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FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

2003 MAY 28 P 5:05

May 28, 2003

**MEMORANDUM**

TO: The Commission

THROUGH: James A. Pehrkon  
Staff Director

FROM: Lawrence H. Norton  
General Counsel

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Acting Associate General Counsel

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SUBJECT: Oral Hearing-Keyes, 2000 Inc. (LRA # 570)

**AGENDA ITEM**  
For Meeting of: 06-04-03

**I. INTRODUCTION**

On December 12, 2002, the Commission approved the Audit Report for Keyes 2000, Inc. and determined that the Committee must repay \$104,448 to the United States Treasury. Attachment 1.<sup>1</sup> On March 10, 2003, the Committee submitted legal and factual materials in an

<sup>1</sup> The Commission also determined that the Committee owes a payment of \$118,302 to the United States Treasury for unresolved excessive contributions, excessive cash contributions and stale dated checks. See 11 C.F.R. §§ 9038.1(f)(3) and 9038.6. These payments do not involve the repayment of public funds to the United States Treasury. Therefore, the payments are not subject to administrative review. See 11 C.F.R. § 9038.2(c); see Explanation and Justification for 11 C.F.R. § 9007.2(c) (parallel provision for general election), 60 Fed. Reg. 31863 (June 16, 1995). However, the Committee's response addressed both repayment and payment matters. This Office notified the Committee that only repayment matters may be addressed at the oral hearing.

effort to demonstrate that a lesser repayment is required.<sup>2</sup> In its written materials, the Committee requested an oral hearing. Attachment 2. The Audit Division submitted an analysis of the Committee's response to the Office of General Counsel on April 15, 2003. Attachment 3. On April 15, 2003, the Commission granted the Committee's request for an oral hearing and scheduled the hearing for June 4, 2003.

The Office of General Counsel provides this memorandum to the Commission as an outline of the issues that we anticipate the Committee will discuss at the oral hearing. Specifically, we summarize the Commission's repayment determinations from the Audit Report. We also frame the issues based on the Committee's response to the Commission's repayment determinations and the Audit Division's analysis of the Committee's response.

## **II. REPAYMENT DETERMINATIONS FROM AUDIT REPORT**

There are two repayment determinations in this matter. The first is a \$74,439 pro-rata repayment for non-qualified campaign expenses. The second is a \$30,009 pro-rata repayment for using public funds to defray the costs associated with continuing to campaign after the Candidate's date of ineligibility.

A qualified campaign expense is defined, in part, as a purchase, payment, distribution, loan, advance, deposit, or gift of money or anything of value that is: (1) incurred by or on behalf of a candidate or his authorized committee from the date the individual becomes a candidate through the last day of the candidate's eligibility; and (2) is made in connection with his campaign for nomination. 11 C.F.R. § 9032.9. Winding down costs are qualified campaign expenses. 11 C.F.R. § 9034.4(a)(3). Winding down costs are defined as "costs associated with the termination of political activity, such as the costs of complying with the post election requirements of the [Federal Election Campaign] Act and other necessary administrative costs associated with winding down the campaign, including office space rental, staff salaries, and office supplies." 11 C.F.R. § 9034.4(a)(3)(i).

The Commission found that the Committee paid non-qualified campaign expenses that totaled \$288,876. This amount includes \$12,000 for a duplicate payment, \$2,585 for convention activity, and \$274,291 for the lack of any documentation or for the lack of documentation sufficient to establish the disbursements were for the purpose of seeking the nomination or terminating the campaign.<sup>3</sup> The Committee's repayment ratio is .257686. Therefore, the Commission determined that the Committee owed a pro-rata repayment of \$74,439 ( $\$288,876 \times .257686$ ) to the United States Treasury. 11 C.F.R. § 9038.2(b)(2)(i)(A).

In addition, the Commission determined that the Committee must make a repayment in the amount of \$30,009 for using public funds to defray the costs associated with continuing to campaign after the Candidate's date of ineligibility. Public funds that are received after the

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<sup>2</sup> The Commission granted the Committee a 15-day extension to submit legal and factual materials.

<sup>3</sup> The \$274,291 in disbursements include \$9,807 from the operating account, \$80,132 from the travel account during the Candidate's period of eligibility, \$76,489 from the travel account during the winding down period, \$27,635 in cash disbursements from the travel account, and \$80,498 in cash disbursements from the New Hampshire account.

Candidate's date of ineligibility may not be used for this purpose, unless the Candidate reestablishes eligibility. 11 C.F.R. § 9034.4(a)(3)(ii). The Committee incurred expenses totaling \$566,894 during this period. To partially offset these expenses, the Committee received private contributions totaling \$450,440. The balance of \$116,454 (\$566,894 – \$450,440) appeared to have been paid with public funds. Therefore, the Commission determined that the Committee must repay \$30,009 ( $\$116,454 \times .257686$ ) to the United States Treasury. 11 C.F.R. § 9038.2(b)(2)(ii)(D).

### **III. COMMITTEE'S RESPONSE TO REPAYMENT DETERMINATIONS**

#### **A. Non-Qualified Campaign Expenses**

The Committee submitted documentation with its request for administrative review to prove that the disbursements were qualified campaign expenses. The Audit Division reviewed this documentation and submitted an analysis to the Office of General Counsel. The Audit Division's analysis addresses the disbursements the Committee made from its operating account and travel account. The Audit Division's analysis also covers cash withdrawals from the Committee's travel account and cash disbursements to vendors.<sup>4</sup>

##### **1. Operating Account Disbursements**

The Committee used an operating account during the Candidate's period of eligibility to disburse a portion of its public funds. This account was used as a general account for the Committee's expenses. The Commission determined that the Committee made disbursements in the amount of \$9,807 from the operating account that were not documented.

The Audit Division re-examined the undocumented disbursements from the operating account and found that a \$5,000 payment to a hotel could be traced to contemporaneous campaign itineraries demonstrating that the expense was in connection with seeking the nomination. 11 C.F.R. § 9032.9(a). If the Commission accepts the documentation for the \$5,000 hotel payment, the Commission must still decide whether the balance of \$4,807 should remain undocumented. At this point, the Committee has not provided any additional information to document the balance of \$4,807.<sup>5</sup>

##### **2. Travel Account Disbursements During the Period of Eligibility**

The Committee used a travel account during the candidate's period of eligibility to disburse a portion of its public funds. The Committee used this account for debit card disbursements for campaign travel. The Commission found that the Committee made disbursements in the amount of \$80,132 from the travel account that were not documented.

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<sup>4</sup> The Committee does not dispute a \$12,000 duplicate payment made to a vendor and \$2,140 in undocumented disbursements from the operating account. Attachment 2 at 27.

<sup>5</sup> Pursuant to Commission policy, the Committee will have five days after the oral hearing to submit additional documentation.

Therefore, the Commission concluded that the disbursements were non-qualified campaign expenses.

In its response to the repayment determination, the Committee provided three types of documentation to demonstrate that the disbursements were qualified campaign expenses: 1) account statements that itemized each disbursement in chronological order; 2) a schedule of travel disbursements that described how the disbursements from the travel account were documented; and 3) the candidate's itineraries provided at the exit conference.

The Audit Division used the Committee's itineraries to document disbursements as qualified campaign expenses. The itineraries provide the dates, events, event locations, and topics that would be addressed. The itineraries appear to be contemporaneous with the events. As a result, the Audit staff concluded that the Candidate's itineraries were sufficient to prove travel disbursements were qualified campaign expenses.

The Committee did not, however, provide itineraries for the period of January 2, 2000 through February 3, 2000. Therefore, the only missing documentation is for disbursements made from January 2, 2000 through February 3, 2000, totaling \$80,132. Although the Committee provided other documentation (bank account statements and travel schedules), the Audit staff does not believe that this documentation is sufficient to demonstrate that the expenses during this period were qualified campaign expenses. The Audit staff believes that even though the account statements are contemporaneous documents, they are insufficient because they only provide a transaction date, and identify the name of the vendor and the city and state where the transaction occurred. The limited information in the account statements does not link the purported campaign travel to specific dates and events. Thus, the auditors were unable to determine whether the transactions were incurred in connection with seeking the nomination. 11 C.F.R. § 9032.9. In addition, the Audit staff found the Candidate's schedule insufficient because it was generated in response to the preliminary audit report to describe how the disbursements from the travel account were documented and is, therefore, not a contemporaneous document.

Candidates have the burden of demonstrating that disbursements are qualified campaign expenses by submitting the required documentation. 11 C.F.R. §§ 9033.11(b), 9033.11(a)-(b). The Commission's documentation requirements for disbursements over \$200 are set up in a hierarchical format. The first level requirement is that disbursements must be documented with a canceled check negotiated by the payee and a receipted bill from the payee that states the purpose of the disbursements. If a receipted bill is not available, the disbursements must be documented with a canceled check supported by an invoice, bill, or voucher that states the purpose of the disbursements. 11 C.F.R. § 9033.11(b)(1)(ii)(A). If this information is not available, a committee can document the disbursements with a voucher or a contemporaneous memorandum. 11 C.F.R. § 9033.11(b)(1)(ii)(B). If a voucher or contemporaneous memorandum is not available, then the committee may submit collateral evidence to document the disbursements as qualified campaign expenses. 11 C.F.R. § 9033.11(b)(1)(iii).

Even under this hierarchical format, for each level of documentation, a canceled check negotiated by the payee is necessary. 11 C.F.R. § 9033.11(b)(1)(i)-(iii). The canceled checks have historically been viewed as a legal necessity because they verify that the expenses have been incurred and they ensure that the intended recipient has actually received public funds.

*Leonora B. Fulani for President Statement of Reasons in support of Repayment Determination*, p. 78 (March 6, 1997). The documentation submitted as a supplement to the check (i.e. receipted bill from the payee that states the purpose of the disbursement) ordinarily establishes the purpose for making the disbursement. 11 C.F.R. § 9033.11(b)(1)(i)-(iii).

In this case, the Commission must decide two issues. The first is whether a sufficient documentary record can exist in the absence of a check negotiated by a payee. As noted, since the Committee used debit cards for the transactions, the Committee's records do not include canceled checks. Therefore, the Commission must decide if the debit card account statements can be used to verify that the expenses were incurred and that the payee received the public funds. The debit card statements include the amount, transaction date, name of the vendor, and the location of the vendor.

Second, if the Commission accepts the account statements as substitutes for the canceled checks, the remaining issue is whether the Committee has shown that the disbursements were for the purpose of seeking the nomination. The Committee does not have any of the records that are commonly used to show the purpose of the disbursements, such as bills, invoices, vouchers or contemporaneous memoranda. 11 C.F.R. § 9033.11(b)(1)(i)-(iii). The Committee only has the account statements and schedules describing how it documented the disbursements. Therefore, the Commission must decide if these types of documents can be used to show that disbursements were for the purpose of seeking the nomination.

### **3. Travel Account Disbursements During the Winding Down Period**

The Commission found that the Committee paid \$76,489 for travel-related expenses from its travel account during the winding down period that are non-qualified campaign expenses. The Committee paid these travel expenses for the Candidate and the campaign staff. The Commission found that these disbursements were non-qualified because the Committee did not establish a connection between the travel expenses paid from the travel account during the winding down period and the administrative expenses allowed during the winding down period. 11 C.F.R. § 9034.4(a)(3)(i). Rather, it appeared that Ambassador Keyes was traveling during this period on behalf of entities other than the Committee.

The Committee argues that all travel expenses incurred during the winding down period were either compliance costs, "or legitimate and essential fundraising and contributor solicitation expenditures." Attachment 2 at 18. The Committee notes that in many instances, Ambassador Keyes was already traveling and speaking for organizations other than Keyes 2000 and his transportation and other expenses were paid for by those groups. Attachment 2 at 8. In these cases, no Committee expenses were incurred. However, in places where Keyes 2000 incurred expenses for campaign staff in order to facilitate donor gatherings or supporter meetings ancillary to the Ambassador's other professional appearances, the Committee paid those expenses. Attachment 2 at 8. The Committee further notes that these travel expenditures were generally made in order to position Committee staff into cities where the Ambassador was already appearing, and these staff trips were coordinated with Committee wind down tasks. Attachment 2 at 8. The Committee states that "these types of Piggy-backed travel arrangements during wind-down made [its] phase out of field and administrative organizations across the country much more fruitful and much more affordable than if [it] had proceeded otherwise."

Attachment 2 at 8. The Committee further indicates that there were a few instances where the Candidate would "journey into an area entirely under Committee auspices and at its expense." Attachment 2 at 9. According to the Committee these trips were fully allocable and properly documented. The Committee further states that Committee resources were never used to benefit other organizations. Attachment 2 at 9.

The Committee submitted travel itineraries and schedules to document the expenses at issue. According to the Audit staff, the itineraries provide no indication, other than a heading "Keyes 2000 Schedule," that the activity conducted by the Ambassador was on behalf of the Committee.<sup>6</sup> The Audit staff contends that the schedules merely provide general, uncorroborated descriptions relating to the purpose of the disbursements.

Winding down costs may include disbursements for fundraising and supporter solicitation. *See Robertson v. Federal Election Commission*, 45 F.3d 486, 492 (D.C. Cir. 1995). However, the Commission imposes a limitation in this area: if travel expenses are required for fundraising and supporter solicitation, the underlying travel must have a campaign-related purpose. *See Robertson* at 492 (court held that travel to the Republican National Convention for the purpose of making a video and audio record of candidate's attendance at the convention for fundraising mailing to retire campaign debts was not acceptable winding down expense). In this case, the Committee concedes that the Candidate traveled for organizations other than the Committee. However, the Committee contends that the Candidate and Committee representatives traveled for the campaign as well.

The Commission's regulations do not prohibit the Committee's arrangement for fundraising to terminate the campaign. However, disbursements for winding down activities must be qualified campaign expenses. 11 C.F.R. § 9034.4(a)(3). Therefore, the Committee remains obligated to document its winding down expenses. 11 C.F.R. § 9033.11. However, since the Candidate was engaged in activities other than winding down the campaign, the Committee must document the portion of the expenses that it paid for the Candidate's travel and the staff's travel that is attributable to its winding down activity. *See Advisory Opinion 2000-12* (Commission determined that travel expenses relating to fundraising events and "thank you" receptions and meetings at national convention were qualified campaign expenses; however, candidates must allocate travel expenses between those aspects that are campaign related and those that are personal and not campaign related). If the Committee positioned campaign staff in cities where the Candidate was already appearing for a purpose that was not related to terminating the campaign, then the Committee must show how the staff's activity was related to winding down the campaign.

