

Ada County Republican Central Committee – Financial Review Report – 1/29/2024

Committee: Vicky McIntyre, Chair
Brian Merrell
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Charge to the committee:

- 1) Determine if the original complaint from 17 PC's to the Idaho Republican Party is valid
- 2) Determine the balance in all financial accounts is accurate and reported to the Secretary of State is accurate
- 3) Provide confidence to the members of the ACRC that the financial records of the organization are being reported correctly

We would like to thank the Ada County Republican Central Committee for allowing our committee additional time to thoroughly review the financial records of the ACRC from 1/1/2022 through 10/6/2023. This committee has met many times and each member was assigned a portion of the ACRC records to review for accuracy. After significant efforts to complete this audit, the committee makes the following report.

In general, an audit establishes a plan for the review of the financial records of an organization. Typically, this includes the use of sampling techniques to establish the accuracy of records. When a sampling produces discrepancies, further review is completed to determine if the discrepancy is a single event or a systemic issue. Our initial review discovered multiple discrepancies; therefore, additional reviews were identified. Traditional audit procedures could not be used in this audit, because most physical documents were not available. It appears the previous administration scanned some documents into a computer filing system and destroyed the original documents.

What has been reviewed:

1. Reviewed QuickBooks transactions compared to the Secretary of State reporting of revenue and expenditures by month
2. Reviewed Secretary of State reporting for "timed deposits", independent expenditures, monthly beginning and ending balances (original filings and amended)
3. Reviewed QuickBooks and thumb drive of accounting system documents for supporting documentation of receipts, requests for checks/reimbursements
4. Constructed an inventory from the 2022 and 2023 Western Idaho Fair purchases; cash sales and credit card sales
5. Inventoried the storage unit to determine assets owned by ACRC
6. Downloaded Secretary of State transactions and compared all to the bank account(s) deposits and expenditures
7. Downloaded Anedot credit card transactions for accounting of revenue and fee expenses
8. Compared original and amended Secretary of State reports for changes between filings
9. Compiled a bank balance for 12/31/2022 (includes Chase and Mountain West checking and savings accounts)
10. Compared Secretary of State monthly reporting to several ACRC financial reporting reports
11. Reviewed potential conflicts of interest within revenue and expense transactions
12. Compared initial review to the 17 person complaint letter to Chairman Moon
13. Compared transactions for compliance to the Fiscal Policy and procedures
14. Compared transactions for compliance to the Bylaws
15. Reviewed 1099 reporting for 2022 for accuracy
16. Reviewed membership applications for 2022 and 2023
17. Reviewed special events revenues and expenditures
18. Reviewed refunds to donors prior to 10/6/2023
19. Determined that Secretary of State software has internal errors and was replaced 1/1/2024
20. Reviewed budgets for 2021-2022
21. Reviewed expenditures exceeding \$1,000 for compliance with the Fiscal policy
22. Reviewed documentation for contracts for independent contractors
23. Discussed ways for PC's to develop trust in financial reporting
24. Reviewed QuickBooks for sub-vendor correction and correct payee detail
25. Reviewed check register (manual) for latest transactions

26. Reviewed QuickBooks reports-Statement of Financial Position; reconciliations, etc.
27. Reviewed prior auditing/financial review documents (Chigbrow, Baber-2)
28. Reviewed ACRCC meeting minutes for content relating to financial reporting
29. Reviewed Stripe credit card transactions from auction
30. Attempted to rebuild Secretary of State monthly reporting
31. Attempted to interview former Treasurer, Dave Litster, for clarification on several identified issues. Met with a response from Attorney, Kristopher Sperry.
32. Synthesize findings from all committee members into a concise report for presentation
33. Identify recommendations from the review
34. Reviewed the QuickBooks log to see how transactions were recorded, edited, etc.
35. Compared SOS transactions against checking account transactions
36. Reviewed FEC filings on Burgess Owens event

Financial decisions by all organizations are generally assumed to establish a fiduciary responsibility on the decision makers. A fiduciary duty involves the expectation that actions taken are in the best interest of the organization. Disclosure of any potential conflict of interest is also important in a fiduciary relationship because any conflict can be seen as a cause for a breach of trust. As a result, additional action was identified for further review.

