account which did not comply with the requirements of 11 CFR §106.6(e)(1). The Audit staff determined that the federal portion of shared expenses paid from the non-federal account totaled \$86,746 between January 1, 1992 and September 10, 1992 (see Finding II.A.).

During this time period, the Committee did not follow either of the two options provided for at 11 CFR §106.6(e)(1). Allocable expenses were not initially paid from a federal account and the Committee had not yet opened an allocation account. The Committee should have reported these payments as memo entries on Schedules H-4.

6. Prohibited Transfers from the Allocation Account to the Non-federal Account

Section 106.6(e)(1)(ii)(C) of Title 11 of the Code of Federal Regulations states that no funds contained in the allocation account may be transferred to any other account maintained by the committee.

On September 18, 1992 and September 22, 1992, the Committee made \$1,000 transfers from the allocation account to the non-federal account. Letters to the bank signed by the Committee's Executive Director at that time requesting these transactions were located in the Committee's records, as well as debit memos from the bank indicating that each \$1,000 transfer

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was processed. No documentation was available explaining the reason for these transfers. These transfers did not comply with 11 CFR §106.6(e)(1)(ii)(C).

At the exit conference, the Committee Treasurer stated that she would investigate this matter and provide an explanation.

In the interim audit report, the Audit staff recommended that the Committee provide the following information or corrective amendments:

- Information related to any joint federal and non-federal fundraising events occurring during the audit period and file the appropriate Schedules H-2 with the federal/non-federal allocation ratios (see Finding II.B.1.).
- Amended Schedules H-3 noting the breakdown of the allocable expenses relative to the 16 transfers, totaling \$42,600, made from the non-federal account to the allocation account (see Finding II.B.2.).
- Amended Schedules H-4 to correct the 90 items, totaling \$75,856, which were disclosed without the required information or were disclosed albeit with incorrect information. The Committee should also provide the missing expense classification information for the 47 items, totaling \$29,975, for which the expense classification was not designated by the Committee (see Findings II.B.3. and 4.).
- Amended Schedules H-4 listing as memo entries the federal portion of shared expenses, totaling \$86,746, paid from the non-federal account between January 1, 1992 and September 10, 1992 (see Finding II.B.5.).
- Evidence that the two \$1,000 transfers from the allocation account to the non-federal account complied with the requirements of §106.6(e)(1)(ii)(C) (see Finding II.B.6.).

In the Committee's response to the interim audit report the Treasurer stated that the Committee held a joint fundraising event on October 24, 1992, a reception for federal and state candidates, from which funds raised totaled \$6,670. She added that funds totaling \$5,060 (76%) were deposited into the federal account and funds totaling \$1,610 (24%) were deposited into the non-federal account.

Deposit information was provided in support of \$2,785 of the funds deposited into the federal account. Since no other deposit information was available relative to this event, the Treasurer matched the remaining contributor cards from this event.

to contributions itemized on the Committee's original Schedules A (Itemized Receipts) and surmised that an additional \$2,275 in funds were deposited into the federal account. The remaining event cards represented funds totaling \$1,610 which she assumed were deposited into the non-federal account. The Committee filed an amended Schedule H-2 for the 1992 30 Day Post-General report which included the revised allocation ratios for this event.

The Committee filed amended Schedules H-3 noting the breakdown of the allocable expenses relative to the 16 transfers, totaling \$42,600, made from the non-federal account to the allocation account. The Committee also filed amended Schedules H-4 which included adequate disclosure information relative to 63 of the 90 disbursements noted by the Audit staff as lacking the required information. The Committee excluded the remaining 27 items from these amendments because most of them were part of the expenses documented by the Committee as 100% non-federal and therefore were should not have been paid from the allocation account or disclosed on Schedules H-4 (see Finding II.A.).

The Committee filed amended Schedules H-4 for the 1992 Year End report which included expense classifications for 36 of the 47 items noted by the Audit staff as lacking such information. Seven items were excluded from the amendment because the Committee documented them as 100% non-federal expenses in response to Finding II.A. Although not material, the remaining four items were omitted from the amendment with no explanation provided.