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<sup>6</sup> According to the Audit staff, the itineraries for the winding down period did not show that the Candidate was traveling to terminate the campaign. The itineraries for the period of eligibility, on the other hand, documented specific event locations and topics, thus demonstrating that the Candidate was traveling for the purpose of seeking the nomination.

#### 4. Cash Disbursements

In order to document a disbursement in excess of \$200, the Committee must present a canceled check that is negotiated by the payee. 11 C.F.R. § 9033.11(b)(1). If the disbursement is less than \$200, the Committee must either present a canceled check negotiated by the payee or present a record showing that the disbursement was made from a petty cash fund. 11 C.F.R. §§ 9033.11(b)(2)(i) and (ii). However, since petty cash fund disbursements are limited to \$100, 11 C.F.R. § 102.11, a committee must use checks for disbursements in excess of \$100. *See id.* In the *Fulani Statement of Reasons*, the Commission explained that the use of checks serves two important purposes in the public financing scheme. *Lenora B. Fulani for President Statement of Reasons in Support of Repayment Determination*, p.78 (March 6, 1997). First, the checks verify that expenses were incurred. *Id.* Second, the use of checks ensures that public funds are actually received by the intended recipient. *Id.*

The Commission identified two categories of cash disbursements in excess of \$100 as nonqualified campaign expenses. The Commission determined that \$27,635 in cash withdrawals from the travel account were non-qualified campaign expenses. The Commission also determined that \$80,498 in cash disbursements from the Committee's New Hampshire bank account were non-qualified campaign expenses. The Committee made these disbursements by cashing checks and by withdrawing cash with a debit card.

The Committee explains that it allowed three authorized staff members to make debit card withdrawals for petty cash, per diem, and travel advances for staff in the field. The Committee asserts that the cash disbursements were "minimally but adequately documented, and followed a preexisting policy of accountability." Attachment 2 at 20. In support of this argument, the Committee explains that 1) the cash disbursements were part of an identifiable personnel policy to provide travel advances for the staff, 2) the bank statements "voucherize" each advance by designating by debit card number the staff making the withdrawal, and 3) the policy for facilitating travel advances is substantiated by lining up daily data on the itineraries with withdrawals on the bank records. Attachment 2 at 20.

With regard to the New Hampshire account, the Committee argues that it used cash because its vendors would not accept its checks. The Committee states that it opened a bank account at the Bank of New Hampshire to facilitate campaigning in the state, but it failed to timely transfer sufficient funds to cover every check. Therefore, the checks written to vendors were returned for insufficient funds, and vendors refused to accept checks from the Committee. Thus, the campaign staff cashed checks made payable to cash, and they used the proceeds to pay the vendors. A total of \$48,000 in checks, ranging from \$3,000 to \$20,000, was withdrawn for this purpose.

The Committee asserts that even though it is aware of "the [Commission's] prohibition on cash disbursements, a legitimate accountability threshold has been maintained in this instance." Attachment 2 at 22. Moreover, the Committee maintains that the cash money represents disbursement transactions by checks from a Committee depository for legitimate and authorized expenditures, and the "ledger entries, receipts, vouchers, and other contemporaneous memoranda for these campaign expenditures have been provided and are well identified." *Id.*

Unlike the proof provided by signatures and endorsements on a check, the Commission cannot trace the cash withdrawals beyond the Committee. Since the checks from the New Hampshire account were made payable to cash, these checks could not be traced beyond the Committee. As a result, there is a question of whether a system that relies on debit card cash withdrawals and checks made payable to cash can be used to show that the expenses were incurred or that the intended payee received the disbursement. *Lenora B. Fulani for President Statement of Reasons in Support of Repayment Determination*, p.78 (March 6, 1997). The Committee must prove that the cash withdrawals were part of an identifiable program. The Commission must determine if the Committee's program (allowing for cash withdrawals), bank statements, daily data on the itineraries, ledger entries, receipts and vouchers are sufficient to trace the flow of cash from the Committee to the vendors and, thus, satisfy the documentation requirements of 11 C.F.R. § 9033.11(b).<sup>7</sup>

#### **B. Costs Associated with Continuing to Campaign**

The Commission determined that on April 20, 2000, Ambassador Keyes was no longer eligible to receive public funds for the purpose of seeking the Republican Party nomination.<sup>8</sup> However, he continued to campaign after his date of ineligibility until June 7, 2000, when he formally withdrew from active campaigning. The Committee was permitted to use only private contributions received in the continuing to campaign period and not public funds for campaign activity. 11 C.F.R. § 9034.4(a)(3)(ii).

The Commission found that the Committee used public funds to defray costs associated with continuing to campaign because its campaign expenses during this period exceeded private contributions. The Committee spent \$566,896 during the continuing to campaign period. However, the Audit staff based its calculation of the amount spent on invoices and on check dates if no invoices were available. Where invoices were provided, the Audit staff considered the specifics of invoice descriptions to evaluate the date of incurrence. The Committee received private contributions totaling \$450,440. Therefore, the Commission found that the Committee used \$116,454 in public funds to defray campaign expenses, yielding a pro rata repayment of \$30,009  $[(\$566,896 - \$450,440) \times .257686]$ .

The Committee contends that it should only have to make a pro rata payment of \$5,377 because it only incurred \$471,305 in campaign expenses during this period. The disagreement is due, in part, to certain invoices that are dated during the continuing to campaign period. The Committee argues that it submitted documentation that the services at issue were rendered prior

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<sup>7</sup> The use of cash yields a break in the chain of payment that would otherwise show that the vendors actually received the payments from the Committee. This chain of payment is important. If the vendors received their payments from a source other than the Committee, then such payments are contributions to the Committee from the other source. *Lenora B. Fulani for President Statement of Reasons in Support of Repayment Determination*, p. 82 (March 6, 1997).

<sup>8</sup> The Committee's response to the repayment determination "provisionally concurs" that the date of ineligibility is April 20, 2000. Attachment 2. Ambassador Keyes received 19.8% of the vote in the Arkansas primary. He needed to receive 20% of the vote to reestablish his eligibility to receive matching funds. The Committee indicates in its response that it is currently attempting through legal action to persuade the Arkansas authorities to round up his election results to 20%.

to the continuing to campaign period. For example, the Committee provided documentation stating that billings were frequently dated several months after the provision of services. Nevertheless, the Audit staff did not accept the documentation. The auditors believe that the invoices were prepared at the time services were rendered since the invoices are specific about the time period covered, and Committee records show previous payments to the vendor for the months referenced in the letter. Attachment 3 at 10. In addition, certain invoices were deemed insufficient by the Audit staff for not clearly indicating when goods or services were provided, or when events took place.

If a candidate continues to campaign after becoming ineligible, the candidate may only receive public funds based on net outstanding campaign obligations as of the date of ineligibility. 11 C.F.R. § 9034.4(a)(3)(ii). The statement of net outstanding campaign obligations only includes costs incurred before the candidate's date of ineligibility for goods and services to be received before the date of ineligibility and for which written arrangement or commitment was made on or before the candidate's date of ineligibility. 11 C.F.R. § 9034.4(a)(3)(ii). Thus, the Commission must determine when the expenses were incurred and when the services were received. In light of the Audit Division's questions about the invoices, the Commission must decide if it will accept the Committee's explanation that the expenses were actually incurred and the services were received during the period of eligibility.

**Attachments:**

1. Audit Report on Keyes 2000, Inc. dated December 10, 2002
2. Keyes 2000, Inc. Response and Request for Administrative Review dated March 10, 2003
3. Audit Division Comments on Keyes 2000, Inc. Response to the Repayment Determination dated April 15, 2003



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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December 26, 2002

MEMORANDUM

TO: RON M. HARRIS  
PRESS OFFICER  
PRESS OFFICE

FROM: JOSEPH F. STOLTZ *JFS*  
ASSISTANT STAFF DIRECTOR  
AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF THE FINAL AUDIT REPORT ON  
KEYES 2000, INC.

Attached please find a copy of the final audit report and related documents on Keyes 2000, Inc. that was approved by the Commission on December 12, 2002.

All parties involved have received informational copies of the report and the report may be released to the public.

Attachment as stated

cc: Office of General Counsel  
Office of Public Disclosure  
Reports Analysis Division  
FEC Library

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**REPORT OF THE AUDIT DIVISION**

**ON**

**Keyes 2000, Inc.**

**Approved December 12, 2002**



**FEDERAL ELECTION COMMISSION**

**999 E STREET, N.W.**

**WASHINGTON, D.C.**

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ATTACHMENT 1

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**REPORT OF THE AUDIT DIVISION  
ON  
KEYES 2000, Inc.  
EXECUTIVE SUMMARY**

Keyes 2000, Inc. (Keyes 2000) registered with the Federal Election Commission (the Commission) on June 17, 1999, as the principal campaign committee for Ambassador Alan L. Keyes, candidate for the Republican Party's nomination for the office of President of the United States.

The audit was mandated by Section 9038(a) of Title 26 of the United States Code, requiring the Commission to audit committees authorized by candidates who receive Federal Funds. The Candidate received \$5,043,341 in matching funds from the U.S. Treasury.

The findings of the audit were presented to Keyes 2000 at an exit conference held on February 15, 2002 and in the Preliminary Audit Report. Keyes 2000 Inc.'s responses to those findings are contained in the audit report.

The following is an overview of the findings contained in the audit report.

**CASH DISBURSEMENTS** – 11 CFR §§102.10 and 102.11. Keyes 2000 made cash disbursements in excess of the limitation for petty cash disbursements, which, in the aggregate, totaled \$107,863.

**UNRESOLVED EXCESSIVE CONTRIBUTIONS** – 2 U.S.C. §441a(a)(1)(A). Testing of contributions from individuals indicated that Keyes 2000 received unresolved excessive contributions in the amount of \$95,286. Keyes 2000 must pay this amount to the United States Treasury.

**RECEIPT OF CURRENCY IN EXCESS OF LIMITATION** – 2 U.S.C. §441g and 11 CFR §110.4(c)(3). A review of contributions indicated that Keyes 2000 received excessive anonymous currency contributions in the amount of \$15,013. Keyes 2000 must pay this amount to the United States Treasury.

**APPARENT NON-QUALIFIED CAMPAIGN EXPENSES** – 2 U.S.C. §432(h)(2) and 11 CFR §§9032(9), 9033.11(a) and (b), 9034.4(a)(3)(i), 9038.2(b)(2)(i) and (iii). The audit identified non-qualified campaign expenses totaling \$407,378. In response to the Preliminary Audit Report, Keyes 2000 provided documentation that reduced that amount to \$288,876. The Commission determined that Keyes 2000 must make a pro rata repayment of \$74,439 to the United States Treasury.

**COSTS ASSOCIATED WITH CONTINUING TO CAMPAIGN** – 11 CFR §§9034.4(a)(3)(ii), 9034.4(b)(3), and 9038.2(b)(2)(i) and (ii)(D). Ambassador Keyes continued to campaign after his date of ineligibility, April 20, 2000 until June 7, 2000.

Keyes 2000 was permitted to use only private contributions received in this period and not matching funds, to fund campaign activity. However, a review of expenditures in this period indicated that Keyes 2000 spent \$332,271 in excess of the amount private contributions received. Documentation provided in response to the Preliminary Audit Report reduced this amount to \$116,454. The Commission determined that Keyes 2000 must make a pro rata repayment of \$30,009 to the United States Treasury.

**DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS** – 11CFR §§9033.5(b), 9034.5(a), 9034.1(b), and 9034.4(a)(3)(ii). A Statement of Net Outstanding Campaign Obligations was prepared to determine Keyes 2000's financial position as of the Candidate's date of ineligibility, April 20, 2000. Because Ambassador Keyes continued to campaign until June 7, 2000, Keyes 2000 could not claim any winding down costs until June 8, 2000. The Audit staff concluded that the Committee did not receive matching funds in excess of the amount to which it was entitled.

**STALE-DATED CHECKS** — 11 CFR §9038.6. The Audit staff identified checks issued by Keyes 2000 in the amount of \$8,003 that had not been negotiated. Keyes 2000 must pay this amount to the United States Treasury.



**REPORT OF THE AUDIT DIVISION  
ON  
KEYES 2000, Inc.**

**I. BACKGROUND**

**A. AUDIT AUTHORITY**

This report is based on an audit of Keyes 2000, Inc. (Keyes 2000). The audit is mandated by Section 9038(a) of Title 26 of the United States Code. That section states that "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under section 9037." Also, Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions, and disclosure requirements of the Federal Election Campaign Act of 1971 (FECA), as amended.

**B. AUDIT COVERAGE**

The audit covered the period from Keyes 2000's first bank transaction on November 13, 1996, through December 31, 2000. Keyes 2000 reported an opening cash balance of \$-0-; total receipts of \$15,063,087; total disbursements of \$14,529,460; and a closing cash balance of \$514,784.<sup>1</sup> In addition, a limited review of Keyes 2000's financial activity and disclosure reports filed through September 30, 2002 was conducted for purposes of determining Keyes 2000's matching fund entitlement based on its financial position.

<sup>1</sup> The reported figures do not foot due to various reporting errors.

### C. CAMPAIGN ORGANIZATION

Keyes 2000 maintained its headquarters in Washington, DC. The Treasurer, William Leo Constantine, CPA, was designated on June 17, 1999 and continues to serve in that capacity.<sup>2</sup>

Keyes 2000 registered with the Federal Election Commission (the Commission) on June 17, 1999 as the principal campaign committee for Ambassador Alan L. Keyes, candidate for the Republican Party's nomination for the office of President of the United States.<sup>3</sup> During the audit period, Keyes 2000 maintained depositories in Minneapolis, Minnesota; Phoenix, Arizona; Houston, Texas; Washington, DC; Manchester, New Hampshire; and Roanoke, Virginia. To handle its financial activity Keyes 2000 utilized 11 bank accounts.<sup>4</sup> From these accounts Keyes 2000 made approximately 6,000 disbursements. In addition, Keyes 2000 received approximately 238,500 contributions from 96,800 contributors totaling \$8,357,000. Keyes 2000 also received bank loans of \$1,860,900.