Overall, we find that the complaint letter by 17 elected Precinct Committee members of the ACRCC was valid. We have:

1. Uncovered multiple documentation errors resulting in overpayments and incorrect submissions to the Secretary of State
2. Board decisions overriding ACRCC motions
3. Multiple examples of violations of Bylaws and Fiscal Policy & Procedure
4. Multiple examples of miss reporting of financial transactions with the Secretary of State filings; both revenue and expenses
5. Confirmed the correction of sub-vendor designations in QuickBooks transaction recordings
6. Evidence of late bank reconciliations
7. Inaccurate 1099 filings for 2022
8. Other miscellaneous examples of poor accounting practices and lack of internal controls.
9. Identified missing assets and suspect transactions.
10. Identified potential FEC violation.

The IRS Publication 583 establishes financial documents a business should maintain for specific timeframes in order to support an IRS audit, should one be requested. Within this document is a section titled, "Recordkeeping" provides guidance for business records that **MUST BE KEPT**. See Appendix A for information from this publication.

The Financial policy document was adopted by the ACRCC in 2020 and updated last on 6/3/2021. Section 1.4 incorrectly lists the accounting year as July 1 to June 30. As a result of the budgeting process using a calendar year, it appears the former Treasurer switched to this reporting period. The financial review used the "Calendar Year" when reviewing documents. The Financial policy section 1.4 should be updated to correct the accounting year to "January 1 through December 31".

The purpose of creating a budget is to properly anticipate expenses (within timeframes of a physical year) for an organization in order to generate revenues needed to provide payment of those expenses. A business/organization cannot stay in business without properly paying its incurred expenses. Many organizations budget for several years in the future in order to better make decisions. Generally financial reporting indicates revenues/expenses compared to budget; providing a more accurate picture of financial performance.

Typically a budget is prepared by a financial officer and presented for approval by the larger organization. A budget is just a prediction, and therefore, is subject to change during the year when new information becomes available that changes the initial prediction. Again, the financial officer generally makes the budget changes identified by a larger group of decision makers. Review and approval generally occurs after each change.

Financial decisions are generally assumed to place a fiduciary responsibility on the decision makers. Fiduciary responsibility should be specifically identified in an organization's bylaws and again in any financial policy. While this duty might be assumed, it is best to specifically explain this so that there is no argument about what it entails. A fiduciary duty involves actions taken in the best interests of another person or entity. Disclosure of any potential conflict of interest is important in a fiduciary relationship because any conflict can be seen as a cause for a breach of trust.

Conflict of interest in decision making oftentimes leads to questions of fiduciary responsibility. The Bylaws of the ACRCC specifically identifies the need to reveal any conflict of interest in the Code of Ethics – Our Conflict of Interest Statement. It states, “the potential for conflict of interest needs to be recognized and disclosed. To that end, the elected member, employee, partner, or appointee must disclose any conflict of interest to the body prior to acting, recommending, or voting on a matter.” The Fiscal Policy and Procedures also addresses Conflict of Interest in Section 3.2 – Conflict of Interest.

Seventeen elected Precinct Committee people filed a formal complaint to the Idaho GOP about perceived financial issues in April 2023. After an initial investigative review, the Idaho GOP Chairman ruled for a financial review. The ACRCC Chairman, Victor Miller, appealed that ruling. The Idaho GOP Chairperson initiated a special meeting of the Idaho GOP Executive Board in June 2023. The Idaho GOP Executive Board rejected the appeal. A financial review committee was officially formed but the ACRCC Chairman, Victor Miller, appealed the Executive Board ruling. This would require the issue to be placed on the Idaho GOP Winter meeting. Prior to this meeting, six (6) elected officials of the ACRCC resigned on October 5, 2023. (Resignations were from Chairman, 1st Vice Chair, 2nd Vice Chair, 3rd Vice Chair, Treasurer, and State Committeewoman.) The resignations initiated a mandatory financial review, for which this report will detail the findings/recommendations.

With the implementation of the Fiscal Policies & Procedures, the Treasurer was directed to “electronically” preserve documents. Ideally this would have occurred within the accounting software adopted by the ACRCC, QuickBooks by attaching the appropriate documents to the actual transaction. During the review, a smattering of attachments were included in the QuickBooks file. Other documents were scanned into a file structure. Inconsistencies were found in what and where documents were scanned. Many paper records were reviewed that did not exist in either electronic format. QuickBooks provides for file backup; providing the ability to recover documents identified by the IRS as critical financial documents.

