



Mary Taylor, CPA
Auditor of State

**REPUBLICAN PARTY
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Secretary of State of Ohio
Republican Party Executive Committee
Lucas County
10 S. Superior Street
Toledo, Ohio 43604

We have performed the procedures enumerated below, to which the Lucas County 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, 2008. 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 (Deposit Form 31-CC), filed for 2008. We noted no computational errors.
3. We compared bank deposits reflected in 2008 restricted fund bank statements to total deposits recorded in Deposit Forms 31-CC filed for 2008. The bank deposit amounts agreed to the deposits recorded in the Form.
4. We scanned the Committee's 2008 bank statements and noted they reflected four quarterly payments received from the State Tax Commissioner pursuant to Ohio Rev. Code 3517.17(A). The Deposit Forms 31-CC reported the sum of these four payments without exception.

5. We scanned other recorded 2008 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 Forms 31-CC electronically with the Secretary of State when the Committee receives gifts from corporations or labor organizations. We viewed Forms 31-CC submitted for 2008 on the Secretary of State's website.

Cash Reconciliation

1. Cash reconciliations were not prepared and or not provided to us by the Republican Executive Committee.

We recommend the party perform bank reconciliations on a monthly basis.

Official's Response

We did not receive a response from officials to this recommendation.

Cash Disbursements

1. We footed each *Statement of Political Party Restricted Fund Disbursements* Ohio Rev. Code Section 3517.17 requires (Disbursement Form 31-M), filed for 2008. We noted no computational errors.
2. Per Ohio Rev. Code 3517.13(X)(1), we scanned Disbursement Form 31-M filed for 2008 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 2008 restricted fund bank statements to disbursement amounts reported on Disbursement Forms 31-M filed for 2008. We found no discrepancies.
4. For each disbursement on Disbursement Form 31-M filed for the period July 1, 2008 through December 31, 2008 we traced the payee and amount to payee invoices and to the payee's name on canceled checks. The payees and amounts recorded on Disbursement Forms 31-M agreed to the payees and amounts on the canceled checks and invoices. For each disbursement on Disbursement Form 31-M filed for the period January 1, 2008 through June 30, 2008 no invoices or canceled checks were provided to us.
5. We scanned the payee for each 2008 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 checks for the period July 1, 2008 through December 31, 2008 to the list dated August 15, 2008 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. For the period January 1, 2008 through June 30, 2008, authorized signatories and canceled checks were not provided to us.

7. We scanned each 2008 restricted fund disbursement recorded on Form 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 transfers.
8. Ohio Revised Code § 3517.18 lists the types of permissible expenditures from political party fund monies. This section states as follows:
 - (A) A political party receiving moneys from the Ohio political party fund may expend the moneys only for the following purposes:
 - (1) The defraying of operating and maintenance costs associated with political party headquarters, including rental or leasing costs, staff salaries, office equipment and supplies, postage, and the purchase, lease, or maintenance of computer hardware and software;
 - (2) The organization of voter registration programs and get-out-the-vote campaigns and the costs associated with voter registration and get-out-the-vote activities, including, but not limited to, rental costs for booth spaces at fairs, festivals, or similar events if voter registration forms are available at those booths, printing costs for registration forms, mailing costs for communications soliciting voter registration, and payments for the services of persons conducting voter registration and get-out-the-vote activities;
 - (3) The administration of party fund-raising drives;
 - (4) Paid advertisements in the electronic or printed media, sponsored jointly by two or more qualified political parties, to publicize the Ohio political party fund and to encourage taxpayers to support the income tax checkoff program;
 - (5) Direct mail campaigns or other communications with the registered voters of a party that are not related to any particular candidate or election;
 - (6) The preparation of reports required by law.
 - (B)
 - (1) Moneys from the Ohio political party fund shall not be used for any of the following purposes:
 - (a) To further the election or defeat of any particular candidate or to influence directly the outcome of any candidate or issue election;
 - (b) To pay party debts incurred as the result of any election;
 - (c) To make a payment clearly in excess of the market value of the item or service that is received for the payment.
 - (2) Moneys from the Ohio political party fund that are used as rental costs for booth spaces at fairs, festivals, or similar events, at which candidates are present or informational materials about candidates are available, are not used in violation of division (B)(1)(a) of this section if voter registration forms also are available at those booths and booth space is available for use by all candidates of the party renting the booth.
 - (C) If there is a question about the legitimacy of a party expenditure of public moneys, a designated agent of a political party receiving moneys from the Ohio political party fund may request the Ohio elections commission for an advisory opinion on the matter prior to

making an expenditure of those public moneys. The commission shall afford the highest priority to a request made under this division.

