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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

2000 FEB -2 P 12:05

February 2, 2000

MEMORANDUM

TO: The Commission

THROUGH: James A. Pehrkon *JAP*
Staff Director

FROM: Lawrence M. Noble *LN*
General Counsel

Kim Leslie Bright *KL B*
Associate General Counsel

Lorenzo Holloway *LH*
Assistant General Counsel

J. Duane Pugh Jr. *JDP*
Attorney

Jamila I. Wyatt *JW*
Attorney

AGENDA ITEM
For Meeting of: 2-3-00

SUBMITTED LATE

SUBJECT: Audit Division Analysis of Potentially Permissible Host Committee Expenses Paid by the 1996 Committee on Arrangements for the Republican National Convention dated January 31, 2000

The draft Statement of Reasons for the 1996 Committee on Arrangements for the Republican National Convention ("Convention Committee") was discussed at the January 27, 2000 open session Commission meeting. The draft Statement of Reasons proposed a total repayment of \$774,858 by the Convention Committee to the United States Treasury. The repayment amount includes a \$482,111 in-kind contribution from the San Diego Host Committee ("Host Committee") to the Convention Committee, and a \$292,747 in-kind contribution from the Republican National Committee ("RNC") to the Convention Committee (\$482,111 + \$292,747 = \$774,858).

At the Commission meeting of January 27, 2000, the Commission directed the Audit Division to review expenses that the Convention Committee paid, but that it claims could have been permissibly paid by the Host Committee. The Audit Division has

prepared an analysis of the expenses. The Office of General Counsel concurs with the Audit Division's analysis of permissible host committee expenses.

This Office notes that the proposed offset does not impact the \$292,747 in-kind contribution from the RNC. The proposed offset would exchange the contribution from the Host Committee for Convention Committee expenditures that could have been made by the Host Committee pursuant to 11 C.F.R. § 9008.52. The Audit Division's analysis addresses whether the specified Convention Committee's expenditures could have been permissibly provided by a host committee pursuant to 11 C.F.R. § 9008.52. Because national party committees like the RNC are not permitted to provide permissible host committee expenditures, the \$292,747 contribution from the RNC should not be offset by Convention Committee expenditures that could have been permissibly provided by a host committee. The funds that the RNC could have spent in connection with the convention are limited to the public funds that it already received and spent in accordance with 11 C.F.R. §§ 9008.4(a) and 9008.7(a). 11 C.F.R. § 9008.8(a).



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20461

January 31, 2000

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

THROUGH: JAMES A. PEHRKON
STAFF DIRECTOR

FROM: ROBERT J. COSTA
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

SUBJECT: ANALYSIS OF COA PAID EXPENSES THAT MAY HAVE BEEN
PERMISSIBLY PAID BY THE HOST COMMITTEE

At the Commission meeting of January 27, 2000, the Audit Division was directed to review the list of expenses that the COA claims could have been permissibly paid by the Host Committee. The COA argues that it should be permitted to offset expenses it paid, that could have been paid by the Host Committee, against expenses that the Host Committee paid that were required to be paid by the COA. Such an offset would eliminate a portion of the repayment recommended in the draft Statement of Reasons. If the offset is permitted it will apply to \$482,111 of the \$774,858 recommended repayment. That is the portion that is related to convention expenses paid by the Host Committee. The remaining \$292,747 relates to convention expenses paid by the RNC and can not be offset by permissible Host Committee expenses paid by the COA.

The attached chart is a list of expenses that are claimed to be permissible Host Committee expenses. The expenses total \$1,606,138¹. For ease of presentation the expenses have been grouped into seven categories as follows:

1	Construction and facilities	\$212,407
2	Office Equipment	\$399,393
3	Parking	\$64,680
4	Security	\$46,337

¹ The COA has submitted two lists. One in response to the ECM and a "refined" list with the request for an administrative review of the repayment determination. The analysis is based on the earlier list. The amount that is available for potential offset is greater on the that list.