Protection of consumer personal information is critical when building trust with donors. The PCI Security Standards Council (PCI SSC) is a global forum that brings together payments industry stakeholders to develop and drive adoption of data security standards and resources for safe payments worldwide.¹

PCI Security Standards are developed specifically to protect payment account data throughout the payment lifecycle and to enable technology solutions that devalue this data and remove the incentive for criminals to steal it. They include standards for merchants, service providers, and financial institutions on security practices technologies and processes, and standards for developers and vendors for creating secure payment products and solutions.¹

While there is no monitoring for PCI compliance, protection of donor information should be adopted by the ACRCC.

The original complaint from the 17 PC's to the Idaho Republican Party is valid. Transparency to the financial records appear to have been withheld from review by the majority of the ACRCC. Many of the findings indicate that the Bylaws and Fiscal Policy were not being followed. Errors identified from the amount of Secretary of State C-2 filings provides fodder that financial information was not accurate from June 2022 to September 2023. Conflicts of interest did exist between Executive Board members and vendors.

The balance in the Mountain West Bank account was depleted between August and October. The Secretary of State report for October contains a different beginning balance than the report from September. This amount has been

identified at \$6,550. Going forward, the new treasurer will utilize the bank statement balance reconciliation to file the required Secretary of State C-2.

The working papers from this audit are being turned over to the current Treasurer.

Findings from the audit:

1. QuickBooks was not used correctly. Instead of entering transactions in QuickBooks, checks were written and deposits were made; then downloaded from the bank into QuickBooks. This method incorrectly reported receipts from sources like Anedot where fees are reduced from the amount paid to deposit a net amount. Creating Secretary of State transactions using this method resulted in incorrect SOS reporting for receipts and expenses. Example: SOS report for June 2022 was originally filed on 7/9/2022 with incorrect contribution amounts and missing Anedot fees as expenses. An amendment was filed on 1/28/2023 that fixed these amounts. Payee names are missing in QuickBooks when transactions are downloaded from the bank. Many QB transactions are missing payee names (Example: Check 374 – Payee should be TV Litho, Check 377 – Payee should be Ashley Mujagic).
2. Documents (Deposit, Check request, Reimbursement forms) were not appropriately signed by the requester or by the approver. It appears that a form was used to record the transactions. Dates for the transactions are often incorrect. Example: Check 382-Check Request form shows a date of 10/10/2022. The cancelled check as presented through the bank shows the check date of 10/7/2022. Form for check 382 has a printed name of submitter as Dave Litster. No approver is present on many forms. There were 242 expenses or reimbursement requests that did not have a properly signed expense request form or reimbursement request form. There was only one request form that was signed by the requester and there was only one receipt signed by an authorized approver.
3. Assets are missing from the 2022 and 2023 Fair merchandise. Purchases indicate the purchase of 500 Solo drink cups. Sales indicate that 450 were sold; leaving 50 cups that should exist in the storage locker. 10-5X7 paper picture frames with Easels were purchased on 6/21/23-not found in the storage unit. Bamboo suggestion box purchased on 8/9/23 is not recorded in the storage unit inventory. Purchase of quantity of 100 from Imprint City of Belmont 20 oz. vacuum insulated stainless steel mugs occurred on 6/29/23; however, sales cannot be tracked for these mugs; therefore, no remaining inventory exists in the storage unit. Many items were purchased via Temu that sales cannot track and nothing exists in the storage unit (favors classroom prizes; 20 pks of 20 pieces of slap bracelets; 250 American flag stickers, 6 pks of 60 pieces letter graphic silicone bracelet; 20 pks of 20 pieces of slap bracelets-patriotic décor; 4 pks of 60 pieces letter graphic bracelet black). USB cable purchased at Walmart. Both 2022 and 2023 had hats. The Fair reporting does not identify hats correctly to determine any ending balance. Assumption is that all hats were not sold. No hats exist in the storage unit. From 2022 Fair, it appears the following are missing: 85 t-shirts, 43 totes, 44 openers. An aluminum folding table and 2 travel aluminum easel was purchased at Michaels on 9/16/22 for a total of \$211.97. Another 2 aluminum easels were purchased on 9/16/22 at Michaels for a total of \$139.98.
4. There are 37 expense transactions in QuickBooks in 2022 with no specified vendor totaling \$107,559.81.
5. Section 6.2 of the ACRCC Bylaws details the requirement for three bids for expenditures exceeding \$1,000 and cumulative of \$4,000. There were 41 of 42 expense transactions for 2022 and 2023 that were greater than \$1,000.00 with no evidence of competitive bids. (27 in 2022 totaling \$145,607.73 and 14 in 2023 totaling \$49,157.26).
6. Receipts or supporting documentation was missing for about half of all recorded transactions.
7. There were approximately 71 deposits recorded in QuickBooks for a total of \$99,431.40 where the deposits were recorded differently on the Secretary of State C-2 reports. Of these, 40 of the deposits for a total of \$51,960.94 appear to incorrectly account for (report) Anedot fees. The other 31 deposits totaling \$47,470.46

