

**STATE OF MINNESOTA
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD**

Findings and Order in the Matter of the Investigation of the Reports of Receipts and Expenditures of the Republican Party of Minnesota

The Allegations

On January 4, 2012, the Campaign Finance and Public Disclosure Board received a complaint from Common Cause Minnesota (CCM) regarding the Republican Party of Minnesota (RPM). The complaint arose out of the 2010 gubernatorial election recount and its financing and out of revelations made by the RPM in 2011 that it had unpaid obligations that had not previously been reported to its executive committee or to federal and state disclosure authorities. The RPM subsequently filed amended year-end reports of receipts and expenditures for 2009 and 2010 with the Board.

On July 13, 2012, the Board issued findings and an order resolving the allegations in the CCM complaint. In its decision, the Board determined that the RPM's initial 2009 and 2010 reports of receipts and expenditures did not disclose all of the party's unpaid obligations as required by Minnesota Statutes Chapter 10A. The Board also stated that given the disarray in the RPM's financial records, it could not be confident that the amended reports of receipts and expenditures that the RPM had filed with the Board properly disclosed all of the party's financial transactions. The Board therefore instructed the Executive Director to continue the Board's investigation of the RPM to determine whether the amended reports were accurate.

The Investigation

In its order resolving the CCM complaint, the Board concluded that the RPM had most of the invoices, receipts, and payment records documenting its financial activities. Those records, however, were in disarray and the RPM had not maintained sufficient worksheets or other statements to explain the relationship between its internal financial reports and the reports that it was required to file with the Board.

Bron Scherer, the RPM's current treasurer, gave a sworn statement to the Board during the investigation of the CCM complaint. Mr. Scherer is a certified public accountant. In his statement, Mr. Scherer described the actions that the RPM had taken to ensure the accuracy of its internal and external financial reports.

Mr. Scherer stated that when he assumed the office of treasurer in January 2012, he looked at every invoice that had been received by the RPM since the beginning of 2009. Bob Wyant, the RPM's in-house accountant, and Mike Vekich, a certified public accountant who was helping with the RPM's internal audit, also looked at every invoice received during the relevant years. Together, the three men organized the invoices, determined whether each expenditure was for

a state or federal purpose, and made sure that all of the expenditures were recorded in the RPM general ledger and accounts payable system.

Mr. Scherer and Mr. Wyant also contacted vendors directly to ask whether the RPM still owed them money and, if it did, to obtain the current amount of the outstanding debt. Mr. Scherer then randomly chose two quarters in 2011 and verified that all invoices and receipts applicable to that time period actually had been entered accurately into the RPM's financial records system. Based on the actions described above and the amount of time that had passed since the RPM had received any bills from unknown creditors, Mr. Scherer concluded that the RPM had discovered all of its unpaid obligations.

After the review of the RPM's financial documents was complete, Mr. Scherer prepared amendments to the RPM's 2009 and 2010 reports of receipts and expenditures and filed those amended reports with the Board. Mr. Scherer also prepared an amended 2011 report that reflected the changes that had been made to the 2009 and 2010 reports.

Mr. Scherer also provided information on the system of internal financial controls that the RPM instituted in January 2012. Under this system, the RPM has an official budget that is approved by the executive and state central committees. The RPM chairman and treasurer both sign off on all expenditures and outside contracts. The party also created a financial controls and review committee. This committee developed and documented procedures for the internal handling of receipts and expenditures. Under the new procedures, all invoices are entered into the RPM's general ledger and accounts payable system when they are received. In addition, the finance director now reports directly to the treasurer to ensure that the treasurer has oversight and control over the finance director's activities. The executive committee also receives regular and comprehensive financial statements to ensure that this committee has the information necessary to actively review and oversee the party's financial activities.

To confirm the accuracy of the RPM's reports of receipts and expenditures, the Board examined the RPM's current accounts payable aging reports and the invoices and worksheets supporting the amounts listed on those reports. The Board also surveyed a sample of the vendors listed on the RPM's year-end reports. The Board asked each vendor how much the RPM had bought from that vendor during each reporting year, how much the RPM had paid that vendor during each year, and how much the RPM owed to that vendor at the end of each year. The Board compared the financial information listed above to the RPM's amended reports of receipts and expenditures for 2009, 2010, and 2011 and to the RPM's 2012 year-end report. This comparison did not reveal any discrepancies between the RPM's financial records and the reports that it had filed with the Board.

At the Board's request, the RPM also reconciled the balance on its December 31, 2012, bank statement with the balance on its 2012 year-end report of receipts and expenditures. This reconciliation did not reveal any discrepancies between the RPM's financial records and the reports filed with the Board.

