



Dave Yost • Auditor of State

OHIO REPUBLICAN PARTY

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Secretary of State
Ohio Republican Party
211 South Fifth Street
Columbus, OH 43215

We have performed the procedures enumerated below, to which the Ohio Republican Party (the Party) agreed, solely to assist the Party in evaluating its compliance with certain requirements included in Ohio Rev. Code Sections 3517.1012, 3517.13(X)(1), 2(b), (3)(a), and (4), 3517.17, and 3517.18, for the year ended December 31, 2011. The Party is responsible for complying with these requirements. We followed the American Institute of Certified Public Accountants' attestation standards for agreed-upon procedures engagements and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the Party. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Cash Receipts

1. We inquired with management to determine whether they deposited all gifts from corporations, labor organizations, and all gifts restricted to operations into the same fund into which they deposit amounts received from the State Tax Commissioner. Management informed us they deposited all such gifts received during 2011 into the same fund used to deposit amounts received from the State Tax Commissioner.
2. We footed each *Statement of Political Party Restricted Fund Deposits* (Form 31-CC) Ohio Rev. Code Section 3517.17 requires filed for 2011, and agreed the total deposits to the *Ohio Campaign Finance Report* (OCFR, Form 30-A). We noted no computational errors.
3. We compared bank deposits reflected in the 2011 restricted fund bank statements to total deposits recorded on Forms 31-CC filed for 2011. The bank deposit amounts agreed to the deposits recorded in the Form.
4. We scanned the Party's 2011 bank statements and noted they reflected four quarterly payments received from the State Tax Commissioner pursuant to Ohio Rev. Code 3517.17(A). We agreed the sum of these four payments received to the amount reported on Forms 31-CC. The Forms 31-CC reported the sum of these four payments without exception.
5. We scanned each 2011 Restricted Fund deposit recorded on the Deposit Forms 31-CC for evidence whether it represented a transfer from any other state or county political party which Ohio Rev. Code 3517(X)(4) prohibits. We found no evidence that any restricted fund deposit represented any prohibited transfer except for the instances noted below.

Cash Receipts (Continued)

On February 17, 2011, the Party deposited into its Restricted Fund a check for \$1,500 received from the Sandusky County Republican Party Restricted Fund. On July 25, 2011, the Party deposited into the Restricted Fund a check for \$300 received from the Cuyahoga County Republican Party Restricted Fund. Both items were recorded as a contribution in its Form 31-CC report. We recommend the Party return these amounts to the respective county from which they were received and contact the Secretary of State about amending the related, previously filed reports.

Official's Response

The transactions identified were only two among a significantly large number of deposits made by the Party annually. We believe adequate controls are in place (which have been reinforced through educational efforts) to assure deposits are made to the correct accounts and permissible. The amounts identified have been transferred and appropriate reporting to the Secretary of State will be performed.

6. We scanned other recorded 2011 receipts for evidence that a corporation or labor organization may have exceeded the \$10,000 annual gift limit Ohio Rev. Code 3517.13(X)(3)(a) imposes. We found no evidence that any corporation or labor organization exceeded this limit except for the instance noted below.

On October 14, 2011, the Party deposited into its Restricted Fund a check for \$10,000 received from a beverage company. On December 7, 2011, the Party deposited into the Restricted Fund a check for \$265 received from the same corporation. This resulted in a total contribution from the corporation of \$10,265, which exceeded the allowed limit. (Also, see #8 of the **Cash Disbursements** section of this report.) We recommend the Party either return the excess contributions to the corporation or contact the corporation and determine if the corporation wants the excess contributions to go to another allowed Party fund. We also recommend the Party contact the Secretary of State about amending the related, previously filed reports. Furthermore, we recommend the Party devise a mechanism (perhaps a spreadsheet) to track and sum contributions from individual contributors on an annual basis and identify those entities that have reached the \$10,000 limit.

Official's Response

The receipt identified above of \$265.00 was actually a reimbursement for certain expenses. Although the amount did exceed the contribution limit when included with normal monetary contributions this situation does not occur regularly. The Party has adequate controls and systems in place to determine when a contributor has reached a giving maximum. Because this one check was received as a reimbursement or refund of expenses it was not included in the donor maximum. The Party has reviewed this type transaction with responsible personnel and the correct reporting. The amount has been refunded and will be appropriately reported to the Secretary of State.

7. Ohio Rev. Code 3517.1012 requires the Party to file Forms 31-CC electronically with the Secretary of State when the Party receives gifts from corporations or labor organizations. We viewed Forms 31-CC submitted for 2011 on the Secretary of State's website.

Cash Reconciliation

1. We recomputed the mathematical accuracy of the December 31, 2011, reconciliation for the bank accounts used for receipts and disbursements restricted pursuant to Ohio Rev. Code Section 3517.1012(A). We found no computational errors.

Cash Reconciliation (Continued)

2. We agreed the bank balance on the reconciliation to the bank statement balance as of December 31, 2011. The balances agreed.
3. We agreed the book balance on the reconciliation to the Party's internal ledger and the OCFR (Form 30-A) as of December 31, 2011. The balances agreed.
4. We agreed reconciling items appearing on the reconciliation to canceled checks, deposit slips, or other documentation, without exception. We determined that the dates and amounts on those documents support that those items were proper reconciling items and were recorded in the proper amounts on the reconciliation as of December 31, 2011.