were not recorded the same in QuickBooks and on the Secretary of State C-2 reports. In some cases donor names did not match, names were misspelled and reported incorrectly, donor contributions were omitted from C-2 reports, multiple donor contributions were combined into one, etc. It appears that insufficient records were kept when donors made contributions to allow accurate reporting in QuickBooks and to the Secretary of State.

8. Checks should be dated consecutively; however, it appears that checks were back-dated at times. Example: check 451 was dated 4/25/2023, yet checks 452 and 453 were dated 4/4/2023.
9. Sales tax must be paid on purchases used within an organization. Merchandise that is purchased for resale can be purchased without sales tax if a Form ST-101 is given to the company as the merchandise is ordered. Overpayment of Sales Tax occurred from the Western Idaho State Fair in 2023 because sales tax was charged on merchandise purchased for resale. This resulted in an overpayment of sales tax of \$313.89
10. Deposits were not timely. Deposits from the Idaho Fair were completed 5 days after the sales dates. Example: on 8/22/23, deposits for 8/18, 8/19, 8/20 and 8/21 were made. On August 28, deposits for 8/22, 8/23, 8/24, 8/25, 8/26, and 8/27 were made. Deposit of 9/21/2022 shows a check dated 8/30/2022 for \$5,000. The other two checks in this deposit were dated 9/12/2022 and 9/14/2022. Deposit dated 3/27/23 contains checks dated 1/28/23, 2/9/23 and 3/9/23.
11. Deposit documentation has missing copies of checks. Example: deposit of 9/16/2022 is missing a copy of a contribution for \$100. The copies of checks do not add up to the total on the deposit slip. Deposit on 10/24/2022 is missing a copy of a contribution of \$100.
12. Document preservation was inconsistent. Some documents were attached in QuickBooks; others were scanned into a computer file system (timing appears not to be consistent); Review of the file date stamps shows that deposit records were last modified on 2/20 and 2/21/2023. The Fiscal policy requires certain documents remain in paper format and in electronic format (See Section 2.1.7). The financial review conducted by March 1, 2023 by William Baber indicated that Treasurer Litster provided physical copies of deposits, receipts, in-kind forms, reimbursement forms and related documents. At some point, a decision was made to not keep physical records. It is unclear when/who made this decision and when it was initially implemented. File dates in the computer file system suggest this was done in September 2023.
13. The Fiscal policy & procedures requires any independent contractor to be approved by the ACRCC (Section 6.3); Independent contractors were: Barrett Tetlow and Jacob Miller. A contract with Mr. Tetlow was contained in the electronic documentation. Meeting minutes of the ACRCC do not indicate approval as required.
14. Electronic copies of checks deposited by donors contain actual bank routing numbers and account information from actual accounts. Physical documents for annual membership applications contained actual credit card information. (2022 membership electronic records blanked out the credit card information). This is known as PCI (Payment card industry) compliance. Although PCI compliance is not monitored at organizations, it is imperative to assure donor confidentiality.
15. Merchandise purchases for the 2023 Idaho Fair were made using multiple credit cards, yet the reimbursement did not identify the multiple payees. Credit card ending in 1352 was used to purchase Fair assets and supplies. Credit card ending in 5169 and 3930 was used to purchase jewelry through Temu. The individual listed for those purchases was not the person reimbursed.
16. Check requests containing charges for copies doesn't supply a dated document for the copy counts being reimbursed nor an ongoing reporting by month. Reimbursement should be made to "First Class Cleaning".
17. Section 4.3 of the Fiscal Policy requires the financial review committee to "consist of three voting members". All contracts for financial review should require a review of conformance to the Bylaws and Fiscal Policy. The Chairman appointed a single person in 2022 as the Financial Committee; who then hired William Baber, an attorney. No contract was found to evaluate the review.
18. Records of cash purchases at the 2023 Fair are blank and do not balance to the cash count indicated on the envelope. This contributes to the inability to evaluate the remaining inventory for reporting to ACRCC. An

accurate Cost of Good Sold is also impossible without these documents balancing. In the creation of a spreadsheet of purchases and the recorded sales, a P & L is difficult to accurately report.