The Committee also filed amended Schedules H-4 which included memo entries relative to shared expenses it paid from its non-federal account prior to opening an allocation account. These amendments included memo entries relative to \$48,464 of the \$86,746 noted by the Audit staff as the federal share of joint expenses paid from the non-federal account. The \$38,282 difference was documented by the Committee as 100% non-federal and therefore not required to be included as memo entries on the amendment (see Finding II.A.).

The Treasurer stated in the Committee's response to the interim audit report that the Committee's former Executive Director was contacted and queried about the two \$1,000 transfers from the allocation account to the non-federal account and he responded that he "...does not recall the reason for the transfers since it has been nearly four years since this occurred." She added that the Committee does not dispute that these transfers occurred but cannot determine a reason for the transfers.

C. Misstatement of Financial Activity

Sections 434(b)(1),(2) and (4) of Title 2 of the United States Code require a political committee to disclose the amount of cash on hand at the beginning of each reporting period and the total amount of all receipts and disbursements for each reporting period and the calendar year.

The Committee filed separate disclosure reports for its federal and allocation accounts relative to the four reports covering activity between July 1, 1992 and December 31, 1992.^{6/} One report should have been filed for each reporting period which included the activity from both the federal and allocation accounts.

The Audit staff reconciled the Committee's reported financial activity to its bank activity for the period January 1, 1991 through December 31, 1992 and determined that a material misstatement occurred relative to reports filed covering 1992 activity.^{7/}

The Committee overstated reported receipts by \$23,115. This overstatement was due to the following: the reporting of \$15,625 in interaccount transfers from the federal account to the allocation account; the over reporting of a transfer from a non-federal account by \$4,500; and, miscellaneous reporting errors resulting in a net overstatement of \$2,990.

Disbursements were overstated by \$23,104. This overstatement was due to the following: the reporting of \$15,625 in interaccount transfers; reporting an unexplained addition to disbursements in the amount of \$4,500; and, miscellaneous reporting errors resulting in a net overstatement of \$2,979.

The Committee Treasurer was made aware of these discrepancies during the exit conference and agreed to file the necessary amendment.

In the interim audit report, the Audit staff recommended that the Committee file a comprehensive amendment covering 1992 activity to correct the misstatement of financial activity noted above. An amendment was filed which corrected these misstatements.

^{6/} The four reports due for this time period were the October Quarterly, the 12 Day Pre-General, the 30 Day Post-General and the Year End.

^{7/} To determine the Committee's total reported activity, the Audit staff included the activity disclosed on both the federal and allocation account reports for the period July 1, 1992 through December 31, 1992.

D. Reporting of Debts and Obligations

Section 434(b)(8) of Title 2 of the United States Code requires that each report shall disclose the amount and nature of outstanding debts and obligations owed by or to such political committee. Section 104.11 of Title 11 of the Code of Federal Regulations states, in part, that debts and obligations owed by or to a political committee which remain outstanding shall be continuously reported until extinguished. These debts and obligations shall be reported on separate schedules together with a statement explaining the circumstances and conditions under which each debt and obligation was incurred or extinguished.

During the Audit staff's review of disbursements, the disclosure of debts and obligations owed by the Committee was also tested. Although the Committee satisfied the minimum recordkeeping requirements for disbursements, the Audit staff was unable to test 78% of these items for compliance with 2 U.S.C. §434(b)(8) because the Committee had no system for tracking debts owed and the available documentation was not vendor generated (such as invoices, receipted bills, etc.). The only debts disclosed by the Committee were related to amounts owed to the non-federal account for "Administrative Burden" (see Finding II.A).

The Audit staff had sufficient documentation to test 47 disbursements, totaling \$22,452, for compliance with 2 U.S.C. §434(b)(8). Seventeen of these items, totaling \$11,117, were required to be disclosed as debts but were not.

