



Draft Final Audit Report of the Audit Division on the New Hampshire Republican State Committee

January 1, 2007 – December 31, 2008

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)

The New Hampshire Republican State Committee is a state party committee headquartered in Concord, New Hampshire. For more information, see the chart on the Committee Organization, p. 2.

Financial Activity (p. 2)

• Receipts	
○ Contributions from Individuals	\$ 427,091
○ Contributions from Other Political Committees	295,028
○ Transfers from Affiliated/Other Party Committees	1,538,140
○ Transfers from Non-federal Account	10,494
○ Offsets/Other Federal Receipts	9,758
Total Receipts	\$ 2,280,511
• Disbursements	
○ Other Federal Operating Expenditures	\$ 679,235
○ Refunds/Other Disbursements	12,961
○ Federal Election Activity	1,395,099
○ Transfers to Affiliated/Other Party Committees	176,375
Total Disbursements	\$ 2,263,670

Findings and Recommendations (p. 3)

- Misstatement of Financial Activity (Finding 1)
- Reporting of Debts and Obligations (Finding 2)

¹ 2 U.S.C. §438(b).

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Part I

Background

Authority for Audit

This report is based on an audit of the New Hampshire Republican State Committee (NHRSC), 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 risk factors and as a result, this audit examined:

1. The disclosure of disbursements, debts and obligations.
2. The disclosure of expenses allocated between federal and non-federal accounts.
3. The disclosure of individual contributors' occupation and name of employer.
4. The consistency between reported figures and bank records.
5. The completeness of records.
6. Other committee operations necessary to the review.

Limitations

In maintaining its disbursement records, NHRSC satisfied the minimum recordkeeping requirements of 11 CFR §102.9; however, the Audit staff's testing of disbursements was limited by the lack of external documentation, such as invoices. This lack of third party records limited testing of the nature of the expenditures and the adequacy of disclosure information, such as, payee address and purpose for disbursements.

Part II Overview of Committee

Committee Organization

Important Dates	
• Date of Registration	October 2, 1980
• Audit Coverage	January 1, 2007 – December 31, 2008
Headquarters	
Concord, New Hampshire	
Bank Information	
• Bank Depositories	Two
• Bank Accounts	Four Federal, Two Non-Federal
Treasurer	
• Treasurer When Audit Was Conducted	Robert Scott
• Treasurer During Period Covered by Audit	Robert Scott
Management Information	
• Attended FEC Campaign Finance Seminar	No
• Who Handled Accounting and Recordkeeping Tasks	Paid and Volunteer Staff

Overview of Financial Activity (Audited Amounts)

Cash-on-hand @ January 1, 2007	\$ 39,293
o Contributions from Individuals	427,091
o Contributions from Other Political Committees	295,028
o Transfers from Affiliated/Other Party Committees	1,538,140
o Transfers from Non-Federal Account	10,494
o Offsets/Other Federal Receipts	9,758
Total Receipts	\$ 2,280,511
o Other Federal Operating Expenditures	679,235
o Refunds/Other Disbursements	12,961
o Federal Election Activity	1,395,099
o Transfers to Affiliated/Other Party Committees	176,375
Total Disbursements	\$ 2,263,670
Cash-on-hand @ December 31, 2008	\$ 56,134

Part III

Summaries

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

During audit fieldwork, a comparison of NHRSC's reported figures with bank records revealed a misstatement of receipts, disbursements and ending cash-on-hand in 2007, and receipts and ending cash-on-hand in 2008. For 2007, NHRSC understated receipts by \$17,444, disbursements by \$29,263 and overstated ending cash-on-hand by \$9,929. In 2008, receipts were understated by \$59,317 and ending cash-on-hand was understated by \$26,142. In response to the Interim Audit Report, NHRSC amended its reports to materially correct the misstatements.

(For more detail, see p. 4)

Finding 2. Reporting of Debts and Obligations

During audit fieldwork, the Audit staff noted that NHRSC did not disclose debts outstanding as of January 1, 2007, in the amount of \$375,082 for legal services. In response to the Interim Audit Report, NHRSC amended its reports to materially correct the disclosure of these debts.

(For more detail, see p. 6)

Part IV

Findings and Recommendations

Finding 1. Misstatement of Financial Activity

Summary

During audit fieldwork, a comparison of NHRSC's reported figures with bank records revealed a misstatement of receipts, disbursements and ending cash-on-hand in 2007, and receipts and ending cash-on-hand in 2008. For 2007, NHRSC understated receipts by \$17,444, disbursements by \$29,263 and overstated ending cash-on-hand by \$9,929. In 2008, receipts were understated by \$59,317 and ending cash-on-hand was understated by \$26,142.

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;
- The total amount of disbursements for the reporting period and for the calendar year; and
- Certain transactions that require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements), 2 U.S.C. §434(b)(1), (2), (3), (4) and (5).