Ambassador Keyes was determined eligible to receive matching funds on September 30, 1999. Keyes 2000 made 20 requests for matching funds totaling \$5,261,907 and received \$5,043,341 from the United States Treasury. This amount represents 29.9% of the \$16,890,000 maximum entitlement that any candidate could receive. For matching fund purposes, the Commission determined that Ambassador Keyes' candidacy ended on April 20, 2000. Ambassador Keyes continued to campaign after the Commission made its determination. On June 7, 2000, Ambassador Keyes publicly announced he was withdrawing from the campaign. On June 1, 2001, Keyes 2000 received its final matching fund payment to defray qualified campaign expenses and to help defray the cost of winding down the campaign.

<sup>2</sup> Mary Parker Lewis, Campaign Chief of Staff and Keyes 2000, Inc. corporate president, submitted to the FEC on paper, an amended Statement of Organization designating herself Treasurer and Mr. Constantine Assistant Treasurer. She was advised that in order for the change to be recognized, she would need to submit the Statement of Organization electronically. Although Mrs. Lewis made known her intention to make the proper electronic filing on September 24<sup>th</sup>, as of December 6, 2002 no filing had been received and Mr. Constantine continues as Treasurer.

<sup>3</sup> Shortly after registering, Keyes 2000 filed a Mid-Year report for 1999. In this report, receipts of \$1,914,847 and disbursements of \$1,742,349 were disclosed. All of the reported activity, however, did not occur in 1999. This report included receipts of approximately \$218,000 and \$663,000 and disbursements of approximately \$166,000 and \$642,000 which occurred in 1997 and 1998, respectively.

<sup>4</sup> Keyes 2000 failed to report on its Statement of Organization the existence of a depository at the TCF National Bank in Minnesota (TCF). This TCF account was opened in November, 1996, however, its existence was first made known to the Audit staff in February, 2001 when Keyes 2000's treasurer identified it as the source of the funds deposited to open Keyes 2000's account at Norwest Bank Arizona, N.A. TCF account activity was not included on Keyes 2000 disclosure reports.

#### D. AUDIT SCOPE AND PROCEDURES

In addition to a review of expenditures made by Keyes 2000 to determine if they were qualified or non-qualified campaign expenses, the audit covered the following general categories:

1. The receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
2. The receipt of contributions or loans in excess of the statutory limitations (see Findings II.B. and II.C.);
3. Proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed;
4. Proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. Proper disclosure of campaign debts and obligations;
6. The accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records;
7. Adequate recordkeeping for campaign transactions (see Finding III.A.);
8. Accuracy of the Statement of Net Outstanding Campaign Obligations filed by Keyes 2000 to disclose its financial condition and to establish continuing matching fund entitlement (see Finding III.C.);
9. Compliance with spending limitations; and
10. Other audit procedures that were deemed necessary in the situation (See Findings II.A., III. B., and III.D. ).

As part of the Commission's standard audit process, an inventory of campaign records was conducted prior to the audit fieldwork. The inventory was conducted to determine if Keyes 2000's records were materially complete and in an auditable state. The records were found to be materially complete and the audit fieldwork commenced immediately.

Unless specifically discussed below, no material non-compliance was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

## II. AUDIT FINDINGS AND RECOMMENDATIONS – NON REPAYMENT MATTERS

### A. CASH DISBURSEMENTS

Section 102.10 of Title 11 of the Code of Federal Regulations states, in part, that all disbursements by a political committee, except for disbursements from the petty cash fund under 11 CFR 102.11, shall be made by check or similar draft drawn on account(s) established at the committee's campaign depositories.

Section 102.11 of Title 11 of the Code of Federal Regulations states in relevant part that no payment from petty cash may be made in excess of \$100.

#### 1. Cash Disbursements made in New Hampshire

Keyes 2000 opened an account at the Bank of New Hampshire in December 1999 to facilitate campaigning in the state but did not timely transfer sufficient funds to cover every check written. This resulted in 31 checks to vendors totaling more than \$80,000 being returned unpaid. It appeared that as a result, vendors refused to accept checks from Keyes 2000. Subsequently, campaign staff cashed checks and used the proceeds to make campaign expenditures.

A review of the activity in New Hampshire identified 397 receipts for purchases made in cash totaling \$111,104. One hundred twenty-two of these receipts involved purchases greater than \$100. The total value of these expenditures was \$80,498.<sup>5</sup> The receipts could not be associated with any specific check. Among the checks drawn on the New Hampshire account were eight, made payable to "cash." These checks totaled \$48,000 and ranged in amounts from \$3,000 to \$20,000. Each of the eight checks was disclosed; seven were disclosed as operating expenditures paid to individuals and one was reported as a fundraising expense. An analysis of the remaining checks drawn on the account and Keyes 2000 operating account identified 32 checks that apparently funded the remaining cash activity. These checks were payable to and disclosed as payments to campaign staff. It appears that the checks were negotiated and the staff used the cash to fund these expenditures. These checks (including those checks drawn to "cash") totaled \$113,237. Ninety-seven percent of the receipted cash disbursements and all of the checks that funded them occurred between October 1999 and February 2000. Though the total amount of cash disbursements corresponds in time and amount to total funds available; no direct connection could be established between particular disbursements and particular checks.

<sup>5</sup> For additional detail concerning the cash disbursements, see Finding III.C.4.

## 2. Cash Disbursements Made From the Travel Account<sup>6</sup>

Beginning in May 1999, Keyes 2000 opened and maintained an account at First Union Bank to facilitate campaign travel. Debit cards were issued to several key campaign personnel who made periodic cash withdrawals.

Keyes 2000 personnel made 129 cash withdrawals, each in excess of \$100, from its travel account. The total for these withdrawals was \$27,365. Keyes 2000 did not maintain any documentation supporting these transactions. Absent documentation showing that no single purchase greater than \$100 was made from these funds, these withdrawals were considered cash disbursements in excess of the limitation for petty cash disbursements.

Thus, it appeared that Keyes 2000 made cash disbursements in excess of the limitation for petty cash disbursements, which, in the aggregate, totaled \$107,863 (\$80,498 + \$27,365). At the exit conference a Keyes 2000 representative stated that the cash payments had been made in violation of committee policy.

In the preliminary audit report, the Audit staff recommended that Keyes 2000:

- Make any comment it deemed relevant or offer an explanation regarding the cash disbursements made in New Hampshire; and
- Provide documentation that demonstrated that it did not exceed the \$100 limitation for petty cash disbursements.

In its response to the preliminary audit report, Keyes 2000 agreed that the cash disbursements occurred and made two general arguments as to why these disbursements should not be considered violations of the prohibition on cash disbursements. First, it is suggested that the prohibition on cash disbursements should apply only to funds that were not deposited into the Keyes 2000's account and then withdrawn by check or other debit to the account. Second, it argued that the cash prohibition should not apply if the expenditures are adequately documented. Neither is the case.

With respect to the cash disbursements made in New Hampshire, Keyes 2000 stated that vendors refused to accept their checks. Therefore, the staff was compelled by the circumstances to make lump sum cash withdrawals in order to pay for goods and services. Further, the response stated that the use of lump-sum cash disbursements violated Keyes 2000's accounting standards and practices.

Regarding cash disbursements from the travel account, Keyes 2000 stated that, "the Committee policy for using the [debit] cards was soon revised for authorized staffers to make periodic cash withdrawals as petty cash, per diem, and travel

<sup>6</sup> For additional detail concerning the Travel Account, see Finding III.C.3.b.

advances," when it became apparent that it would be burdensome to report each small purchase made with the card. Keyes 2000 wrote that "with the notable exception of a few airfare purchases at airports that were so last-minute only cash could transact quickly enough to get tickets issued, virtually no cash purchase greater than \$100 per person was ever authorized or made from these funds, as the cards operated as debit and credit cards and there was no need for large cash transactions."

Keyes 2000's response to the preliminary audit report stated that supplemental documentation demonstrating that they did not exceed the \$100 limitation for petty cash was submitted under separate cover. However, the materials submitted by Keyes 2000 made no such demonstration. Based on the Committee's response, the Audit staff concludes that Keyes 2000 made cash disbursements in excess of the limitation for petty cash disbursements, which, in the aggregate, totaled \$107,863 (\$80,498 + \$27,365).

#### **B. APPARENT EXCESSIVE CONTRIBUTIONS FROM INDIVIDUALS**

Section 441a(a)(1)(A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office, which in the aggregate, exceed \$1,000.

Section 103.3(b)(3) of Title 11 of the Code of Federal Regulations states, in relevant part, that the treasurer shall be responsible for ascertaining whether contributions received, when aggregated with other contributions from the same contributor, exceed the contribution limitation set forth at 11 CFR 110.1. Contributions which on their face exceed the contribution limitations set forth at 11 CFR 110.1 and contributions which do not appear to be excessive on their face, but which exceed the contribution limits set for in 11 CFR 110.1 when aggregated, may be either deposited into a campaign depository under 11 CFR 103.3(a) or returned to the contributor. If any such contribution is deposited, the treasurer may request redesignation or reattribution of the contribution by the contributor in accordance with 11 CFR 110.1(b) or 110.1(k). If a redesignation or reattribution is not obtained, the treasurer shall, within sixty days of the treasurer's receipt of the contribution, refund the contribution to the contributor.

Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that a contribution, which appears to be illegal under 11 CFR 103.3(b)(3) and is deposited into a campaign depository, shall not be used for any disbursements by the political committee until the contribution has been determined to be legal. The political committee must either establish a separate account in a campaign depository or maintain sufficient funds to make all such refunds.

Section 110.1(k)(3)(i) of Title 11 of the Code of Federal Regulations states, in part, that if a contribution to a candidate, either on its face or when aggregated with other contributions from the same contributor, exceeds the limitations on contributions, the treasurer of the recipient committee may ask the contributor whether the contribution was intended to be a joint contribution by more than one person.

Sections 110.1(k)(3)(ii)(A) and (B) of Title 11 of the Code of Federal Regulations state, in part, that a contribution shall be considered to be reattributed to another contributor if the treasurer of the recipient committee asks the contributor whether the contribution is intended to be a joint contribution by more than one person, and informs the contributor that he or she may request the return of the excessive portion of the contribution if it is not intended to be a joint contribution; and if within sixty days from the date of the treasurer's receipt of the contribution, the contributors provide the treasurer with a written reattribution of the contribution, which is signed by each contributor, and which indicates the amount to attributed to each contributor if the equal attribution is not intended.

Section 110.1(l)(3) of Title 11 of the Code of Federal Regulations states, in part, that if a political committee receives a written reattribution of a contribution to a different contributor, the treasurer shall retain the written reattribution signed by each contributor.

Sections 9038.1(f)(1), (2) and (3) of Title 11 of the Code of Federal Regulations, state, that in conducting an audit of contributions pursuant to this section, the Commission may utilize generally accepted statistical sampling techniques to quantify, in whole or in part, the dollar value of related audit findings. A projection of the total amount of violations based on apparent violation identified in such a sample may become the basis, in whole or in part, of any audit finding. A committee in responding to a sample-based finding concerning excessive or prohibited contributions shall respond only to the specific sample items used to make the projection. If the committee demonstrates that any apparent errors found among the sample items were not errors, the Commission shall make a new projection based on the reduced number of errors in the sample. Within 30 days of service of the Final Audit Report, the committee shall submit a check to the United States Treasury for the total amount of any excessive or prohibited contributions not refunded, reattributed or redesignated in a timely manner in accordance with 11 CFR 103.3(b)(1), (2) or (3).

A review of disclosure reports revealed that Keyes 2000 disclosed the receipt of 78 excessive contributions dating back to 1997. Indeed, 69 excessive contributions disclosed on Keyes 2000's first report (Mid Year 1999) were, at the time they were disclosed, outside the time that they might have been resolved timely. Keyes 2000 only began to address excessive contributions in April 2000. In response to questions raised about this issue by the Reports Analysis Division, the Treasurer, on September 29, 2000, wrote "...in April 2000 we refunded \$27,101.55 of the donations over \$1,000.00."

Although these refunds were disclosed as having been made in April 2000, the checks were not mailed until December 2000. Beginning in January of 2001, the checks began to clear the account. By the first week of February, 43 checks, totaling \$19,140, (of 69 written) had been cashed. Even if the checks had been mailed when prepared, none of the refunds would have timely resolved an excessive contribution.

Based on these facts, it appears that Keyes 2000 had no policy to address the timely resolution of excessive contributions.

The sample review of contributions from individuals indicated that Keyes 2000 failed to resolve a substantial number of excessive contributions. The sample projected that the total dollar value of the unresolved excessive contributions in the population was \$163,200. In addition to this, \$5,000 was identified in a 100% review of selected contributions. Thus, the Audit staff concluded that Keyes 2000 failed to resolve excessive contributions totaling \$168,200 and must pay this amount to the United States Treasury.

At the exit conference, Keyes 2000 was provided with a spreadsheet of the sample errors for unresolved excessive contributions as well as documentation to support that the sample contributions were excessive. The Treasurer expressed his concern that because of the magnitude of the projection for unresolved excessive contributions, untimely resolved contributions<sup>7</sup> were included. He stated that he could not understand how the sample error projection was calculated. Despite the Audit staff's explanation that only exceptions involving unresolved contributions were used to make the projection, he stated he was unconvinced.<sup>8</sup>

In a statement provided subsequent to the exit conference the Treasurer stated the following:

"I am attaching a spreadsheet that shows exactly and completely which excessive contributions have not yet been refunded. This spreadsheet was available to the auditors in March of 2001. Because the method of using sampling to determine the excessive contributions amount is both unintelligible and far in excess of the actual amount, I contend that the auditors need to confirm the data in this spreadsheet and adjust this amount down to accord with the facts. Moreover, I have the e-mail that the lead auditor wrote to me advising me to suspend our ongoing refund efforts, and stating that if Keyes 2000 continued to refund excessive contributions after sixty days, those same amounts would also have to be repaid to the US Treasury anyway – doubling the Committee's financial liability. As we learned in the February 15<sup>th</sup> meeting, this is not necessarily the case, yet we suspended our refund efforts on this FEC advice. Moreover, an imputation was made during the February 15<sup>th</sup> meeting that the Committee might face increased legal liability because of the remaining unrefunded excess contributions. This feels like a bait and switch."