A listing of the 17 debts and obligations not disclosed was provided to the Committee at the exit conference. The Committee Treasurer stated that she would file the appropriate amendments to correct the disclosure of these items.

In the interim audit report, the Audit staff recommended that the Committee file amended Schedules D (Debts and Obligations) on a report period basis to correct the 17 errors noted above. The Committee filed amended reports which materially corrected these errors.

E. Recordkeeping for Contributions

Section 432(c)(1), (2), (3) and (4) of Title 2 of the United States Code requires the treasurer of a political committee to keep an account of all contributions received by or on behalf of such political committee; the name and address of any person who makes any contribution in excess of \$50, together with the date and amount of such contribution by any person; 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; and, the identification of any political committee which makes a contribution, together with the date and amount of any such contribution.

The Audit staff performed a limited review of contributions using the entries itemized by the Committee on Schedules A (Itemized Receipts). The Committee itemized 93 contributions, totaling \$32,287, in 1992 (91 were from individuals, 1 was from a political committee and 1 was a loan from an individual).

The Committee could not produce a computerized file or a listing of all contributions received during the audit period. Records made available included some photocopies of contribution checks, some fundraising event cards apparently filled out by the contributors and a cash receipts register.

The Audit staff located documentation which supported 67 of the 93 items, accounting for 50% of the dollar total of contributions tested for recordkeeping (\$16,262/\$32,287). No documentation was located relative to the remaining 26 items, totaling \$16,025. Twenty-five of these items were from individuals and 1 was from a political committee.

A listing of the 26 contributions which lacked the required supporting documentation was provided to the Committee at the exit conference. The Committee Treasurer stated that she would attempt to locate the missing information and submit it to the Audit staff.

In the interim audit report, the Audit staff recommended that the Committee submit the missing information for the 26 contributions noted above. In the Committee's response to the interim audit report, the Committee provided microfilm copies of the contributors' contribution checks, obtained from the bank, for 13 of the 26 items. The Committee noted that the bank informed them that copies were unavailable for four items because the microfilm had deteriorated. No attempt was made by the Committee to obtain the missing information relative to the remaining nine contributions because they were less than \$200.

The Audit staff reviewed the documentation provided by the Committee and concluded that it had materially complied with the interim audit report recommendation.

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MLF005175

May 24, 1996

Ms. Deborah D. Dietz, Treasurer
United Republican Fund of Illinois,
Inc. Federal Election Committee
c/o Morris, Rathnau and Dela Rosa
100 W. Monroe St., Suite 1600
Chicago, IL 60603

Dear Ms. Dietz:

Attached please find the Final Audit Report on the United Republican Fund of Illinois, Inc. Federal Election Committee. The Commission approved the report on May 17, 1996.

The Commission approved Final Audit Report will be placed on the public record on May 31, 1996. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 219-4155 or toll-free at (800) 424-9530. Any questions you have related to matters covered during the audit or in the report should be directed to Marty Favin of the Audit Division at (202) 219-3720 or at the above toll free number.

Sincerely,

Robert J. Costa
Assistant Staff Director
for the Audit Division

Attachment as stated

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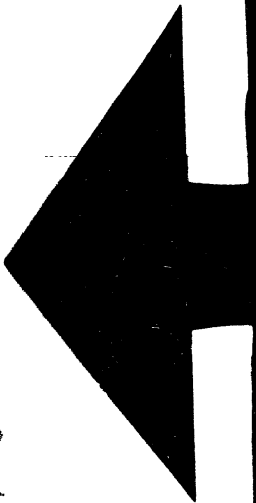
CHRONOLOGY

**UNITED REPUBLICAN FUND OF ILLINOIS, INC.
FEDERAL ELECTION COMMITTEE**

Audit Fieldwork	10/20/94 - 5/30/95
Interim Audit Report to the Committee	1/22/96
Response Received to the Interim Audit Report	4/8/96
Final Audit Report Approved	5/17/96

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DOCUMENT
SEPARATOR