19. Credit card purchases for the 2023 Fair cannot be reconciled from the documents scanned into the computer files. A form exists for credit card purchases, but was not used.
20. In Kind contribution reported in the October 2022 SOS report contained an entry for Imprint City for \$5,950.07. Research shows that this was an expenditure paid via debit card on 9/26/2022. Further discussion suggested that the printing job was bad and they had to redo it. A bad product shouldn't be reported as anything.
21. Computer records are missing Mountain West Savings statements for April, May, June, July and August 2023. Mountain West savings account reconciliations are missing for April, May, July and August 2023. June's reconciliation indicates a \$2,000 transfer to a Federal Account at Mountain West.
22. Reimbursement request for check 431 shows a submitter printed name with a date of 11/11/2021 and an expense period of 12/1/2022 to 12/31/2022; exemplifying that forms were created after the fact and prior forms weren't cleared out. Back up receipts were scanned on 8/23/2023.
23. Records of credit card purchases at the 2023 Fair do not balance to the deposits. Anedot fees paid by the donor were not correctly accounted for.
24. Backup receipts do not exist for check 368 issued 9/21/2022.
25. Check request for check 101 contains no signatures and the details do not match the invoice, even though the total matches the invoice.
26. Check 376 backup receipts doesn't account for 3 returned items; resulting in an overpayment of \$21.21.
27. Petty cash contains \$22.63. Section 6.6 of the Fiscal Policy explains how this process is supposed to work; including how funds are to be refreshed.
28. A review of the bank accounts indicates that a 3-month average of expenses does not exist as recommended in Section 7.4 of the Fiscal Policy.
29. Check 383 of \$12,904.40 was submitted when the invoice is for \$12,804.80, for an overpayment of \$100. This incorrect amount was reported to the Secretary of State on an amended report, Independent Expenditure on 9/18/2023.
30. Check 478 was submitted for \$118.96 when the attached receipts indicate that the single Walmart purchase was \$23.27 instead of \$23.72, resulting in an overpayment of \$.45.
31. Check 4064 (Reviewed by Chigbrow) contains two incorrect entries. Staples is \$7.41 instead of \$6.99 and Office Max should be \$66.93 instead of \$66.95. Check was issued for \$3,033.57 and the receipts add up to \$3053.97, resulting in an underpayment of \$20.40.
32. Check 325 has an invoice of \$187.50, but the check was cut for \$187; an underpayment to Erin Moses of \$.50.
33. The 1099 for William Baber was issued for 2022 in the amount of \$1,000 when disbursements of \$950 and \$500 were made within this time period.
34. 2022 checking reconciliations were not being completed monthly. Evidence is check 335 issued on 4/15/2022 and cleared the bank of 6/16/2022, yet a duplicate check 351 was issued on 7/27/2022 until it was recognized as cleared.
35. ACRCC approved the payment of Idaho GOP dues for 2022 and 2023 during the budget process; however, the Chairman directed the Treasurer to only send \$1,000 monthly as indicated on the accompanying letter to the GOP. The two year budget was approved by the full ACRCC. The Treasurer was advised by the ACRCC to bring the dues current in September 2023.
36. Conflicts of interest appear to exist between several of the Board members and vendors that were paid large amounts for purchases exceeding the \$1,000 amount. All conflicts of interest should have been disclosed so that these purchases could be approved by the ACRCC, and not the Executive Board.
37. Documentation of assets owned by the ACRCC needs generated. An inventory of the storage unit indicates what is currently there. No records exist to indicate purchases and dates for accurate accounting.