<sup>7</sup> *Untimely resolved contributions* means excessive contributions that were either refunded or reattributed to another contributor outside the 60-day time period provided for by 11CFR §103.3(b)(3).

<sup>8</sup> Subsequent to the exit conference, the Treasurer was provided with a detailed explanation of the "Dollar Unit Sampling" program used by the Audit staff, including the background, statistical theory and the computer code for the sampling program.

The Audit staff advised the Treasurer on April 9, 2001 that should the audit result in an excessive contribution finding, Keyes 2000 would be required to pay to the United States Treasury a projected amount of unresolved excessive contributions. This projection would not consider as resolved any excessive contribution that was untimely refunded after the commencement date for the audit, January 16, 2001. Any such contributions would be considered unresolved. It was recommended that Keyes 2000 not issue any more untimely refunds of excessive contributions.

The spreadsheet provided with Keyes 2000's statement did not provide documentation to show that the excessive contributions identified as sample errors were not excessive or that a corrective action had been taken. As such, the Audit staff projection of \$168,200 for unresolved excessive contributions remained unchanged.

In the preliminary audit report the Audit staff recommended that Keyes 2000 provide documentation to demonstrate that the contributions identified as sample errors were not excessive. Such documentation should include copies of timely negotiated refund checks or timely signed and dated reattribution letters. Absent such documentation, the Audit staff recommended that Keyes 2000 make a payment of \$168,200 to the United States Treasury.

Keyes 2000 did not comply with the Audit staff's recommendations. Instead, they provided a schedule of contributors who made excessive contributions and copies of letters from contributors for reattributing their contributions. The schedule indicated what action, if any, was taken to address the excessive contributions.

Keyes 2000 also provided a written response that acknowledged a "failure to successfully adhere to the sixty-day deadline for refunds" of contributions due to a breakdown in procedures and problems with the campaign data management software. The response acknowledges that that nearly \$90,000 in unresolved excessive contributions remains.

None of the materials provided by Keyes 2000 demonstrated that the contributions identified as sample errors or those identified in the 100% review were not excessive. Rather, the schedule confirmed the contributions as either unresolved or untimely refunded after the start of audit fieldwork.

The Audit staff's projection of \$168,200 for unresolved excessive contributions was not changed as a result materials provided in Keyes 2000 response. However, the Commission has recently adopted new regulations which allow committees greater latitude to reattribute contributions to joint account holders and the Commission has applied these new provisions to current matters. Accordingly, the Audit staff reevaluated the sample results under the revised regulations. This reevaluation resulted in a reduction to the number of excessive contribution sample errors and a corresponding reduction of the projection for excessive contributions. The new excessive contribution projection is \$95,286.

**Recommendation #1**

The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$95,286.

**C. RECEIPT OF CURRENCY IN EXCESS OF LIMITATION**

Section 110.4(c)(3) of Title 11 of the Code of Federal Regulations states that a candidate or committee receiving an anonymous cash contribution in excess of \$50 shall promptly dispose of the amount over \$50. The amount over \$50 may be used for any lawful purpose unrelated to any Federal election, campaign, or candidate.

Section 441g of Title 2 of the United States Code states that no person may make contributions of currency of the United States or currency of any foreign country to or for the benefit of any candidate which, in the aggregate, exceed \$100, with respect to any campaign of such candidate for nomination for election, or for election, to Federal office.

Section 9038.1(f)(3) of Title 11 of the Code of Federal Regulations states, in part, that within 30 days of service of the Final Audit Report, the committee shall submit a check to the United States Treasury for the total amount of any excessive or prohibited contribution not refunded, reattributed or redesignated in a timely manner in accordance with 11 CFR §103.3(b)(1), (2) or (3).

The Audit staff identified 89 deposits, each containing currency greater than \$50. The total for these currency deposits was \$39,243. Keyes 2000 provided documentation for 45 deposits that were associated with events. The remaining 44 currency deposits were not satisfactorily explained. These deposits totaled \$19,039. After allowing for one permissible \$50 anonymous currency contribution from each deposit, Keyes 2000 received excessive anonymous currency contributions in the amount of \$16,839.

At the exit conference, the Treasurer and Chief-of-Staff wanted to know why the candidate's itineraries<sup>9</sup> were not used to answer any questions concerning the large currency deposits. The Treasurer also stated that the cash contributions were deposited within 24 hours of the date of the event where they were received.

In a statement provided subsequent to the exit conference Keyes 2000 stated:

"Each cash contribution in question has been matched to the candidate's daily schedules, staff travel itineraries, and campaign events

<sup>9</sup> Though requested during audit fieldwork, the Candidate's itineraries were not made available for Audit staff review until the Exit Conference.

where small donor fundraising solicitation was made. The documents which specified these travel and event fundraising efforts, correlated to the Committee's bank records of receipts deposits, were ignored by the audit team. A spreadsheet was provided to the auditors, which shows this information explicitly. At the Exit Conference we first learned that this spreadsheet had not been accepted, and some cash receipts were still deemed excessive. All of these cash receipts do qualify under the regulations and should be accepted."

Keyes 2000 was formally advised of the remaining excessive anonymous currency contributions on November 5, 2001, approximately 2½ months prior to the exit conference when the Audit staff sent, via electronic mail, a summary of the audit findings and nine supporting schedules.

Despite the Treasurer's claim of prompt deposit, according to his spreadsheet, 30 of the 44 inadequately documented deposits were not made within ten days of the associated event. In addition, the Treasurer associated several large currency deposits with events that occurred up to 66 days *after* the deposits were made. Explanations for other currency deposits referred to unverifiable events. Finally, the remaining currency deposits were attributed to "white mail" where no attempt was made to identify how many contributions each currency deposit represented.

In the preliminary audit report, the Audit staff recommended that Keyes 2000 provide documentation for fundraising events associated with the 44 currency deposits noted above that shows that no single anonymous cash contribution in excess of \$50 was received. Absent such a showing, the Audit staff recommended that Keyes 2000 pay \$16,839 to the United States Treasury.

In response to the preliminary audit report Keyes 2000 supplied a revised schedule of cash deposits and stated that it matched each contribution deposit in question to the:

- Candidate's daily schedule;
- Candidate and staff travel itineraries; and
- Campaign events where small donor fundraising solicitations were made.

The schedule, like its predecessor, indicated that 30 deposits were not made within ten days of the associated event. Therefore, for those deposits no adjustments were warranted. However, there were changes related to nine events that corrected earlier assertions that cash deposits were made prior to the dates of the events with which they had been associated. This resulted in a reduction of \$1,826 to the excessive anonymous cash total.

Keyes 2000 also stated that attached contemporaneous documentation supported their position that all of the cash receipts meet compliance under the regulations, and should be accepted as qualified campaign contributions. However, the

referenced contemporaneous documentation was not attached to the response to the preliminary audit report.

**Recommendation #2**

The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$15,013 (\$16,839 less \$1,826).

**III. AUDIT FINDINGS AND RECOMMENDATIONS – REPAYMENT MATTERS**

**A. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES**

Section 432(h)(2) of Title 2 of the United States Code states, in part, that a political committee may maintain a petty cash fund for disbursements not in excess of \$100 to any person in connection with a single purchase or transaction.

Section 9032(9) of Title 26 of the United States Code defines, in part, the term "qualified campaign expense" as a purchase or payment incurred by a candidate, or by his authorized committee, in connection with his campaign for nomination, and neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which the expense is incurred or paid.

Section 9033.11(a) of Title 11 of the Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his authorized committee(s) or persons authorized to make expenditures on behalf of the candidate or authorized committee(s) are qualified campaign expenses.

Section 9033.11(b) of Title 11 of the Code of Federal Regulations states, in part, that for disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either a receipted bill from the payee that states the purpose of the disbursement or a bill, invoice or voucher from the payee that states the purpose of the disbursement. Where the documents specified above are not available, the candidate or committee may provide a voucher or contemporaneous memorandum that states the purpose of the disbursement. Where the supporting documentation required above is not available, the candidate or committee may present collateral evidence to document the qualified campaign expense. Such collateral evidence may include, but is not limited to, evidence demonstrating that expenditure is part of an identifiable program or project which is otherwise sufficiently documented or evidence that the disbursement is covered by a pre-established written campaign committee policy, such as a daily travel expense policy. If the purpose of the disbursement is not stated in the accompanying documentation, it must be indicated on the canceled check negotiated by the payee. Purpose means the full name and mailing address of the payee, the date and amount of the disbursement, and a brief description of the goods and services purchased.

Section 9034.4(a)(3)(i) of Title 11 of the Code of Federal Regulations states, in part, that costs associated with the termination of political activity, such as the costs of complying with the post election requirements of the Act and other necessary administrative costs associated with winding down the campaign, including office space rental, staff salaries, and office supplies shall be considered qualified campaign expenses. A candidate may receive and use matching funds for these purposes after he has notified the Commission in writing of his withdrawal from the campaign for nomination.

Section 9038.2(b)(2)(i) and (iii) of Title 11 of the Code of Federal Regulations states, in part, that the Commission may determine that amounts of any payments made to a candidate from the matching payment account were used for purposes other than to defray qualified campaign expenses. The amount of any repayment under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to total deposits, as of 90 days after the candidate's date of ineligibility.

The audit discovered that Keyes 2000 made non-qualified disbursements totaling \$407,378. This amount included a duplicate payment of \$12,000, undocumented disbursements of \$314,880 (\$127,433 from the operating account and \$187,447 from the travel account) and \$80,498 in cash disbursements in excess of the \$100 limit.

At the exit conference the Treasurer, citing regulations at 11 CFR 102.9(b), could not understand why the bank statements from the travel account, by themselves, did not constitute adequate documentation. The Audit staff explained that pursuant to 11 CFR §9033.11, the committee must show that expenses were qualified and made in connection with Ambassador Keyes' campaign for nomination. The documentation standards for publicly funded campaigns are more stringent than those applicable to non-publicly funded campaigns.

In statements provided subsequent to the exit conference, the Treasurer wrote:

"During the course of the audit I asked repeatedly for a list of expenditure qualification problems, yet I received minimal specifics. Documented responses to specified requests by the auditors were submitted to the FEC as quickly as possible. We are asking that the Audit Division of the Federal Election Commission finish reviewing the documentation provided them, and only then give us an "Exit Memo" specifying missing documentation. We need one list, with all of the pertinent insufficiencies, including the reason for non-qualification, of all non-qualified expenses."

Beginning on February 1, 2001, the Audit staff made numerous requests to the Treasurer for documentation and for campaign itineraries. Requests for additional disbursement documentation were made on April 10<sup>th</sup>, July 17<sup>th</sup>, and August 15<sup>th</sup>. On

November 5, 2001, a detailed summary of prospective audit findings along with detailed schedules supporting each area of concern was provided. Finally, on February 15, 2002, at the exit conference, a detailed schedule of disbursements considered to be non-qualified for lack of documentation was provided to Keyes 2000.

In the preliminary audit report, the Audit staff recommended that Keyes 2000 provide evidence documenting that the disbursements described below were qualified campaign expenses.

1. Duplicate Payment to Vendor

Keyes 2000 made a duplicate payment to MDS Communications. Two invoices from this vendor totaling \$12,000 were paid on February 22, 1999. These two invoices were mistakenly batched with three additional invoices and paid a second time on April 2, 1999.

In the response to the preliminary audit report, Keyes 2000 concurred with the Audit staff that the duplicate payment was made.

2. Undocumented Disbursements

A review of operating disbursements indicated that Keyes 2000 failed to adequately document 61 disbursements totaling \$127,433. For these disbursements, neither documentation such as receipted bills, invoices, vouchers or contemporaneous memoranda was available for review, nor could these disbursements be associated with an identified program, policy, reoccurring expense or other collateral evidence to document them as qualified campaign expenses.

Canceled checks were not available for four of these disbursements totaling \$1,238. For the remaining disbursements, canceled checks were the only documentation maintained. The canceled checks alone, lacking a purpose on the memo line, failed to document the disbursements as qualified campaign expenses.

Nine checks, totaling \$69,746, were identified, by the purpose on their memo line, as travel-related disbursements. Listed purposes included "reimbursement," "expenses," "travel expenses," and "travel reimbursement" which, without further information, are not sufficient to establish that the expenses were incurred in connection with Ambassador Keyes' campaign for nomination.

Individuals received sixteen checks, totaling \$19,962, identified as "reimbursements" by their memo entries. Four checks totaling \$1,539 had memo entries that were too vague to identify their purpose. Without additional documentation such as receipts or invoices, it is not possible to establish the campaign purpose of these disbursements. Three checks totaling \$5,385 were payable to two individuals for consulting. Consulting contracts were not provided and the payees did not endorse two of the three checks. Finally, twenty-five checks totaling \$29,563 lacked any memo entry.

In response to the preliminary audit report, Keyes 2000 provided documentation that demonstrated that \$117,626 of the \$127,433 in disbursements described above were qualified campaign expenses, leaving \$9,807 in disbursements undocumented.

### 3. Undocumented Expenses from the Travel Account

In June of 1999, Keyes 2000 opened an account at First Union Bank and issued debit cards to several key campaign personnel to be used for campaign travel expenses. All disbursements from this account were made by debit card. Campaign personnel did not retain documentation from vendors for disbursements from this account. The only documentation retained and provided were account statements that itemized each disbursement in chronological order. The information provided was limited to a transaction date, an eighteen-character field to identify the name of the vendor, and the City and State where the transaction occurred. Without some collateral evidence showing the connection between the expenses and the campaign efforts, these expenses were insufficiently documented. Originally, expenses totaling \$594,385 were insufficiently documented. However, the candidate itineraries supplied at the exit conference provided collateral evidence to document \$406,938 in expenses as campaign related, reducing the amount not documented to \$187,447.