5	Hotels	\$743,924
6	Caucus and Platform Meeting	\$25,651
7	Undocumented	\$113,746

Of these categories, the Audit staff believes that all of Categories 1 through 3 could have been paid by the Host Committee pursuant to 11 CFR §9008.52 (c), along with most of the expenses in Category 4. Category 1 consists of a payment to a paving company for landscaping and to prepare sites for temporary facilities, and payments to Motorola for a two-way radio system. Category 2 is payments to Xerox for photocopiers and to AT&T for computer equipment. As the title suggests, Category 3 is for parking the week of the convention. Security, Category 4, is mostly for shirts that COA claims were for security personnel. Although it is clear that the shirts and caps were imprinted with the convention logo, the relationship to security is based on the COA's explanation. There is also a payment to a security company for the safeguarding of COA equipment. These items are accepted. The payment classified as security by COA and not accepted is for printing shirts but the invoice is less specific than those for the amounts accepted.

The total amount accepted as permissible Host Committee expenses is \$718,384, more than sufficient to offset the payments by the Host Committee determined to be COA expenses.

The large majority of the expenses that are not accepted as permissible Host Committee expenses are hotel costs for COA staff and volunteers. These expenses are Category 5 on the chart and total \$743,924. Section 9008.52(c)(1)(ix) states that a host committee can incur expenses "to provide hotel rooms at no charge or a reduced rate on the basis of the number of rooms actually booked for the conventions." Thus, section 9008.52(c)(1)(ix) permits host committees to provide convention committees with any rooms the host committee receives at no charge or at a reduced rate based on the number of rooms actually booked for the convention.

Contracts obtained from the San Diego Convention & Visitors Bureau ("ConVis") between the COA and hotel vendors demonstrate that the COA received one free room for every 40 rooms booked by the Host Committee. In addition, these contracts and other evidence reviewed demonstrate that after the hotels received full payment, the hotels gave a 5% commission to ConVis, and ConVis forwarded this 5% commission to the Host Committee.

In attempting to use the \$743,924 paid for the rooms as a host committee expense pursuant to section 9008.52(c)(1)(ix), the COA is incorrectly attempting to extend the regulation to include not just the complimentary rooms the Host Committee properly provided in accordance with section 9008.52(c)(1)(ix), but also the underlying rooms the Host Committee would have been required to book in order to receive the complimentary rooms. Section 9008.52(c)(1)(ix) is not that broad.

Category 6 contains payments to only one vendor. The purpose of the payments was to provide facilities, sound and lighting for Caucus and Platform Committee meetings on August 5, through August 9, 1996, before the start of the convention. This is a National Party business meeting and not a Host Committee expense.

Finally, Category 7 is expenses for which documentation was not submitted to establish the nature of the expense. A search of the audit files did not provide sufficient additional information for these expenses. The total amounts not accepted as permissible Host Committee expenses is \$887,754.

Should you have any questions please contact Joe Stoltz or Erica Holder at 694-1200.