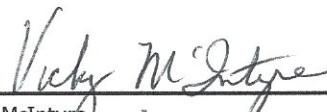
38. An invoice for \$150 was presented from Dave Leroy, Attorney, yet the check request #477 was authorized to pay \$400 on 9/13/23.
39. A suspect credit card transaction occurred on 8/26/2023 at the Western Idaho Fair for a total of \$1,020. The detail suggests the purchaser bought 66 hats and 2 shirts. An email trying to confirm this was issued; however, the buyer did not respond.
40. Two different check requests (#479) exist for two different payees. Both are for refunds to prior donors. This indicates that check requests were made after the fact and possibly why few of them contain actual signatures. One is payable to Big TV and the other should be for Idaho Land Fund.
41. ACRCC website lists the current officers as the administration that resigned.
<https://adacountygop.com/contact/>
42. Refunds were made in September and October 2023 via Executive Board members directly contacting large donors suggesting they ask for their money back. Example: emails from Board members to several donors suggesting amounts they should ask for. These emails used similar wording. These refunds resulted in \$10,950.
43. Large expenditures were created in September to reimburse Executive Board members for expenses from May 2023.
44. FEC document in response to FEC letter, due no later than 8/8/23, was dated 10/4/2023 by the former Treasurer. Information submitted indicates two individuals contributed the money when bank reconciliation documents indicate the money was transferred from the ACRCC main bank account to the Federal bank account. A checking account was opened at Mountain West bank as a federal checking account with no record in the minutes of either the central committee or the executive board showing a discussion of creating such an account. These actions may constitute a violation of federal election regulations and campaign finance laws.

As a result of our efforts, we offer the following recommendations:

- 1) Update the Fiscal Policies & Procedures, Section 1.4 to indicate the Accounting Period of January 1 to December 31
- 2) Attach all appropriate documents within QuickBooks for each transaction to allow accurate back-up capability and maintain ALL PAPER DOCUMENTS.
- 3) Update the Fiscal Policies Introduction to include the concept of "Fiduciary Responsibility"
- 4) Update the Fiscal Policies Section 1.1 to correct a grammatical error. "These procedures are designed to:"
- 5) Implement appropriate PCI compliance requirements into the Fiscal Policy & Procedures document.
- 6) Enhance Section 6.4 to include the requirement that actual signatures appear on Check Requests. A submitter cannot also be the approver. All requests for checks should be approved by the ACRCC after first being reviewed by the Executive Board. Allow for the exception on recurring expenses after ACRCC approval. Additional language for debit card usage might be helpful.
- 7) Change the date of the ACRCC monthly meeting to at least the second week of the month (possibly the third). The Fiscal Policy & Procedures document requires the financial reports to be first presented to the Executive Board for review and approval PRIOR to being presented to the ACRCC (see Section 3.3.6 and Section 4.2). Bank statements are generally available one business day after the end of the month. In order for the reconciliation and financial reports to be completed and available to the ACRCC, the Executive Board meeting must be after month-end; therefore, the ACRCC monthly meeting needs to be in the following week. Using the 1st week after the first Monday would provide for accurate reporting being available for decision making by the Board. The third week of the month would occur the ACRCC meeting would follow the Board. Accommodations may need made for the months of November and December, due to Federal holidays.
- 8) Draft a new section in the Policy & Procedures to spell out the role and duties of the Executive Board.
- 9) Draft a new section in the Policy & Procedures to identify methods for Quality Control (Internal controls), with explicit roles at various levels within the organization. All persons are responsible for identifying and correcting errors by anyone. This provides additional transparency to the organization.
- 10) Create a "refund" policy.
- 11) Reconsider the approval ability of the Board. Review of Section 3.3.6 needs the inclusion of Conflict of Interest reporting that may affect approval.

- 12) Update Section 3.4.5 of the Fiscal Policy & Procedure to identify sales for resale MUST obtain an official ST-101 form before submitting an approved purchase. Follow-up by the Treasurer should occur to validate the merchandise will be used for resale.
- 13) Update Section 4.1 Budgeting Process to provide more monitoring and control by the ACRCC instead of solely by the Board. For example the following statement could change the verb used – "...but all amendments MUST be presented to the Central Committee for approval."
- 14) Draft a new section to the Fiscal Policy that requires any financial review to adjudicate the appropriate compliance with the Bylaws and Fiscal Policy & Procedure.
- 15) Enhance Section 5.3-Cash Receipts to define the role and responsibility of the person in-charge of any event or fundraiser. This should include a budget showing anticipated "Net Income" from the venture and the recording of merchandise for sale and the subsequent sales by each piece of merchandise. Without inventory control, no accurate details can be provided to the ACRCC. Include procedures for credit card purchases.
- 16) Require all Executive Board decisions, including processing of competitive bids and the requests for reimbursement be compared to budget funding and appropriate approvals, including ACRCC be recorded in the minutes.
- 17) Clarify the timing for cash replacement for the Petty Cash in Section 6.6 of the Fiscal Policy.
- 18) Update the budget process to include the requirement for the 3 month average expenses as the cash reserve requirement (Section 7.4 and Section 4.1).
- 19) Require the Treasurer to complete training in QuickBooks online within 30 days of taking office.
- 20) Amend the fiscal policies on how/when reconciliation should occur.
- 21) Better define Republican membership and who controls what is spent based on contributions received.
- 22) Issue a corrected 1099 to William Baber for 2022 for \$1,450 (Payment of \$950 and \$500).
- 23) Establish a financial review committee that obtains the reconciled bank records, transaction documentation, and compares all to the QuickBooks files. This committee should review the SOS report filed at the 10th of each month.
- 24) Establish an appropriate web presence under the control of the ACRCC.
- 25) File appropriate IRS reports; 990 report due for 2022 by 3/31/23; report due for 2023 by 3/31/24.
- 26) Work with the Idaho Sales Tax Commission to audit payments made.
- 27) Follow-up with FEC to clear up incorrect filing documentation and take action regarding the Federal Bank account.