In the preliminary audit report, the Audit staff recommended that Keyes 2000 provide documentation such as receipted bills, invoices, or vouchers, from the payees, that stated the purpose for the disbursements; contemporaneous memoranda; or other collateral evidence<sup>10</sup> to support the remaining \$183,986<sup>11</sup> undocumented disbursements as qualified campaign expenses. Except for providing two canceled check copies,<sup>11</sup> Keyes 2000 did not comply with the recommendation. Instead, Keyes 2000 generated and provided schedules to describe how the disbursements from the travel account were documented.

The undocumented expenses presented in the preliminary audit report consisted of:

#### a. Expenses incurred from 1/3/00 through 2/3/00

Candidate itineraries for the period 01/03/00 through 02/03/00 were not provided. The preliminary audit report contended that travel account expenses totaling \$83,593 paid during this period were undocumented.

<sup>10</sup> Collateral evidence may include but is not limited to: evidence demonstrating that the expenditure is part of an identifiable program or project that is sufficiently documented; or evidence that the disbursement is covered by a pre-established written committee policy.

<sup>11</sup> These checks document expenses of \$3,461 and this reduces the undocumented travel account disbursements from \$187,447 to \$183,986.

In response to the preliminary audit report, Keyes 2000 submitted a *Schedule of Travel Disbursements 1/01/00 thru 02/02/00*. This listing of disbursements from the travel account included a vendor name, date, amount, purpose and Keyes 2000's "reason for compliance" for each transaction. For each entry, the reason for compliance was stated as "Travel and Related Expenses Other" followed by a brief description of the purpose for the disbursement.

The schedule was generated in response to the preliminary audit report and therefore, is not a contemporaneous memorandum. Further, the schedule does not demonstrate that the disbursements were made as part of an identifiable program or covered by a pre-established written policy. Therefore travel account expenses totaling \$80,132 (\$83,593 less the two checks totaling \$3,461) paid during this period remain undocumented.

b. Travel Expenses as Winding Down Costs

From June 7 through December 8, 2000, Keyes 2000 spent \$76,489 on travel. The regulations at (11 CFR §9034.4(a)(3)(i)) allow necessary administrative costs associated with winding down the campaign. Expenses included in administrative costs are office space rental, staff salaries and office supplies. Keyes 2000 had not established the connection between this travel and administrative expenses allowed during winding down. Therefore, the Audit staff considered these expenses to be non-qualified campaign expenses.

In response to the preliminary audit report, Keyes 2000 submitted three schedules:

1. *Wind Down Travel Table – First Union Account* - This is a schedule of disbursements, paid from the travel account during the period, which lists the disbursements by category (airfare, lodging, and transportation).
2. *Wind Down Administrative Table – First Union Account* - This is a schedule of disbursements, paid from the travel account during the period, that are administrative in nature (expenses for telephone, general office expense, and office supplies.)
3. *Schedule of Wind Down Travel – Itinerary Documentation for Non-Qualified Campaign Expenditures* – This is a schedule that lists the candidate's travel during the period June 8, 2000 through December 6, 2000. For each date, the schedule lists personnel, location, airline city of departure and arrival, type of event, hotel, car service and a "reason for expenditure qualification." For each date, the stated reason is: "Costs associated with terminating political activity and debt retirement; Trip is allocable to Committee sustaining positive public relations and donor support necessary for wind down funding."

Keyes 2000 stated in its written response that "All travel and associated costs funded by the Committee in this period represent either compliance,

or legitimate and essential fundraising and contributor solicitation expenditures.” However, in the opinion of the Audit staff, the documents provided do not support Keyes 2000’s contention that the travel and activity that occurred after June 6, 2000, was related to winding down the campaign. In fact, they suggest that Ambassador Keyes was engaged in activity not connected with winding down his campaign.

Ambassador Keyes engaged in fundraising for the benefit of entities other than Keyes 2000. He raised money on behalf of two individuals, two right-to-life committees, a county republican committee, and a church mission. He also attended an event described as a fundraising reception at which he met with “\$10,000 donors.” Nothing on the itineraries suggests that he was engaged in raising money for Keyes 2000. There is an indication that he received two honoraria: \$5,000 from a church and an indeterminate amount, a “love offering” in the form of a check to be made payable to AKE<sup>12</sup>. Between July 31, 2000, and August 3, 2000, during the Republican National Convention, Ambassador Keyes made three trips to Philadelphia and attended several events. On August 2, 2000, he held a “Keyes 2000 Hospitality Suite – Birthday Party” for himself. In late September, he participated in a debate whose topic was “Does Organized Religion Have The Answers To The Problems Of The 21<sup>st</sup> Century?” He made speeches on behalf of the Christian Coalition, the Tennessee Right to Life committee, Michigan Catholic Radio Anniversary Celebration, the Calvary Chappel Church and the New City Jewish Center. His topics ranged from “The Moral Disintegration In America” to “The Future Of The Conservative Movement In This Country” to “Israel And Zionism In The 21<sup>st</sup> Century.” The itinerary for November 12, 2000, showed that he appeared in a two-hour election special; this was not included on the “*Schedule of Wind Down Travel*.”

The lack of documentation such as receipted bills, invoices, or vouchers, from the payees; contemporaneous memoranda; or other collateral evidence; prevents the Audit staff from concluding that the disbursements represent legitimate winding down costs. Further, available documentation suggests that Ambassador Keyes was engaged in activity unrelated to the wind down effort of his campaign. The schedules provided by Keyes 2000 were generated in response to the preliminary audit report and are not contemporaneous memoranda. Therefore, the Audit staff considers these expenses totaling \$76,489 to be non-qualified campaign expenses.

c. Cash Withdrawals

Cash withdrawals totaling \$27,365<sup>13</sup> were made from the travel account. No documentation of the amounts spent from these cash advances was provided. The Candidate’s itineraries supplied at the exit conference did not offer any information as to how the cash was spent.

In response to the preliminary audit report, Keyes 2000 asserted that the cash disbursements were documented. The response stated that “under

<sup>12</sup> AKE is an acronym for Alan Keyes Enterprises, Inc.

<sup>13</sup> Also See Finding II.A., Cash Disbursements.

11 CFR 9033.11 (b)(iv)(A) [sic.], the itemized bank statements, collated with the Candidate's itineraries offer information as to how the cash was spent among campaign staff and functionaries for meals, incidentals, and local travel." To support this, Keyes 2000 cited the following:

- The cash disbursements were part of an identifiable personnel policy to provide travel advances for the staff;
- The First Union bank statements served to "voucherize" each advance by designating by debit card number the staff member making the withdrawal; and
- The policy for facilitating travel advances is substantiated by lining up daily data on the itineraries with withdrawals on the bank records.

The response also stated that supplemental documentation that demonstrated pre-established written campaign policies, was previously submitted to the Audit staff in the form of memoranda and captured email communications.

In the Audit staff's opinion, Keyes 2000 has not provided adequate documentation for the cash disbursements. Documentation of pre-established written campaign policies was not previously submitted as stated. Copies of the referenced memoranda and captured email communications were not included in the preliminary audit report response and none of the materials submitted in the response provides evidence that such policies existed. Furthermore, the response did not identify the staff members to whom the debit cards were assigned or the corresponding debit card numbers. Finally, the response provided nothing to demonstrate how the itineraries, when "lined up" with the bank records, provide adequate documentation for the cash withdrawals. The materials provided in the response to the preliminary audit report do not comply with the documentation requirements of 11 CFR §9033.11 or demonstrate that the disbursements do not violate the prohibition on cash disbursements. Therefore, Keyes 2000 has not shown that cash disbursements, totaling \$27,365, were qualified campaign expenses.

#### 4. New Hampshire Cash Disbursements

As previously noted, Keyes 2000, in the course of conducting campaign activity in New Hampshire, made 122 cash disbursements, each in excess \$100.<sup>14</sup> The disbursements total \$80,498.

Although a number of checks were identified which, when cashed, may have provided the funds to make the cash disbursements in New Hampshire, no specific or direct connection between the disbursements and funds available can be made.

<sup>14</sup> Also See Finding II.A., Cash Disbursements.

As stated above in *Finding II.A., Cash Disbursements*, Keyes 2000's acknowledged that cash disbursements were made from the New Hampshire account. The preliminary audit report response stated "...the cash money represents disbursements transactions by checks from a Committee depository for legitimate and authorized expenditures, they are documented and those transactions in justice should be deemed qualified campaign expenses."

The Audit staff concludes that cash disbursements from the New Hampshire account totaling \$80,498 are non-qualified campaign expenses because they violate the prohibition on cash disbursements set forth at 2 USC §432(h).

In summary, Keyes 2000 made non-qualified disbursements totaling \$288,876. This amount includes the duplicate payment of \$12,000, non-qualified campaign expenses of \$2,585<sup>15</sup> for convention activity, undocumented disbursements of \$274,291 (\$9,807 from the operating account and \$183,986 from the Travel Account and \$80,498 in cash disbursements in excess of the \$100 limitation).

### **Recommendation #3**

The Audit staff recommends that the Commission determine that a pro rata repayment of \$74,439 (\$288,876 multiplied by the repayment ratio of .257686<sup>16</sup>) is payable to the United States Treasury.

#### **B. COSTS ASSOCIATED WITH CONTINUING TO CAMPAIGN**

Section 9034.4(a)(3)(ii) of Title 11 of the Code of Federal Regulations states if the candidate continues to campaign after becoming ineligible due to the operation of 11 CFR 9033.5(b), the candidate may only receive matching funds based on net outstanding campaign obligations as of the candidate's date of ineligibility. The statement of net outstanding campaign obligations shall only include costs incurred before the candidate's date of ineligibility for goods and services to be received before the date of ineligibility and for which written arrangement or commitment was made on or before the candidate's date of ineligibility, and shall not include winding down costs until the date on which the candidate qualifies to receive winding down costs under paragraph (a)(3)(i) of this section. Contributions received after the candidate's date of ineligibility may be used to continue to campaign, and may be submitted for matching fund payments. The candidate shall be entitled to receive the same proportion of matching funds to defray net outstanding campaign obligations as the candidate received before his or her date of ineligibility. Payments from the matching payment account that are received after the candidate's date of ineligibility may be used to defray the candidate's net outstanding campaign obligations, but shall not be used to defray any

<sup>15</sup> See Finding III.B. Costs Associated with Continuing to Campaign; explanation at footnote #19.

<sup>16</sup> This figure (.257686) represents Keyes 2000's repayment ratio as calculated pursuant to 11 CFR §9038.2(b)(2)(iii).

costs associated with continuing to campaign unless the candidate reestablishes eligibility under 11 CFR §9038.8.

Section 9034.4(b)(3) of Title 11 of the Code of Federal Regulations states, in part, that any expenses incurred after a candidate's date of ineligibility under 11 CFR §9033.5, are not qualified campaign expenses except to the extent permitted under 11 CFR §9034.4(a)(3).

Section 9038.2(b)(2)(i) of Title 11 of the Code of Federal Regulations states, that the Commission may determine that amount(s) of any payment made to a candidate from the matching payment account were used for purposes other than defrayal of qualified campaign expenses, repayment of loans which were used to defray qualified campaign expenses and restoration of funds (other than contributions which were received and expended to defray qualified campaign expenses) which were used to defray qualified campaign expenses.

Section 9038.2(b)(2)(ii)(D) of Title 11 of the Code of Federal Regulations states, in part, that the Commission may make a repayment determination under 11 CFR 9038.2(b)(2) for funds, described in 11 CFR 9038.2(b)(2)(i), which were expended for costs associated with continuing to campaign after the candidate's date of ineligibility

The Commission determined that Ambassador Keyes' date of ineligibility (DOI) was April 20, 2000. Ambassador Keyes chose to continue to campaign until June 7, 2000, when he formally withdrew from active campaigning. At the time of the PAR it appeared that during the period that Ambassador Keyes continued to campaign, Keyes 2000 incurred expenses of \$782,711. To partially offset these expenses, Keyes 2000 received contributions totaling \$450,440. The balance, \$332,271 appeared to have been paid with funds containing matching funds; and as such, subject to a pro rata repayment to the United States Treasury.

At the exit conference the Treasurer acknowledged that Ambassador Keyes had, indeed, continued to campaign but pointed out that as soon as there was a decision concerning the Arkansas primary results, this issue would be resolved.<sup>17</sup> Further, the Treasurer contended that there were serious errors in how the Audit staff presented this issue.

In a statement provided subsequent to the exit conference the Treasurer stated:

"Repayment Due to Continuing to Campaign: This number will diminish considerably when the auditors look at the actual bills for goods and

<sup>17</sup> Ambassador Keyes received 19.8% of the vote in the Arkansas primary. He needed to receive 20% of the vote to reestablish his eligibility to receive matching funds. Keyes 2000 is currently attempting through legal action, to persuade the Arkansas authorities to round up his election results to 20%.

services in the accounts payable, which were paid during the period of ineligibility, but which were incurred previous to DOI. Rectifying these errors will significantly lower the repayment amount due to Continuing to Campaign.”

The \$782,711 in expenses identified, as having been incurred during the period did not include expenses incurred prior to DOI as determined by the Audit staff using the records available during audit fieldwork. The Treasurer was provided detailed spreadsheets supporting the amounts presented in this finding. Documentation was not provided to address specific items about which the Treasurer believed mistakes were made.

In the preliminary audit report, the Audit staff recommended that Keyes 2000 provide documentation to demonstrate that matching funds were not used to fund the continuing to campaign effort between April 20, and June 7, 2000. Absent such documentation, the preliminary audit report stated that the Audit staff would recommend that the Commission determine that \$85,622 (\$332,271 multiplied by the repayment ratio, .257686) was repayable to the U.S. Treasury.

In response to the preliminary audit report, Keyes 2000 stated, “ the Committee is pursuing a reconsideration of the DOI based on a favorable determination concerning the Arkansas primary results. Such a determination would of course render moot the CTC [Continuing to Campaign] issue of non-qualified campaign expenses.”

Regardless, Keyes 2000 “...asserts that it incurred expenses during the CTC period commensurate but not in excess of the contributions noted.”<sup>18</sup> However, a schedule provided in the response to the preliminary audit report suggests that Keyes 2000 has acknowledged spending \$35,720 in excess of the amount of funds available to campaign.

