



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, 2010. 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 2010 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 2010, 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 2010 restricted fund bank statements to total deposits recorded on Forms 31-CC filed for 2010. The bank deposit amounts agreed to the deposits recorded in the Form except for the instances noted below.

During 2010, the Party received contributions made by credit card. As part of the agreement, the credit card company would receive 3.25% of the contribution amount it collected and would remit the difference to the Party's checking account. On April 12, 2010, an entity made a contribution for \$75 to the Party. The credit card company kept \$2.44 as a service fee and deposited \$72.56 into the Party's account. The Party recorded the contribution at the gross amount of \$75 on Form 31-CC and recorded an expense of \$2.44 on Form 31-M. However, the Party recorded only the net amount of \$72.56 on its internal General Ledger and did not record the related expense of \$2.44. A similar posting occurred on June 3, 2010, for two contributions - one for \$500 and another for \$1,500. The Party posted the gross deposit amounts on Form 31-CC and the service fee expense on Form 31-M, but listed only the net amount on the internal ledger. As a result, the gross receipts shown on Form 31-CC and the expenses shown on Form 31-M did not agree with the net amounts listed on the internal ledger. Also, the deposit amounts on Form 31-CC did not agree with the net amounts listed on the bank statements.

Cash Receipts (Continued)

In addition, the Party incorrectly listed the service fee of \$65 from the total \$2,000 contributions on June 2, 2010, as a \$75 expense on Form 31-M. The Party filed with the Secretary of State an amended report, which we obtained and noted the correction.

For consistency of amounts between documents and full disclosure of the underlying transactions, we recommend the Party record the gross amount of the contributions and a corresponding disbursement to the credit card company on its internal ledger, instead of recording only the net amount. We recognize the ledger would not agree with the net amount on the bank statement and recommend the Party add a note of explanation, with a calculation of the service fee charged by the credit card company, to the bank statement.

Official's Response

We agree the contribution amounts were netted for internal reporting purposes only. As noted in your report, the filing and reporting with the Secretary of State was correct at all times. The Party opted to record the amounts in the general ledger at net taking into account the materiality of the transactions. It should be noted this is not a violation of any generally accepted accounting principle or internal control procedure of the party. Also, as noted in the report, the one \$10.00 error was corrected on an amended report. The nature of the credit card processing has changed for 2011 which will eliminate the issue identified above in its entirety.

4. We scanned the Party's 2010 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 2010 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.
6. We scanned other recorded 2010 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.
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 2010 on the Secretary of State's website.

Cash Reconciliation

1. We recomputed the mathematical accuracy of the December 31, 2010, 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.
2. We agreed the bank balance on the reconciliation to the bank statement balance as of December 31, 2010. 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, 2010. The balances agreed.

Cash Reconciliation (Continued)

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, 2010.

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 2010 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 2010 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 2010 restricted fund bank statements and compared amounts to the disbursement amounts reported on Forms 31-M filed for 2010. We found no exceptions.
4. Using nonstatistical sampling, we selected 25 disbursements on Forms 31-M filed for 2010 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 2010 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 2010 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.
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 2010 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 2010, 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.

A handwritten signature in black ink that reads "Robert R. Hinkle". The signature is written in a cursive, flowing style.

Robert R. Hinkle, CPA
Chief Deputy Auditor

October 27, 2011



Dave Yost • Auditor of State

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
NOVEMBER 10, 2011**