Respectfully submitted,

X 

Vicky McIntyre
Chair

Appendix A – IRS Publication 583 page 11

Recordkeeping

This part explains why you must keep records, what kinds of records you must keep, and how to keep them. It also explains how long you must keep your records for federal tax purposes. A sample recordkeeping system is illustrated at the end of this part.

Why Keep Records?

Everyone in business must keep records. Good records will help you do the following.

Monitor the progress of your business. You need good records to monitor the progress of your business. Records can show whether your business is improving, which items are selling, or what changes you need to make. Good records can increase the likelihood of business success.

Prepare your financial statements. You need good records to prepare accurate financial statements. These include income (profit and loss) statements and balance sheets. These statements can help you in dealing with your bank or creditors and help you manage your business.

- An income statement shows the income and expenses of the business for a given period of time.
- A balance sheet shows the assets, liabilities, and your equity in the business on a given date.

Identify source of receipts. You will receive money or property from many sources. Your records can identify the source of your receipts. You need this information to separate business from nonbusiness receipts and taxable from nontaxable income.

Keep track of deductible expenses. You may forget expenses when you prepare your tax return unless you record them when they occur.

Prepare your tax returns. You need good records to prepare your tax returns. These records must support the income, expenses, and credits you report. Generally, these are the same records you use to monitor your business and prepare your financial statements.

Support items reported on tax returns. You must keep your business records available at all times for inspection by the IRS. If the IRS examines any of your tax returns, you may be asked to explain the items reported. A complete set of records will speed up the examination.

Kinds of Records To Keep

Except in a few cases, the law does not require any specific kind of records. You can choose any recordkeeping system suited to your business that clearly shows your income and expenses. The business you are in affects the type of records you need to keep for federal tax purposes. You should set up your recordkeeping system using an accounting method that clearly shows your income for your tax year. See *Choosing an Accounting Method*, earlier. If you are in more than one business, you should keep a complete and separate set of records for each business. A corporation should keep minutes of board of directors' meetings.

Your recordkeeping system should include a summary of your business transactions. This summary is ordinarily made in your books (for example, accounting journals and ledgers). Your books must show your gross income, as well as your deductions and credits. For most small businesses, the business checkbook (discussed later) is the main source for entries in the business books. In addition, you must keep supporting documents, explained later.

Electronic records. All requirements that apply to hard copy books and records also apply to electronic storage systems that maintain tax books and records. When you replace hard copy books and records, you must maintain the electronic storage systems for as long as they are material to the administration of tax law. An electronic storage system is any system for preparing or keeping your records either by electronic imaging or by transfer to an electronic storage media. The electronic storage system must index, store, preserve, retrieve, and reproduce the electronically stored books and records in legible format. All electronic storage systems must provide a complete and accurate record of your data that is accessible to the IRS. Electronic storage systems are also subject to the same controls and retention guidelines as

those imposed on your original hard copy books and records. The original hard copy books and records may be destroyed provided that the electronic storage system has been tested to establish that the hard copy books and records are being reproduced in compliance with IRS requirements for an electronic storage system and procedures are established to ensure continued compliance with all applicable rules and regulations. You still have the responsibility of retaining any other books and records that are required to be retained.

The IRS may test your electronic storage system, including the equipment used, indexing methodology, software and retrieval capabilities. This test is not considered an examination and the results must be shared with you. If your electronic storage system meets the requirements mentioned earlier, you will be in compliance. If not, you may be subject to penalties for non-compliance, unless you continue to maintain your original hard copy books and records in a manner that allows you and the IRS to determine your correct tax.