Committee on Arrangements for the 1996 Republican National Convention

Analysis of COA Expenses Claimed As Permissible Host Expense

1	2	3	4	5	6	7
Vendor Name	Amount Paid	Category of Expense	Permissible Host Expense	COA Expense	Indeterminable No Documentation	Explanation if Not a Permissible Host Expense
Per COA Response(See F1)	Per COA	Expense	Per Audit	Per Audit	Documentation	
1 Motorola	\$186,407.00	1	\$186,407.00			
2 JD Paving	\$26,000.00	1	\$26,000.00			
3 Xerox	\$272,399.00	2	\$272,399.00			
4 ATT Capital	\$126,994.00	2	\$126,994.00			
5 Ace Parking	\$30,850.00	3	\$30,850.00			
6 Parking Company of America	\$21,000.00	3	\$21,000.00			
7 Horton Plaza	\$7,500.00	3	\$7,500.00			
8 Albright San Diego Parking	\$5,330.00	3	\$5,330.00			
9 Fruit of the Loom	\$40,890.00	4	\$40,890.00			
10 Red Sun Custom Screening	\$4,433.00	4		\$4,433.00		
11 Waddington's Inc.	\$1,014.00	4	\$1,014.00			Custom T-Shirts Contract Printing; Republican T-sh
12 Clarion Hotel Bay View	\$240,891.00	5		\$240,891.00		Hotel Rooms For Convent. staff & Volunteers
13 San Diego Marriott & Marina	\$192,338.00	5		\$192,338.00		Hotel Rooms For Convent. staff & Volunteers
14 Doubletree Hotel	\$76,153.00	5		\$76,153.00		Hotel Rooms For Convent. staff & Volunteers
15 Hyatt Regency San Diego	\$44,404.00	5		\$44,404.00		Hotel Rooms For Convent. staff & Volunteers
16 Radisson Harbor View	\$31,803.00	5		\$31,803.00		Hotel Rooms For Convent. staff & Volunteers
17 Holiday Inn on the Bay	\$20,925.00	5		\$20,925.00		Hotel Rooms For Convent. staff & Volunteers
18 Holiday Inn on Mission Valley	\$19,722.00	5		\$19,722.00		Hotel Rooms For Convent. staff & Volunteers
19 Howard Johnson's Harbor View	\$17,488.00	5		\$17,488.00		Hotel Rooms For Convent. staff & Volunteers
20 Holiday Inn Harbor View	\$15,583.00	5		\$15,583.00		Hotel Rooms For Convent. staff & Volunteers
21 Super 8	\$15,129.00	5		\$15,129.00		Hotel Rooms For Convent. staff & Volunteers
22 Embassy Suites Hotel	\$12,742.00	5		\$12,742.00		Hotel Rooms For Convent. staff & Volunteers
23 The Westgate Hotel	\$12,477.00	5		\$12,477.00		Hotel Rooms For Convent. staff & Volunteers
24 Marriott Suites	\$8,794.00	5		\$8,794.00		Hotel Rooms For Convent. staff & Volunteers
25 Kona Kai Continental Plaza	\$8,773.00	5		\$8,773.00		Hotel Rooms For Convent. staff & Volunteers
26 Days Inn Downtown	\$7,121.00	5		\$7,121.00		Hotel Rooms For Convent. staff & Volunteers
27 Quality Suites San Diego	\$6,242.00	5		\$6,242.00		Hotel Rooms For Convent. staff & Volunteers
28 The Comfort Inn	\$6,205.00	5		\$6,205.00		Hotel Rooms For Convent. staff & Volunteers
29 Radisson Hotel	\$4,199.00	5		\$4,199.00		Hotel Rooms For Convent. staff & Volunteers
30 Radisson Suites	\$2,927.00	5		\$2,927.00		Hotel Rooms For Convent. staff & Volunteers
31 Meeting Services, Inc.	\$25,651.00	6		\$25,651.00		Preparation for Caucus & Platform Meeting on Aug 5
32 Rally's West Coast Rest	\$32,788.00	7			\$32,788.00	
33 Televideo	\$26,320.00	7			\$26,320.00	
34 M Griffes & CO.	\$10,994.00	7			\$10,994.00	
35 Harbor Bait & Tackle	\$10,000.00	7			\$10,000.00	
36 Charles Satter Associates	\$9,389.00	7			\$9,389.00	
37 Communications Group	\$9,100.00	7			\$9,100.00	
38 Heintz Media Group	\$4,395.00	7			\$4,395.00	
39 Senorita Cleaning Service	\$3,270.00	7			\$3,270.00	
40 TECM Inc.	\$3,000.00	7			\$3,000.00	
41 ESC	\$2,529.00	7			\$2,529.00	
42 Synectic Systems	\$1,548.00	7			\$1,548.00	
43 Personal Computer Rental	\$413.00	7			\$413.00	
Total of Column 2	\$1,606,138.00					
Total of Cols 4;5 and 6	\$1,606,138.00		\$718,384.00	\$774,008.00	\$113,746.00	

Legend (Column 3)

- 1=Construction & Facilities
- 2=Office Equipment
- 3=Parking
- 4=Security
- 5=Hotels
- 6=Caucus & Platform Mtg
- 7=Undocumented