We compared the purpose of each disbursement listed on 2008 Disbursement Forms 31-M to the purpose listed on the vendor invoice and to the purposes Ohio Rev. Code Section 3517.18 permits. We found the following exceptions:

Exception #1 – Finding for Recovery

On March 10, 2008 legal fees in the amount of \$2,035.90 were paid to Robison, Curphy, & O'Connell, LLC for services rendered in defending a suit against the Lucas County Republican Party. As stated above, expenditures of political party restricted fund monies are limited to those purposes enumerated by statute. The defense of such suit does not fall into one of the stated purposes. For this reason, the payment of legal fees from the political party fund was improper.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public money illegally expended is hereby issued against the Lucas County Republican Party in the amount of \$2,035.90, and in favor of the restricted funds of the Lucas County Republican Party.

Official's Response

Robison, Curphy, & O'Connell was initially paid in 2005 to represent the Lucas County Republican Party (LCRP). This alleged outstanding debt was never reported in any Restricted fund report filed with the Secretary of State (SOS) and/or the Lucas County Board of Elections (LCBOE) for the two years prior to this disbursement. It should have been reported as an outstanding debt against the general fund in 2006 and never should have been paid from the political party restricted fund. It seems peculiar that this debt would be paid nearly two years later without the LCRP receiving another invoice for a past due balance.

Auditor's Analysis

The LCRP can satisfy this Finding for Recovery by transferring / paying the amount from its general fund. In the future the LCRP should require an appropriate level of supervisory approval of check requests to assure payments fall within the types of costs Ohio revised Code Section 3517.18 permits and to help prevent paying costs the LCRP cannot match to an invoice.

Exception #2 – Finding for Recovery

On April 1, 2008 legal fees in the amount of \$1,000 were paid to Issac, Brant, Ledman, & Teetor, LLP for services provided to former Executive Director, Joanne Wack. As stated above, expenditures of political party restricted fund monies are limited to those purposes enumerated by statute. The defense of such suit does not fall into one of the stated purposes. For this reason, the payment of legal fees from the political party restricted fund was improper.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28 a Finding for Recovery for public money illegally expended is hereby issued against the Lucas County Republican Party in the amount of \$1,000, and in favor of the political party restricted funds of the Lucas County Republican Party.

Official's Response

This disbursement was made to pay for Joanne Wack's personal legal fees. The legal fees were the result of an Ohio Elections Commission complaint made against her. The legal fees should not have been paid from the political party restricted fund for the following reasons: 1) the disbursement was made to pay for Wack's personal legal expenses, 2) the legal fee resulted from Wack's campaign activities in support of specific candidates, and 3) Joanne Wack was not a Lucas County Republican Party (LCRP) agent authorized by the LCRP bylaws to enter into a contract on the LCRP's behalf.

Auditor's Analysis

It was permissible to pay legal fees on behalf of Joanne Wack, who was the Executive Director. The issue was that the LCRP paid the fees from the Restricted political party fund. The LCRP can satisfy this Finding for Recovery by transferring / paying the amount from its general fund to the political party restricted fund.

Exception #3 – Recommendation

For the Period of January 1, 2008 through June 30, 2008, the Party was unable to provide the Auditor of State with supporting invoices, cancelled checks, and an approved bank account signatory.

This situation could result in improper expenditures from the Restricted Fund.

We recommend the Party institute procedures to safeguard all financial records, including supporting invoices, cancelled checks, and authorized signatory information.

Official's Response

LCRP stated that no records for the period January 1, 2008 through June 30, 2008 were turned over to them by the prior Chairman and his staff.

Auditor's Analysis

The previous party Chairman signed an affidavit stating all records were provided to the current party Chairman. Except as previously noted, most expenditure's appeared to be for reasonable purposes based on payee. As noted above, this *Exception* is a recommendation we hope the LCRP will address going forward.

9. Ohio Rev. Code 3517.1012 requires the Party to file Forms 31-M electronically with the Secretary of State when the Committee receives gifts from corporations or labor organizations. We viewed Forms 31-M submitted for 2008 on the Secretary of State's website.

Management Representations

The Lucas County Republican Party did not provide the Auditor of State management representations regarding complying with applicable provisions of Sections 3517.1012, 3517.17 and 3517.18, Ohio Revised Code.

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 2008, 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 Lucas County Republican Executive Committee and is not intended to be and should not be used by anyone else.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 21, 2009



Mary Taylor, CPA
Auditor of State

REPUBLICAN PARTY

LUCAS 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
NOVEMBER 17, 2009