For details on electronic storage system requirements, see Revenue Procedure 97-22, available at [IRS.gov/Tax-Exempt-Bonds/Revenue-Procedures](https://www.irs.gov/Tax-Exempt-Bonds/Revenue-Procedures).

Supporting Documents

Purchases, sales, payroll, and other transactions you have in your business generate supporting documents. Supporting documents include sales slips, paid bills, invoices, receipts, deposit slips, and canceled checks. These documents contain information you need to record in your books. It is important to keep these documents because they support the entries in your books and on your tax return.

Keep them in an orderly fashion and in a safe place. For instance, organize them by year and type of income or expense.

Gross receipts. Gross receipts are the income you receive from your business. You should keep supporting documents that show the amounts and sources of your gross receipts. Documents that show gross receipts include the following.

- Cash register tapes.
- Bank deposit slips.
- Receipt books.
- Invoices.
- Credit card charge slips.
- Forms 1099-MISC.
- Forms 1099-NEC.

Inventory. Inventory is any item you buy and resell to customers. If you are a manufacturer or producer, this includes the cost of all raw materials or parts purchased for manufacture into finished products. Your supporting documents should show the amount paid and that the amount was for inventory. Documents reporting the cost of inventory include the following.

- Canceled checks.
- Cash register tape receipts.
- Credit card sales slips.
- Invoices.

These records will help you determine the value of your inventory at the end of the year. See Pub. 538 for information on methods for valuing inventory.

Expenses. Expenses are the costs you incur (other than the cost of inventory) to carry on your business. Your supporting documents should show the amount paid and that the amount was for a business expense. Documents for expenses include the following.

- Canceled checks.
- Cash register tapes.
- Account statements.
- Credit card sales slips.
- Invoices.
- Petty cash slips for small cash payments.

A petty cash fund allows you to make small payments without having to write checks for small amounts. Each time you make a payment from this fund, you should make out a petty cash slip and attach it to your receipt as proof of payment.

Travel, transportation, and gift expenses. Specific recordkeeping rules apply to these expenses. For more information, see Pub. 463.

Employment taxes. There are specific employment tax records you must keep. For a list, see Pub. 15. **Assets.** Assets are the property, such as machinery and furniture you own and use in your business. You must keep records to verify certain information about your business assets. You need records to figure the annual depreciation and the gain or loss when you sell the assets. Your records should show the following information.

- When and how you acquired the asset.
- Purchase price.
- Cost of any improvements.
- Section 179 deduction taken.
- Deductions taken for depreciation.
- Deductions taken for casualty losses, such as losses resulting from fires or storms.
- How you used the asset.
- When and how you disposed of the asset.
- Selling price.
- Expenses of sale.

The following documents may show this information.

- Purchase and sales invoices.
- Real estate closing statements.
- Canceled checks.

What if I don't have a canceled check? If you do not have a canceled check, you may be able to prove payment with certain financial account statements prepared by financial institutions. These include account statements prepared for the financial institution by a third party. These account statements must be highly legible. The following table lists acceptable account statements.

TIP IF payment is by check, THEN the statement must show the...

- Check number.
- Amount.
- Payee's name.
- Date the check amount was posted to the account by the financial institution.

If payment is by Electronic funds transfer, THEN the statement must show the...

- Amount transferred.
- Payee's name.
- Date the transfer was posted to the account by the financial institution.

If payment is by Credit card, THEN the statement must show the...

- Amount charged.
- Payee's name.
- Transaction date.

Proof of payment of an amount, by itself, does not establish you are entitled to a tax deduction. You should also keep other documents, such as credit card sales slips and invoices, to show that you also incurred the cost.

Recording Business Transactions

A good recordkeeping system includes a summary of your business transactions. (Your business transactions are shown on the supporting documents just discussed.) Business transactions are ordinarily summarized in books called journals and ledgers. You can buy them over the Internet and at your local stationery or office supply store. A journal is a book where you record each business transaction shown on your supporting documents. You may have to keep separate journals for transactions that occur frequently. A ledger is a book that contains the totals from all of your journals. It is organized into different accounts. Whether you keep journals and ledgers and how you keep them depends on the type of business you are in. For example, a recordkeeping system for a small business might include the following items.

- Business checkbook.
- Daily summary of cash receipts.

- Monthly summary of cash receipts.
- Check disbursements journal.
- Depreciation worksheet.
- Employee compensation record.