Board Analysis

The Board has the authority under Minnesota Statutes section 10A.02, subdivision 10, to investigate any matter related to the statements and reports that must be filed with it under Chapter 10A. Minnesota Statutes section 10A.20, subdivision 3, requires political parties to file with the Board periodic reports showing all their expenditures. An expenditure is made on the date that the political party incurs the obligation to pay that expense and includes advances of credit to the party. See Minn. Stat. § 10A.01, subd. 9 (defining expenditure). Both paid and unpaid expenses therefore must be disclosed on the party's reports. In addition, all expenditures to the same vendor that exceed \$100 in the aggregate must be itemized and the purpose for these expenditures must be disclosed. Minn. Stat. § 10A.20, subd. 3.

In the present case, there is no dispute that the 2009, 2010, and 2011 reports of receipts and expenditures that the RPM initially filed with the Board were inaccurate because they did not list all of the RPM's unpaid expenditures. A political party, however, can remedy violations of the statutory reporting requirements by accurately amending its reports. In this case, the RPM has submitted amended reports for 2009, 2010, and 2011.

Before these amended reports were submitted, three financial professionals repeatedly examined all of the party's financial documents for the relevant years. These professionals also contacted vendors directly to discover missing obligations and waited for unknown creditors to submit bills. The Board's examination of the RPM's financial documents and its survey of the RPM's vendors did not reveal any discrepancies between the RPM's financial records and the amended reports that the party filed with the Board. Given this evidence, there is no probable cause to conclude that the RPM's amended reports for 2009, 2010, and 2011 do not accurately disclose all of the party's financial transactions for those years.

In addition, in 2012, the RPM instituted a system of financial controls to ensure that all expenditures are disclosed in accordance with Chapter 10A on future reports filed with the Board. The Board's examination of the RPM's financial documents and its survey of the RPM's vendors did not reveal any discrepancies between the RPM's financial records and the 2012 year-end report filed with the Board. Finally, the RPM was able to reconcile the balance on its December 31, 2012, bank statement with the balance on its 2012 year-end report of receipts and expenditures. Consequently, there is no probable cause to conclude that the RPM's 2012 year-end report does not accurately disclose the party's financial transactions for that year.

Based on the efforts of the RPM to file accurate amended reports, and the controls established by the party in 2012, the Board concludes that no further investigation into the RPM financial records is required or warranted.

Based on the evidence before it and the above analysis the Board makes the following:

Finding

The Board finds that the Republican Party of Minnesota has filed amended year-end Report of Receipts and Expenditures for 2009, 2010, and 2011, that accurately disclose the party's financial transactions during those years.

Based on the above Finding, the Board issues the following:

ORDER

The Board investigation of this matter is concluded and hereby made a part of the public records of the Board pursuant to Minnesota Statutes section 10A.02, subdivision 11.

Dated: May 7, 2013

/s/ Andrew M. Luger

Andrew M. Luger, Chair
Campaign Finance and Public Disclosure Board

Relevant Statutes

Minn. Stat. § 10A.01, subd. 9. Campaign expenditure. "Campaign expenditure" or "expenditure" means a purchase or payment of money or anything of value, or an advance of credit, made or incurred for the purpose of influencing the nomination or election of a candidate or for the purpose of promoting or defeating a ballot question.

An expenditure is considered to be made in the year in which the candidate made the purchase of goods or services or incurred an obligation to pay for goods or services.

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Minn. Stat. § 10A.20, subd. 3. Contents of report.

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(g) The report must disclose the name and address of each individual or association to whom aggregate expenditures, including approved expenditures, have been made by or on behalf of the reporting entity within the year in excess of \$100, together with the amount, date, and purpose of each expenditure and the name and address of, and office sought by, each candidate on whose behalf the expenditure was made, identification of the ballot question that the expenditure was intended to promote or defeat, and in the case of independent expenditures made in opposition to a candidate, the candidate's name, address, and office sought. A reporting entity making an expenditure on behalf of more than one candidate for state or legislative office must allocate the expenditure among the candidates on a reasonable cost basis and report the allocation for each candidate.

(h) The report must disclose the sum of all expenditures made by or on behalf of the reporting entity during the reporting period.

(i) The report must disclose the amount and nature of an advance of credit incurred by the reporting entity, continuously reported until paid or forgiven. If an advance of credit incurred by the principal campaign committee of a candidate is forgiven by the creditor or paid by an entity other than that principal campaign committee, it must be reported as a donation in kind for the year in which the advance of credit was made.

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