In response to the preliminary audit report, Keyes 2000 presented documentation that showed that disbursements totaling \$215,817<sup>19</sup> paid during the period were for goods and services provided prior to DOI or following the CTC period. This reduced the amount spent during the period from \$782,711 to \$566,894, or \$116,454 in excess of the amount available for use during the period.

<sup>18</sup> “Contributions noted” refers to the \$450,440 in contributions that were available to Keyes 2000 to spend during the period April 21, 2000, through June 7, 2000, for continuing to campaign activity.

<sup>19</sup> Included in this amount were two reimbursements for expenses incurred for attending the Republican National Convention. Since the convention occurred in the winding down period, these reimbursements were non-qualified expenses to Keyes 2000. These non-qualified expenses were added to non-qualified expenses in Finding III.A. (See footnote #15.)

**Recommendation #4**

The Audit staff recommends that the Commission determine that \$30,009 (\$116,454 multiplied by the repayment ratio of .257686) is repayable to the United States Treasury.

**C. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS**

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 calendar days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which reflects the total of all outstanding obligations for qualified campaign expenses plus estimated necessary winding down costs.

Section 9034.1(b) of Title 11 of the Code of Federal Regulations states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR §9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

Section 9034.4(a)(3)(ii) of Title 11 of the Code of Federal Regulations states, in part, that if the candidate continues to campaign after becoming ineligible due to the operation of 11 CFR §9033.5(b), the candidate may only receive matching funds based on net outstanding campaign obligations as of the candidate's date of ineligibility. The statement of net outstanding campaign obligations shall only include costs incurred before the candidate's date of ineligibility for goods and services to be received before the date of ineligibility and for which written arrangement or commitment was made on or before the candidate's date of ineligibility, and shall not include winding down costs until the date on which the candidate qualifies to receive winding down costs.

Under 11 CFR §9033.5(b), the Candidate's date of ineligibility shall be the 30th day following the date of the second consecutive primary election in which such individual receives less than 10% of the number of popular votes cast for all candidate's of the same party for the same office in that primary election.

The Commission determined that Ambassador Keyes' date of ineligibility was April 20, 2000. However, he continued to campaign until June 7, 2000, the date he notified the Commission of his official withdrawal from active campaigning. As a result, Ambassador Keyes may not claim any winding down costs until June 8, 2000. The Audit staff reviewed Keyes 2000's financial activity through December 31, 2000, reviewed Keyes 2000's reported activity through September 30, 2002, analyzed allowable winding down costs, and prepared the following Statement of Net Outstanding Campaign Obligations (NOCO).

**Keyes 2000, Inc.**  
**Statement of Net Outstanding Campaign Obligations**  
**As of April 20, 2000**  
**As Determined at September 30, 2002**

**ASSETS**

Cash in Bank	\$739,163	
Accounts Receivable	3,692	
Capital Assets	<u>3,808</u>	
Total Assets		\$746,663

**LIABILITIES**

Accounts Payable for Qualified Campaign Expenses at 4/20/00	\$1,318,400	
Disbursements for Winding Down (06/08/00 - 09/30/02)	3,716,162	(a)
Loan Payable	181,006	
Estimated Winding Down Costs (10/01/02 - 12/31/03)	332,188	(b)
Amount Due United States Treasury		
Excessive Currency Contributions	15,013	
Unresolved Excessive Contributions	168,200	
Stale Dated Checks	<u>8,003</u>	
Total Liabilities		<u>\$5,738,972</u>
<b>Net Outstanding Campaign Obligations (Deficit)</b>		<b>(\$4,992,309)</b>

**Footnotes:**

- (a) This amount does not include \$566,494 in expenses incurred between April 21 and June 7, 2000, the period after DOI during which Ambassador Keyes continued to campaign. (See Finding III.B.) Post DOI non-qualified campaign expenses such as travel and convention and undocumented cash disbursements have been excluded from winding down expenses.
- (b) The estimated winding down costs will be monitored throughout calendar year 2002. Should actual costs be substantially less than projected costs, a repayment pursuant to 26 USC §9038.2(b)(1) would result.

The Treasurer expressed concern at the exit conference and in the statement submitted subsequent to the exit conference, that cash-on-hand as calculated by the Audit staff was overstated by more than \$100,000. Although he was provided with a printout detailing the Audit staff's calculation of cash-on-hand, his statement did not address how the Audit staff's calculation was in error.

The Statement of Net Outstanding Campaign Obligations as of April 20, 2000 as presented above shows Keyes 2000 to be in a deficit position in the amount of \$4,992,309. Shown below are adjustments for funds received after April 20, 2000, based on the most current financial information available:

Net Outstanding Campaign Obligations (Deficit) as of 4/20/00	(\$4,992,309)
Net Private Contributions Received 6/7/00 to 12/31/00	882,934
Matching Funds Received 04/20/00 to 12/31/00	<u>3,183,371</u>
SUBTOTAL: Remaining Net Outstanding Campaign Obligations (Deficit) @ 12/31/00	(\$926,004)
Net Private Contributions Received 1/1/01 to 6/01/01	302,621
Matching Funds Received 1/2/01 through 06/01/01	<u>171,567</u>
Remaining Net Outstanding Campaign Obligations (Deficit)	<u>(\$451,816)</u>

As presented above, the Keyes 2000 has not received matching fund payments in excess of its entitlement.

#### D. STALE-DATED CHECKS

Section 9038.6 of Title 11 of the Code of Federal Regulations states that if the committee has checks outstanding to creditors or contributions that have not been cashed, the committee shall notify the Commission. The Committee shall inform the Commission of its efforts to locate the payees, if such efforts have been necessary, and its efforts to encourage the payees to cash the outstanding checks. The committee shall also submit a check for the total amount of such outstanding checks, payable to the United States Treasury.

The Audit staff identified 27 stale-dated checks totaling \$8,003. Twenty-four of the stale-dated checks represented refunds to individuals of excessive contributions.

At the exit conference the Treasurer noted that the listed checks had been voided. He also expressed concern that the payment for outstanding refund checks constituted double counting.<sup>20</sup>

In a statement provided subsequent to the exit conference the Treasurer stated:

"Stale Dated Checks: Although we have been assured that these checks were not included in the Unresolved Excessive Contributions, we can not confirm this assertion, because we can not determine how the FEC number was generated. The Stale Dated Checks in question have been voided."

The stale-dated refund checks represent untimely resolved excessive contributions, a category separate from unresolved excessive contributions. These refunds were not a factor in calculating the projected payment due the United States Treasury for the unresolved excessive contributions presented at Finding II.B.

It should be noted that the mere voiding of a stale-dated check does not obviate the requirement to pay the amount of the check to the United States Treasury. Keyes 2000 must demonstrate that the obligation for which the check was written has been satisfied or that the obligation never existed.

In the preliminary audit report, the Audit staff recommended that Keyes 2000 provide evidence that the checks were not outstanding (i.e., copies of the front and back of the negotiated checks), or that the outstanding checks were voided and that no obligation exists. Absent such evidence, the Audit staff recommended that \$8,003 was payable to the United States Treasury.

Keyes 2000's response to the preliminary audit report "...asserts that the stale-dated checks for over-donors are included in the unresolved excessive calculation of \$89,861.82 at Finding II.B." This is a restatement of the argument presented after the exit conference and addressed above.

#### **Recommendation #5**

The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$8,003.

<sup>20</sup> By double counting, it is the Treasurer's belief that Keyes 2000 is being forced to refund some excessive contributions twice.

**IV. SUMMARY OF AMOUNTS DUE TO THE UNITED STATES TREASURY**

Finding II.B.	Unresolved Excessive Contributions	\$ 95,286
Finding II.C.	Excessive Cash Contributions	15,013
Finding III.A.	Non-Qualified Expenses	74,439
Finding III.B.	Costs Associated with Continuing to Campaign	30,009
Finding III.D.	Stale-Dated Checks	<u>8,003</u>
		<u>\$ 222,750</u>



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

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AUDIT DIVISION

2002 DEC 10 A 11:06

December 9, 2002

**MEMORANDUM**

TO: Robert J. Costa  
Deputy Staff Director

THROUGH: James A. Pehrkon  
Staff Director

FROM: Lawrence H. Norton  
General Counsel

Gregory R. Baker  
Acting Associate General Counsel

Lorenzo Holloway  
Assistant General Counsel

Dawn R. Jackson  
Attorney

Michelle E. Abellera  
Attorney

Susan Kay  
Attorney

SUBJECT: Report of the Audit Division on Keyes 2000, Inc. (LRA #570)

**I. INTRODUCTION**

The Office of General Counsel reviewed the proposed Report of the Audit Division ("Proposed Report") on Keyes 2000, Inc. ("the Committee") submitted to this Office on November 5, 2002. This memorandum summarizes our comments on the Proposed Report.<sup>1</sup> Our comments address a procedural issue and two related repayment findings: 1) undocumented travel expenses incurred during the candidate's eligibility

<sup>1</sup> The Office of General Counsel recommends that the Commission consider this document in open session. See 11 C.F.R. § 9038.1(e)(1).

period, and 2) undocumented travel expenses during the winding down period. We concur with any findings not specifically discussed in this memorandum. If you have any questions, please contact Dawn R. Jackson, Michelle Abellera, or Susan Kay, the attorneys assigned to this audit.

## II. TREASURER PROCEDURAL ISSUE

The Proposed Report states that Mary Lewis Parker succeeded William Leo Constantine as the Committee's Treasurer. On September 23, 2002, the Committee submitted an amended Statement of Organization indicating that Mary Lewis Parker was the new Treasurer. However, the amended Statement of Organization was submitted in paper format.

The Commission's regulations require the Committee to file all of its reports electronically. 11 C.F.R. §§ 104.18(a)(1), 105.3. In addition, "if a committee is required to file electronically, it must file amendments to its Statement of Organization (FEC form 1) electronically." Explanation and Justification for 11 C.F.R. § 102.2, 65 Fed. Reg. 38416 (June 21, 2000). Therefore, the Committee's amended Statement of Organization must be filed electronically.<sup>2</sup> Thus, we recommend that the Audit Division revise the Proposed Report to indicate that a procedural requirement for designating a new treasurer - filing electronically - has not been met; therefore, Mr. Constantine remains the Committee's Treasurer.<sup>3</sup>

## III. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES

The Proposed Report recommends that the Committee repay \$88,496 to the United States Treasury. The repayment represents the pro-rata portion of \$343,482 in nonqualified campaign expenses. The nonqualified campaign expenses include \$64,354 in undocumented travel expenses incurred during the candidate's eligibility period and \$76,489 in travel expenses incurred during the winding down period.

The Committee has offered some documentation to support these expenses. Therefore, we believe there is a question as to whether these two expense categories should be considered nonqualified campaign expenses. The key factor in this determination is whether the Committee's documentation is sufficient to establish that the

<sup>2</sup> The electronic filing requirement is not merely a question of form over substance. The Commission noted that, in addition to reducing paper filing and manual processing of reports, the electronic filing system was intended to "provide the public with more complete on-line access to reports...thereby furthering the disclosure purposes of the Act." Explanation and Justification for Regulations on Electronic Filing of Reports by Political Committees, 61 Fed. Reg. 42371, 42372 (August 15, 1996).

<sup>3</sup> This Office notes that the Audit staff advised Ms. Parker of the electronic filing requirement on September 23, 2002. The Reports Analysis Division will also notify the Committee of the electronic filing requirement. If an electronic amendment is filed, the new treasurer will be properly designated at that time.

travel expenses were incurred in connection with seeking the nomination or if the expenses were a part of the Committee's effort to terminate its 2000 presidential campaign. 11 C.F.R. §§ 9032.9(a), 9034.4(a)(3)(i).

Candidates have the burden of demonstrating that disbursements are qualified campaign expenses, by submitting the required documentation.<sup>4</sup> 11 C.F.R. §§ 9033.11(b), 9033.11(a)-(b). Disbursements over \$200 must be documented with a receipted bill from the payee that states the purpose of the disbursement; if a receipted bill is not available, the disbursement must be documented with: (1) a canceled check negotiated by the payee supported by an invoice, bill, voucher or contemporaneous memorandum; (2) a canceled check stating the purpose of the disbursement; or (3) a canceled check and collateral evidence to document the qualified campaign expense. 11 C.F.R. § 9033.11(b)(1)(i)-(iv).

**A. Undocumented Travel Expenses During the Period of Eligibility**  
**(Section III.A.2)**

The Proposed Report notes that the Committee has \$64,355 in nonqualified campaign expenses for undocumented travel expenses due to the fact that the listed purposes on the canceled checks "are not sufficient to establish that the expenses were incurred in connection with [the Committee's] campaign." In particular, there are two canceled checks, totaling \$54,547.55, made payable to Malvey Travel.<sup>5</sup> The checks state on the memo lines "outside services-air travel" and "air charter-Iowa flying services."

There is a letter from Peter Malvey to the Committee dated December 31, 1999 that stated "Iowa City Flying will rent the aircraft to Malvey Travel, not the campaign." In response to the Preliminary Audit Report ("PAR"), the Committee submitted a \$67,691.07 invoice from Iowa City Flying Service. The invoice lists the date of each transaction, the referencing invoice number, a brief description of each transaction, the amount of the transaction, and the payment received from the Committee. In addition, the auditors were able to obtain a receipt dated February 29, 2000 from PS Air<sup>6</sup> to the Committee that listed the Committee's activity and balance for the Iowa City Flying Service Account.

<sup>4</sup> As a condition precedent to receiving public funds, candidates "agree to obtain and furnish to the Commission any evidence it may request of qualified campaign expenses." 26 U.S.C. § 9033(a)(1); see also 11 C.F.R. § 9033.1(b)(3). Also, candidates are required to keep and furnish all documentation relating to disbursements and receipts and any other information that the Commission requests. 11 C.F.R. § 9033.1(b)(5).

<sup>5</sup> According to the auditors, there are eleven checks that total \$64,354.83 in nonqualified campaign expenses. However, this Office has only identified two checks that require comment.

<sup>6</sup> PS Air is a service provider for the Iowa Airport that offers services such as fuel, aircraft rental, aircraft maintenance, oxygen, and hangars.

