



Dave Yost • Auditor of State



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Secretary of State of Ohio
Republican Executive Committee
8534 Yankee Street
Dayton, Ohio 45458

We have performed the procedures enumerated below, to which the Republican Executive Committee (the Committee) agreed, solely to assist the Committee 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 Committee 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 Committee. 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 of the Committee 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. They informed us they did use this fund for all such gifts.
2. We footed each *Statement of Political Party Restricted Fund Deposits* Ohio Rev. Code Section 3517.17 requires (Campaign Finance Reports), filed for 2011. We noted that there was a \$265 variance for the second half reports that were filed. The Contribution listing was \$265 less than what was included on the Campaign Finance report summary for the second half of the year. Additionally, there was a \$203 variance to the beginning balance on the second half Campaign Finance Report. The ending balance on the first half Campaign Finance report was \$203 higher than the beginning balance for the second half Campaign Finance report.
3. We compared bank deposits reflected in 2011 restricted fund bank statements to total deposits recorded in the Contribution Reports for 2011. The bank deposit amounts were \$86 less than the total on the Campaign Finance Reports.
4. We scanned the Committee'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). The Contribution reports reported the sum of these four payments without exception.
5. 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.
6. Ohio Rev. Code 3517.1012 requires the Party to file Contribution Reports electronically with the Secretary of State when the Committee receives gifts from corporations or labor organizations. We viewed Contribution Reports 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 account used for receipts and disbursements restricted pursuant to Ohio Rev. Code Section 3517.1012(A). We found no computational errors.
2. We agreed the bank balance on the reconciliation to the bank statement balance as of December 31, 2011. The balances agreed.
3. There were no reconciling items at December 31, 2011.

Cash Disbursements

1. We footed each *Statement of Political Party Restricted Fund Disbursements* Ohio Rev. Code Section 3517.17 requires (Campaign Finance Report, Expenditure listing), filed for 2011. We noted no computational errors.
2. Per Ohio Rev. Code 3517.13(X)(1), we scanned Campaign Finance Report, Expenditure listings 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. We compared the amounts on checks or other disbursements reflected in 2011 restricted fund bank statements to disbursement amounts reported on Campaign Finance Report, Expenditure listings filed for 2011. We noted the expenditure amount reported for 2011 was \$421 less than what the expenditures were per the bank statements.
4. We haphazardly selected 30 disbursement transactions on the Campaign Finance Report, Expenditure listings 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 Campaign Finance Report, Expenditure listings 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. We compared the signature on the tested 2011 checks to the list dated March 17, 2011 of authorized signatories the Committee 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 Campaign Finance Report, Expenditure listings 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 transfers.
8. We compared the purpose of the disbursements we selected in step 3 above listed on 2011 Campaign Finance Report, Expenditure listings to the purpose listed on the vendor invoice and to the purposes Ohio Rev. Code Section 3517.18 permits.

Cash Disbursements (Continued)

We found the following two exceptions:

- The Committee issued Check No. 1407 for \$2,203 to The Mandalay Inc which included \$1,202 for alcohol.
- The Committee issued Check No. 1504 for \$5,335 to the Dayton County Club which included \$170 for alcohol.

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 accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Republican Party Executive Committee in the amount of \$1,372 and in favor of the Party's restricted fund.

9. Ohio Rev. Code 3517.1012 requires the Party to file the annual and semi-annual Campaign Finance Reports electronically with the Secretary of State when the Committee receives gifts from corporations or labor organizations. We viewed the Campaign Finance Reports submitted for 2011 on the Secretary of State's website.

Officials' Response - On April 11, 2012 the executive committee transferred funds from the campaign fund to its restricted fund to repay the finding for recovery.

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.

At the conclusion of our engagement, we requested the Chairman and the Treasurer to provide us with written representations regarding their responsibility for:

- Recording transactions and maintaining the accounting records
- For complying with legal requirements we tested as part of our procedures
- Providing us with all reports, records and other documentary evidence supporting the results we described in this report
- Informing us of other matters that may relate to the procedures this report describes.

The Chairman and the Treasurer declined to sign this representation letter.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 27, 2012



Dave Yost • Auditor of State

MONTGOMERY REPUBLICAN PARTY

MONTGOMERY 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
MAY 22, 2012**