Facts and Analysis

A. Facts

As part of this audit, the Audit Staff reconciled reported activity with bank records for calendar years 2007 and 2008. The following charts outline the discrepancies for the beginning cash balances, receipts, disbursements, and the ending cash balances for each year. Succeeding paragraphs address the reasons for the misstatements, if known.

2007 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2007	\$37,403	\$39,293	\$1,890 Understated
Receipts	\$298,127	\$315,571	\$17,444 Understated
Disbursements	\$299,428	\$328,691	\$29,263 Understated
Ending Cash Balance @ December 31, 2007	\$36,102	\$26,173	\$9,929 Overstated

The beginning cash-on-hand was understated by \$1,890, and is unexplained, but is likely the result of prior period discrepancies.

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

• Unreported transfers from non-federal account	\$10,000
• Reported intra-account transfer as a transfer from a non-federal account	(500)
• Unreported deposit	3,851
• Unexplained difference	<u>4,093</u>
Net understatement of receipts	<u>\$17,444</u>

The understatement of disbursements was the result of the following:

• Unreported disbursements	\$14,451
• Unreported transfers to non-federal accounts	12,375
• Unexplained difference	<u>2,437</u>
Understatement of disbursements	<u>\$29,263</u>

The \$9,929 overstatement of the ending cash-on-hand was the result of the misstatements described above.

2008 Committee Activity			
	Reported	Bank Records	Discrepancy
Beginning Cash Balance @ January 1, 2008	\$6,102	\$26,173	\$9,929 Overstated
Receipts	\$1,905,623	\$1,964,940	\$59,317 Understated
Disbursements	\$1,911,733	\$1,934,979	\$23,246 Understated
Ending Cash Balance @ December 31, 2008	\$29,992	\$56,134	\$26,142 Understated

The net understatement of receipts resulted from the following:

• Unreported transfers from Republican National Committee (RNC)	\$30,100
• Unreported interest from a certificate of deposit	672
• Unreported receipt from non-federal account	3,394
• Transfer from RNC reported incorrectly	900
• Unreported receipt from a political party committee	40,000
• Reported receipts not supported by deposits	(5,000)
• Receipts erroneously linked to committee	<u>(10,000)</u>
• Unexplained difference	<u>(749)</u>
Net understatement of receipts	<u>\$59,317</u>

The understatement of disbursements in the amount of \$23,246 resulted from disbursements that were not reported \$12,674, disbursements reported incorrectly (\$2,706) and an unexplained under reporting of disbursements \$13,278.

The \$26,142 understatement of the ending cash-on-hand was the result of the misstatements described above.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff presented this matter during the exit conference and provided work papers detailing the adjustments. NHRSC representatives made no comment on the issue.

The Audit staff recommended that NHRSC:

- Amend its reports to correct the misstatements for 2007 and 2008 as noted above; and,
- Amend its most recently filed report to correct the cash-on-hand balance with an explanation that the change resulted from a prior period audit adjustment. Further, NHRSC should reconcile the cash balance of its most recent report to identify any subsequent discrepancies that may impact the \$26,142 adjustment recommended by the Audit staff.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report, NHRSC filed amended reports that materially corrected the misstatements.

In addition, NHRSC demonstrated that some adjustments suggested in the Interim Audit Report were not necessary. The amounts shown in the table above have been revised to reflect these changes.

Finding 2. Reporting of Debts and Obligations

Summary

During audit fieldwork, the Audit staff noted that NHRSC did not disclose debts outstanding as of January 1, 2007, in the amount of \$375,082 for legal services. In response to the Interim Audit Report, NHRSC amended its reports to materially correct the disclosure of these debts.

Legal Standard

A. Continuous Reporting Required. A political committee must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished.

2 U.S.C §434(b)(8) and 11 CFR §§104.3(d) and 104.11(a).

B. Itemizing Debts and Obligations.

- A debt of \$500 or less must be reported once it has been outstanding 60 days from the date incurred; the committee reports it on the next regularly scheduled report.
- A debt exceeding \$500 must be disclosed in the report that covers the date on which the debt was incurred. 11 CFR §104.11(b).

Facts and Analysis

A. Facts

During audit fieldwork, the Audit staff identified debt outstanding for legal services as of January 1, 2007, totaling \$375,082, not disclosed by NHRSC. During the audit period, NHRSC made payments, which reduced the outstanding balance to \$305,082, as of December 31, 2008. None of the reports filed during the audit period included the outstanding balance of this debt.

B. Interim Audit Report & Audit Division Recommendation

The Audit staff presented this matter during the exit conference and provided work papers detailing the debts. NHRSC representatives made no comment on the issue.

The Audit staff recommended that NHRSC amend its reports to disclose this debt and corresponding debt payments on Schedule D.

C. Committee Response to Interim Audit Report

In response to the Interim Audit Report, NHRSC filed amended reports that materially corrected the disclosure of these debts.