The Audit Division reviewed the PS Air receipt<sup>7</sup> and noted a few inconsistencies with the amount the Committee paid. This Office reviewed the PS Air receipt, and we found that the receipt shows the purpose of the disbursement and the amount that the Committee paid. Therefore, this documentation satisfies the minimum required for documenting disbursements. 11 C.F.R. § 9033.11(b). To address the inconsistencies, this Office asked the Audit Division to separate the disbursements that were supported by the receipt from the inconsistent disbursements. However, the auditors stated that the disbursements in question could not be separated in such a manner. Given the limited options at this point and the fact that the Committee satisfied the minimum documentation requirements, the Office of General Counsel recommends that the Audit Division revise the Proposed Report to conclude that the travel expenses are qualified campaign expenses.<sup>8</sup>

**B. Travel Expenses During Winding Down Period (Section III.A.3.b.)**

Generally, committees will incur winding down expenses as a part of their effort to terminate the campaign. Winding down costs are "costs associated with the termination of political activity, such as the costs of complying with the post election requirements of the Act and other necessary administrative costs associated with winding down the campaign, including office space rental, staff salaries, and office supplies." 11 C.F.R. § 9034.4(a)(3)(i). These expenditures are recognized as qualified campaign expenses. *Id.* Since winding down expenses are qualified campaign expenses, committees must document their winding down expenses. 11 C.F.R. § 9033.11(a)-(b).

According to the Audit Division, the Committee made \$76,489 in travel-related disbursements during the period June 7, 2000 through December 8, 2000.<sup>9</sup> The Audit Division concluded that the Committee's travel disbursements were nonqualified campaign expenses because the Committee did not submit documentation establishing the connection between the travel and the administrative expenses allowed for winding down. *See* 11 C.F.R. § 9034.4(a)(3)(i).

In response to the PAR, the Committee submitted three schedules that provided information about disbursement dates, amounts and vendors. According to the Committee, the travel disbursements are documented by the submitted schedules.

<sup>7</sup> Unlike the PS Air Receipt, the Malvey invoice was dated March 7, 2002 and is not contemporaneous documentation. The auditors believe the Malvey invoice was prepared in response to the PAR. 11 C.F.R. § 9033.11(b).

<sup>8</sup> This Office recommends that the Audit Division review the other "undocumented disbursements" in the Proposed Report in connection with any supporting documentation submitted by the Committee that may satisfy the minimum required for documenting disbursements. 11 C.F.R. § 9033.11(b).

<sup>9</sup> The Commission determined that the Candidate was ineligible for public funds on April 20, 2000. On June 7, 2000, Ambassador Keyes publicly announced he was withdrawing from the campaign.

Furthermore, the Committee argues that all travel expenses incurred during the winding down period were "qualified costs associated with the termination of political activity of a nationwide campaign, including the fundraising imperative of facilitating personal candidate contact with contributors and supporters" and that all the disbursements "represent[ed] either compliance, administrative, or legitimate and essential fundraising and contributor solicitation expenditures."<sup>10</sup> Keyes 2000 Response Narrative addenda – Re: Repayment Matters ("Addenda"), at 2. Furthermore, the Committee contends that "it is the Committee's prerogative how best to execute its own termination, and how most appropriately to handle its donor relations in preparing the ground for its debt retirement activity." Addenda at 3.

This Office concurs with the Audit Division's finding that these travel expenses are nonqualified campaign expenses. Although the Committee provided schedules in response to the PAR, the Committee did not provide cancelled checks, receipted bills, invoices, vouchers, contemporaneous memoranda or other collateral evidence to support the schedules or otherwise demonstrate that the travel disbursements were related to the termination of the campaign.<sup>11</sup> 11 C.F.R. § 9033.11(b)(1)(i)-(iv). According to the Audit staff, the schedules do not provide any additional information beyond what was made available during fieldwork and at the Exit Conference. The schedules merely provide general, uncorroborated descriptions relating to the purpose of the disbursements.<sup>12</sup>

It is our understanding that the auditors are concerned that the travel was for the purpose of soliciting contributions on behalf of other organizations.<sup>13</sup> A review of the Committee's itineraries for this period suggests that portions of the travel were related to

<sup>10</sup> The Committee stated that it had significant debt to retire and, therefore, fundraising was a necessary expense. Keyes 2000 Response Narrative, at 13.

<sup>11</sup> Winding down costs may include disbursements for fundraising and supporter solicitation. The regulations at section 9034.4(a)(3)(i) provide only a partial list of permissible winding down expenses, and the absence of language relating to fundraising should not be interpreted as being prohibitive of such purposes. 11 C.F.R. § 9034.4(a)(3)(i). Furthermore, this Office agrees "it is the Committee's prerogative how best to execute its own termination." Addenda at 3. However, this is a case about documenting the expenses. A committee's autonomy and freedom of choice concerning the manner in which it shuts down the campaign does not relieve the committee of the obligation to document expenditures. 11 C.F.R. §§ 9033.1(b), 9033.11(a)-(b). Although the Committee provided itineraries for the winding down period, the Committee did not submit any documentation linking the purported travel expenses to specific dates and events. *Id.*

<sup>12</sup> Two of the schedules describe the disbursements as "travel." The third schedule, *Schedule of Wind Down Travel- Itinerary Documentation for Non-Qualified Campaign Expenses*, notes that the "costs [are] associated with terminating political activity and debt retirement" and the "trip[s] [are] allocable to [the] Committee sustaining positive public relations and donor support necessary for wind down funding." The Proposed Report notes that schedules were produced in response to the PAR and are, therefore, not contemporaneous memoranda. 11 C.F.R. § 9033.11(b)(1)(ii).

<sup>13</sup> The Candidate is involved in numerous grassroots political organizations, including the Declaration Foundation, Declaration Alliance, RenewAmerica and AKE (Alan Keyes Enterprises).

the Candidate's personal activities, including fundraising for other organizations, and not solely to maintain contact with campaign contributors and supporters. Since the Candidate was traveling for other activities at the same time that he was terminating his political campaign for the 2000 presidential election, the Committee should have been more vigilant in documenting the costs related to closing the presidential campaign. The fact that the candidate was engaged in other activities does not relieve the Committee of documenting its winding down expenses. 11 C.F.R. §§ 9033.1(b), 9033.11(a)-(b). However, the Proposed Report does not address these facts. We recommend that the Audit Division revise the Proposed Report to specifically address the Audit staff's concerns that the Candidate was traveling for other purposes not related to the termination of the campaign.



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20461

December 17, 2002

Mr. William L. Constantine, Treasurer  
Keyes 2000, Inc.  
2400 Earls Gate Court  
Reston, VA 20191

Dear Mr. Constantine:

Attached please find the Final Audit Report on Keyes 2000, Inc. The Commission approved the report on December 12, 2002. As noted on page 6, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §§9038.2(c)(1) and (d)(1), the Commission has made a determination that a repayment to the Secretary of the Treasury in the amount of \$222,750 is required within 90 calendar days after the service of this report (March 24, 2003).

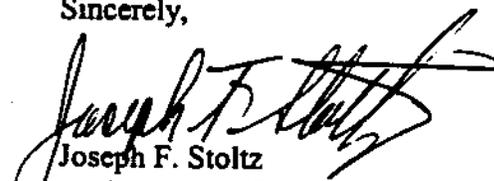
Should you dispute the Commission's determination that a repayment is required, Commission regulations at 11 CFR §9038.2(c)(2) provide you with an opportunity to submit in writing, within 60 calendar days after service of the Commission's notice (February 21, 2003), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. Further, 11 CFR §9038.2(c)(2)(ii) permits a Candidate who has submitted written materials to request an opportunity to address the Commission in open session based on the legal and factual materials submitted.

The Commission will consider any written legal and factual materials submitted within the 60-day period when deciding whether to revise the repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the Candidate decides to file a response to the repayment determination, please contact Greg Baker of the Office of General Counsel at (202) 694-1650 or toll free at (800) 424-9530. If the Candidate does not dispute this determination within the 60-day period provided, it will be considered final.

The Commission approved Final Audit Report was placed on the public record on December 24, 2002. Should you have any questions regarding the public release of the report, please contact the Commission's Press Office at (202) 694-1220.

Any questions you have related to matters covered during the audit or in the report should be directed to Marty Kuest or Wanda Thomas of the Audit Division at (202) 694-1200 or toll free at (800) 424-9530.

Sincerely,



Joseph F. Stoltz  
Assistant Staff Director  
Audit Division

Attachment as Stated

cc: Mark Braden, Counsel  
Mary Parker Lewis, Campaign Chief of Staff



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

December 17, 2002

Ambassador Alan Keyes  
13533 Scottish Autumn Way  
Darnestown, Maryland 20878

Dear Ambassador Keyes:

Attached please find the Final Audit Report on Keyes 2000, Inc. The Commission approved the report on December 12, 2002. As noted on page 6, the Commission may pursue any of the matters discussed in an enforcement action.

In accordance with 11 CFR §§9038.2(c)(1) and (d)(1), the Commission has made a determination that a repayment to the Secretary of the Treasury in the amount of \$222,750 is required within 90 calendar days after the service of this report (March 24, 2003).

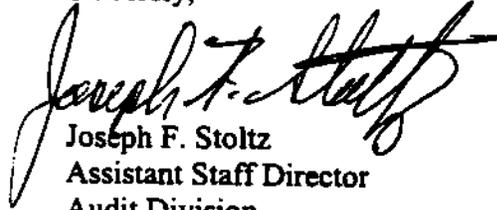
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Sincerely,



Joseph F. Stoltz  
Assistant Staff Director  
Audit Division

Attachment as Stated

**CHRONOLOGY**  
**KEYES 2000, INC.**

Audit Fieldwork	January 16, 2001 - September 13, 2001
Preliminary Audit Report to the Committee	July 17, 2002
Response Received to the Preliminary Audit Report	October 4, 2002
Final Audit Report Approved	December 12, 2002



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**COMMITTEE RESPONSE AND REQUEST FOR ADMINISTRATIVE  
REVIEW  
REPORT OF THE AUDIT DIVISION  
ON  
KEYES 2000, Inc.**

**I. SUMMARY**

Pursuant to 11 CFR §9038.2(c)(2)(i) Keyes 2000, Inc. herein contests the Federal Election Commission's determination that a repayment is due to the Secretary of the Treasury in the amount of \$222,750. Keyes 2000 asserts that, on a consistent application of the standards and regulatory purposes pursuant to 11 CFR §§102.10 and 102.11; 11 CFR §9032.9; and 11 CFR §9033.11, particularly §9033.11(b)(iii)(A) and (B), the Committee's repayment obligation to the U.S. Treasury need not exceed \$112,310. In summary, the difference in these amounts arises from contention over findings in the Final Audit Report as to whether a reporting standard sufficient to qualify certain categories of campaign expenses has been reached by the Committee, and whether certain expensing and disbursement practices of the Committee may be susceptible to a regulatory interpretation less restrictive and financially punitive than that presented by Audit Division.

Keyes 2000 requests under 11 CFR §9038.2(c)(2)(ii) an opportunity for its legal counsel, Mark Braden, to address the Commission in open session to review the Committee's legal and factual response to the Final Audit Report (FAR). The Keyes Committee will establish that: (1) Keyes 2000 has demonstrated best efforts to adhere to regulatory requirements in adverse circumstances beyond the Committee's control, and hence repayment obligations should not be severe in areas where violations may have occurred and some repayment is warranted, and (2) Keyes 2000 has documented a sufficient minimal standard of compliance as a publicly funded campaign to qualify the vast majority of some remaining \$193,793 of campaign travel related expenditures that the Audit Division, on an inconsistent and arbitrarily applied standard, has persisted in designating as non-qualified expenditures.

The Keyes Committee confirms the FEC Audit Division's determination that, beyond the contested findings reviewed below, there has occurred no material non-compliance by Keyes 2000, Inc. Within the contested findings, however, the Committee strenuously disputes various representations made by the Audit Division in both the Preliminary Audit Report and the Final Audit Report regarding Keyes 2000's alleged failure to supply various materials that were, in fact provided; failure to respond to requests that were, in fact, addressed; and failure to comply in reporting categories where minimal compliance has been, in fact, achieved.

Keyes 2000 respectfully requests that the Commissioners review the substance of the Committee's accountability standards and efforts to comply, its documentation, and its responsive submissions to the Audit staff's demands, as the basis for reconsidering their approval of the Audit Division's repayment recommendations in the FAR. Reviewed in an objective manner, the Committee's repayment amount to the U.S. Treasury merits a substantial reduction from the harsh recommendations of Audit Division.

### COMMITTEE HISTORY

Keyes 2000's records throughout the campaign, the winding down period, and the audit have been and remain materially complete and within regulatory compliance. Because of a regrettable and contentious severing of professional relationships with a few top campaign functionaries during the heat of the campaign, the Committee has been unable to produce field receipts for some campaign activity, and particularly for expenses incurred by those key personnel and paid for with two (of only three total) Committee credit cards. Those personnel had primary responsibility for facilitating and record keeping of Candidate and senior staff travel. Absent these field records, the Committee consequently has had to rely heavily on its general financial reporting systems in order to document much of its field travel. While this is unfortunate, and has proved burdensome to the Committee and the Auditors, it does not represent a comprehensive violation of the reporting obligations of the Committee.

Keyes 2000 has learned expensive lessons regarding the need for stringent internal enforcement mechanisms, to ensure Committee recourse should consultants fail to uphold their contractual obligations. However, there should operate in the audit process a standard of reasonableness in determining a compliance threshold. Had a few disgruntled senior consultants not maliciously abrogated the Committee's written policies for campaign business accountability, many disputed matters regarding documentation of campaign travel would never have been at issue. The Keyes Committee has completely exhausted its financial reserve doing its uttermost to compensate for the loss of these data with presentation of other, collateral, materials. The Committee has worked diligently to accurately present the accountability history of its campaign under the lawful standards providing for types of supporting documentation other than the receipted bills, invoices and vouchers that have been willfully withheld from the Committee and Auditors alike.

After 25 months of audit response, and from a posture at this juncture of sheer exhaustion, the Committee is prepared to provisionally concede that in certain instances compliance cannot be demonstrated to Audit Division's satisfaction. Keyes 2000 will address these matters later in this Request for Administrative Review (see Sections II and III following.)