Cash Disbursements

1. We footed each *Statement of Political Party Restricted Fund Disbursements* (Form 31-M) Ohio Rev. Code Section 3517.17 required filed for 2011 and agreed the total disbursements to the OCFR (Form 30-A). We noted no computational errors.
2. Per Ohio Rev. Code 3517.13(X)(1), we scanned Forms 31-M filed for 2011 and inquired of management whether they transferred any cash from the restricted fund to any other political party account into which contributions may be made or from which contributions or expenditures may be made. We found no evidence of prohibited transfers.
3. Using nonstatistical sampling, we selected 25 checks or other disbursements reflected in 2011 restricted fund bank statements and compared amounts to the disbursement amounts reported on Forms 31-M filed for 2011. We found no exceptions.
4. Using nonstatistical sampling, we selected 25 disbursements on Forms 31-M filed for 2011 and we traced the payee and amount to payee invoices and to the payee's name on canceled checks. The payees and amounts recorded on Forms 31-M agreed to the payees and amounts on the canceled checks and invoices.
5. We scanned the payee for each 2011 disbursement for evidence that it might represent a contribution or campaign-related disbursement, both of which Ohio Rev. Code 3517.13(X)(2)(b) prohibit. We found no evidence that any restricted fund disbursements represented contributions or campaign-related disbursements.
6. For the items selected in step 3, we compared the signature on the canceled checks to the list of authorized signatories the Party provided to us. The signatory on all checks we selected was an approved signatory. We compared the endorsement to the payee listed on the check without exception.
7. We scanned each 2011 restricted fund disbursement recorded on Forms 31-M for evidence that it represented a transfer from the restricted fund to any other state or county political party, which Ohio Rev. Code 3517(X)(4) prohibits. We found no evidence of any such transfers.
8. For the items selected in step 3, we compared the purpose of the disbursements to the purpose listed on the vendor invoice and to the purposes Ohio Rev. Code Section 3517.18 permits. We found no instances where the purpose described on the invoice violated the restrictions of Ohio Rev. Code Section 3517.18 except as noted below.

Cash Disbursements (Continued)

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State’s Office. In addition, the disbursements for gifts and sympathy flowers do not meet the criteria of allowable activities per Ohio Rev. Code 3517.18.

The Party made the following disbursements from the Restricted Fund:

- Check #1285, dated November 30, 2011, for \$265 to a beverage company for the purchase of alcohol. Also on November 30, 2011, the beverage company wrote a check to the Party for \$265. Both checks were cashed by the respective entity. The Party provided no information or supporting documentation to indicate whether the beverage company later intended to refund the cost and make a donation of the alcohol. Regardless, the Party used Restricted Funds to purchase alcohol. Also, (as noted in #6 of the **Cash Receipts** section of this report) the beverage company made contributions in excess of \$10,000 by either cash or goods.
- Check #1276, dated November 30, 2011, for \$1,000 to Petty Cash for the purchase of alcohol and to be used for a cash bar. On December 7, 2011, the Party returned \$427, the unused portion from the cash bar, and \$147, proceeds from the bar sales, to the Restricted Fund. This resulted in a net amount of \$426 used to pay for alcohol.
- Check #1302, dated December 20, 2011, for \$2,085 to purchase luggage tags as gifts for committee members.
- Check #1304, dated December 23, 2011, for \$7,571 to credit card charges; \$37 of this amount was for the purchase of sympathy flowers sent to a funeral home.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery, repaid under audit, for public monies illegally expended is hereby issued against the Republican Party Executive Committee in the amount of \$2,813 and in favor of the Party’s Restricted Fund.

On July 6, 2012, the Ohio Republican Party transferred \$2,813 into the Restricted Fund from another funding source as reimbursement for these expenditures.

We recommend the Party contact the Secretary of State about amending the related, previously filed reports. Also, we recommend the Party take steps to ensure only allowable disbursements are made from the Restricted Fund and follow Ohio Rev. Code 3517.18 (C) by seeking an advisory opinion from the Ohio Elections Commission in the future if uncertainty exists about the legitimacy of specific expenditures from the Restricted Fund. The Party should maintain a copy of such advisory opinions received.

Cash Disbursements (Continued)

Official's Response

Ohio Revised Code Section 3517.18 identifies only three specific purposes for which expenditures are not permitted none of which address the findings. The Party does not disagree with the finding and has, as noted already, reimbursed the funds to the Restricted Account. Expecting the Party should be familiar with Auditor of State Bulletin Opinions is not customary or reasonable. Every effort is made and controls are in place to assure expenditures are made with permissible funds from appropriate accounts. Responsible parties have been made aware of the applicable rules.

9. Ohio Rev. Code 3517.1012 requires the Party to file Forms 31-M electronically with the Secretary of State when the Party receives gifts from corporations or labor organizations. We viewed Form 31-M submitted for 2011 on the Secretary of State's website.

We were not engaged to, and did not examine each *Statement of Political Party Restricted Fund Deposits* and *Statement of Political Party Restricted Fund Disbursements* filed for 2011, the objective of which would have been to opine on compliance. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you.

This report is intended solely for the information and use of the Secretary of State of Ohio and for the Ohio Republican Party and is not intended to be and should not be used by anyone else.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

August 15, 2012

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OHIO REPUBLICAN PARTY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2012**