Notwithstanding these matters, Keyes 2000 asserts it has provided Audit Division with documentation adequate to minimally qualify expenditures that the Auditors persist in designating non-qualified. Most notorious are the \$187,447 of detailed, itemized transactions from the First Union "travel account," some travel disbursements, some administrative, that are alleged by the Audit staff to be "undocumented." These can only

be understood as non-qualified under a determination that is excessive, gratuitous and unsupported given the admonition of the legal review of the FAR made by the FEC Office of General Counsel (OGC) (see below). Such a finding is also inconsistent with Audit Division's prior acceptance as qualified of similar documentation for similar campaign disbursements.

Keyes 2000 wishes to note that throughout the audit process, the Committee repeatedly invited the Audit staff to subpoena former Keyes functionaries for the field documents they have withheld from the Committee and the FEC, yet Audit Division declined to do so. The explicit understanding from Audit staff conveyed to Keyes 2000 was that the FEC declined to pursue subpoenas because there remained under the Committee's control – absent the missing field receipts – enough other kinds of supporting documentation from bank records, Candidate schedules, and corroborative materials to achieve the audit's purposes of protecting the public interest, and to permit the Committee to meet its compliance obligations, without wasting time and resources on uncertain, expensive and rancorous legal action.

The decision of the Committee not to pursue legal recourse itself to recover travel documents from its former functionaries was made after several discussions with the Auditors, and was predicated on our understanding from Audit staff that the types of supporting materials the Committee had in hand, presented in formats recommended by, and/or negotiated with, the Audit team, would be generally sufficient to support audit standard accountability in most circumstances.

So now, nearly at the end of what seems an unnecessarily arduous and contentious audit cycle, it is dismaying in the extreme that we continue to labor under various findings that selectively isolate some \$193,793 in legitimate yet "disqualified" campaign expenditures.

**AUDIT BACKGROUND**

Regarding the largest categories of financial dispute, located in the Final Audit Report section that specifies findings relative to "Repayment Matters" of "Apparent Non-Qualified Campaign Expenses," the Committee contends that the Auditors' findings do not accurately reflect the level of compliance Keyes 2000 achieved, even under the disadvantageous conditions described above. The Final Audit Report findings are in numerous instances erroneous, because the Audit staff assessments of the Committee's supporting documentation are incomplete, capricious and arbitrary.

Erratic application by the Auditors of the documentation standards used to determine compliance, repeated mischaracterization or misinterpretation by the Auditors of the supporting documents submitted (even when prepared in consultation with Audit staff, according to the Auditors' directives), and the apparent refusal by the Audit team to acknowledge or process various types of documentation provided by the Keyes Committee, have resulted in a Final Audit Report which is internally inconsistent, and which poses an unjustified and excessive financial liability to the Committee.

Particularly troublesome have been the Auditors' continued insistence in demanding field receipts it knows the Committee has been and is unable to retrieve from its former functionaries; the Auditors' denials of having received documentation provided them by the Committee; the Auditors' reluctance to properly categorize and incorporate legitimate supporting materials within their review; and the Auditors' many failures to consistently apply documentation standards in the acceptance or rejection of materials Keyes 2000 has furnished to document campaign travel and other qualified expenses.

To conclude, when the most conventional and easily processed forms of supporting documentation for field disbursements, such as vendor receipts, could not be produced, the Committee has provided collateral documentation for several categories of legitimate campaign disbursements that should have been applied by Audit staff under §9033.11(b)(1)(iii)(A) and (B), and deemed qualified. Yet in many cases such disbursements remain non-qualified according to the FAR, and are inflating the repayment amount to the Treasury being recommended by Audit Division.

### PRINCIPAL CATEGORIES IN CONTENTION – REPAYMENT MATTERS

**A. Campaign Travel Expenses During Eligibility:** The FEC Office of General Counsel, in addressing a significant area of dispute, "Undocumented Travel Expenses During the Period of Eligibility," specifically supported Keyes 2000 in its contention that – contrary to the findings of Audit Division – Committee documentation had satisfied the minimum requirements for compliance. OGC in its memorandum to the Commissioners dated December 9, 2002 "recommends that the Audit Division revise the Proposed Report (FAR) to conclude that the travel expenses are qualified campaign expenses." Audit Division revised the FAR to reflect that \$54,547.55 disbursed by Committee checks for travel expenses, which the Auditors had designated non-qualified, are in fact adequately documented, qualified campaign expenses.

OGC goes further in footnote 8 of its memorandum, stating, "This Office recommends that the Audit Division review the other 'undocumented disbursements' in the Proposed Report (FAR) in connection with any supporting documentation submitted by the Committee that may satisfy the minimum required for documenting disbursements."  
11 CFR § 9033.11(b)

Keyes 2000 contends that this OGC recommendation has not been applied by Audit staff to several categories of remaining "undocumented disbursements," and that additional qualified travel expenses totaling as much as \$193,793 continue to be erroneously categorized in the FAR as non-qualified. Under any fair application of 11 CFR §9033.11(a) and (b), most if not all of these expenses in fact satisfy the minimum standard for compliance. There are no consistent grounds for the Auditors to have rejected these disbursements as non-qualified, while accepting as qualified precisely similar documentation for other, similar disbursements. To document Committee travel, the Committee has consistently provided at a minimum, (1) comprehensive disbursement transaction detail from our financial data, and (2) comprehensive itinerary detail from our

Candidate's daily schedules. These data have been sufficient to establish compliance for most of Keyes 2000's travel expenses, and should be minimally adequate to qualifying the remainder.

Despite the Committee's numerous, repeated requests for clarification of the grounds of rejection of these remaining expenses; despite the Committee's numerous, repeated submissions of supplemental materials made in good faith to the Auditors to provide further supporting detail and demonstrate compliance in documenting these expenses, substantial numbers of campaign disbursements, with their substantiating documentation, have been categorically and in blanket form been rejected as "undocumented," without consistently applied standards of justification or logical explanation.

A prime example of capriciousness in applying an acceptable audit standard for documentation is the Audit team's rejection of *all* the Committee's campaign travel expenses that were incurred from 1/3/00 through 2/3/00, and paid from the much reviled credit card/debit card First Union "travel account." This one-month period, likely the most intensive and most expensive month of primary campaigning in the entire primary election season, remains singled out for exclusion by the Auditors for no discernible reason. These "non-qualified" expenses alone total \$80,132. They and the documentation submitted to support them are in form and substance *identical* to the Committee activity of some \$406,938 in "travel account" disbursements that were previously rejected, then approved, during the Preliminary Audit Report stage.

The Audit staff since the outset of the audit process has sought relentlessly to summarily reject all the Committee transactions of this credit/debit card business account, on an unsupportable pretense of insufficient documentation. This, despite the fact that the accountability and reporting structure of this instrument is quite high, and combines credit card statement detail with bank statement transaction confirmation. Audit staff early in the audit implausibly asserted that the transaction detail and the payee confirmation detail, which are contained in their entirety in the card account bank statements, are in some way inferior in fiscal accountability to the financial data reported from two separate records of the more conventional, old-fashioned arrangement of check payments made to a credit card company.

Yet, the data from the First Union account statements include, like any bank statement, the transaction date and payment amount of every single transaction, and like any credit card report, the vendor or payee, and the city and state of every single transaction. Most payees are well-recognized, major corporate vendors, such as airlines and rental car companies, whose corporate name denotes the expense's purpose. Each of these expenditures, of course, was itemized and contemporaneously reported in its appropriate category in the monthly FEC campaign reports. This sequence of disbursement accountability represents a more detailed level of transaction disclosure to the public record, generated contemporaneously with the campaign cycle, than, for example, Committee reimbursements to consultants – and as such would seem to merit FEC approval, not censure.

After much rancor, the bulk of these disputed disbursements were ultimately resolved as having satisfied the criteria of 11 CFR §9033.11, once the account transactions were "tied" to travel described and detailed in the Candidate's schedules – which are undeniably contemporaneous documentation. Some \$406,938 of \$594,385 of campaign related travel expenses from this account initially (and inappropriately) deemed "non-qualified" and "undocumented" were thereby confirmed as qualified by Audit staff. But a critical element in reaching this resolution was having the Committee devote massive staff effort to collate for the Auditors the First Union "travel account" transaction records with the Candidate's schedules, and then chart out in schedule or table formats, the resultant campaign travel "itineraries."

These documents, prepared at the Auditors' request, detail campaign activities, events, destinations, venues, etc., and also provide over-all campaign travel summaries which reference directly and specifically travel related expenses, such as airline tickets and rental car expenditures, for the Candidate and staff. These "itinerary" charts and tables, depending on the emphasis of their data, were variously entitled "Schedule of 'Undocumented' Travel Account Disbursements," "Itinerary Documentation for 'Campaign Expenditures,'" etc., and were provided to the Audit staff under 11 CFR §9034.7(b)(3). These tables and charts referenced and consolidated contemporaneous materials, but at no time whatever did the Committee represent that in these formats, they were contemporaneous documents. The Auditors' various implications throughout the FAR that this is the case are invidious, false and prejudicial to the integrity of the Committee.

After its review of these "itineraries," it was the judgment of Audit staff that Keyes 2000 had thus adequately demonstrated compliance for documentation of its campaign travel expenses – except for January 2000, which was said to "lack detail." Additional collateral materials were referenced for such detail, the "itineraries" expanded and revised, and again made available to the Auditors. Contrary to assertions in the FAR, for this period in question, the Committee made available to the Auditors during their fieldwork, and then submitted in response to their requests and criticisms in audit follow up, *precisely similar documentation*, as that extending over the entire history of the Committee. That is, Keyes provided the same sources and formats and level of detail of Candidate schedules, political calendar, Committee staff itineraries, and bank and accounting records relevant to campaign travel for January 2000 as every other month, yet inexplicably, January 2000 travel expenses remain non-qualified.

Keyes 2000 requests in the strongest terms that the Commissioners enforce in the Final Audit Report's repayment determination the recommendations by OGC, and ensure that, fairly and with consistency, the minimum documentation standard for qualified expenditures be applied to all travel expenses. If this were done, the obligation to the U. S. Treasury by Keyes 2000 Inc. would be substantively reduced from the inflated recommendations of the FAR.

## B. Campaign Travel Expenses During Wind Down:

This category of contention first arose without warning during the PAR phase of the audit. Just prior to issuance of the PAR document, in a phone call from the lead auditor to Mrs. Lewis, Committee assistant Treasurer and Chief of Staff, Mr. Kuest of Audit staff announced that he had found the wind down travel expenses to be "excessive," especially for the former Candidate, and would be rejecting them as non-qualified. He did not say they had been deemed "undocumented" or that the quality of supporting documentation was inferior to the similar categories of documentation submitted on other periods of Committee travel. Mrs. Lewis responded that the wind down travel was authorized by her personally for the Committee, case by case, to meet the termination needs of the Committee, and that a primary consideration in those decisions was Keyes 2000's position to be able to continue to fundraise, to meet compliance expenses and ultimately retire Committee debt. Mr. Kuest replied that in that case, the expenses would likely qualify.

Beyond this one conversation, there were no prior communications by Audit staff to request clarifications, seek additional detail, or to indicate any problem with qualifying Committee travel expenses incurred during the wind down period. This seems a violation of the rubrics of the audit process, under which Audit staff concerns are to be raised during fieldwork to allow the Committee opportunity to respond. As it did when these matters were introduced in the PAR, Keyes 2000 vehemently contests the disqualification of these expenses, and requests the Commissioners to review this recommendation with the special care it demands, given the OGC's memo confirmation that such disbursements are the legitimate prerogative of the Committee.

Our objections to the Auditors' handling of this issue are legion. Of course, the Committee strenuously rejects that these expenses should be non-qualified. Moreover, Keyes 2000 takes exception to the tone and substance of the discussion of these expenses in the FAR. The characterizations of these expenses by Audit staff in the FAR are highly objectionable to the point of insult, as well as being most astonishingly inaccurate - to the point of malicious irresponsibility.

When qualification of wind down travel suddenly emerged as an issue in the PAR, schedules similar to those that had successfully resolved the earlier "travel account" dispute with the Auditors were provided, to consolidate various sources of Committee data for Audit staff, and to provide simplification and clarification of campaign activity. OGC noted in its comments, "According to the Audit staff, the schedules do not provide any additional information beyond what was made available during fieldwork and at the Exit Conference. The schedules merely provide general, uncorroborated descriptions relating to the purpose of the disbursements."

This is inaccurate. The "itinerary" schedules, as similar schedule formats did earlier for other Committee travel, link the travel expenses to specific dates and events. They provide additional travel data details contained in staff and Candidate daily schedules, billing and financial documents, and memos. The data contained therein is from

contemporaneous campaign travel documents the Auditors chose to largely ignore but which are legitimate collateral documentation, particularly the Candidate's personal and Committee schedules. But, as with all the "itinerary" documentation prepared under §9034.7(b)(3) for the Auditors, there was never any representation that these schedule or table formats themselves were contemporaneous documents. The "itinerary" documents were in addition to the contemporaneous, daily Candidate's schedules and other materials, the thousands of pages of which were available to the Auditors since the audit fieldwork phase.

Numerous common-sense points deserve discussion here. Ambassador Keyes makes his living as a public speaker and media commentator, and travels extensively doing so. After the Ambassador withdrew candidacy and resumed his public speaking schedule around the country in his personal capacity, the Committee was fortunate enough to have occasional opportunities to coordinate small private gatherings of donors, supporters and volunteers of the Keyes 2000 campaign to briefly meet with the Ambassador. These meetings were in many instances arranged by the Committee while he was already visiting various cities for other purposes, under the auspices and for the principal benefit of other groups.

As the Committee noted in its PAR response, such opportunities for donor meetings are very important to a challenger grassroots campaign effort, because during the heavily front-loaded primary cycle there has been little or no time or money to spend in appreciation of the generous contributions of time and money from those supporting the Committee, nor in encouraging them to maintain an ongoing relationship with the Committee. And there is always the presumption of a need for future fundraising from donors, to meet debt retirement and other obligations.

In many instances of Committee wind down travel, Ambassador Keyes himself was already traveling and speaking for organizations other than Keyes 2000, and his transportation and other expenses in doing so were paid by those groups. In these cases, his appearance and participation for Keyes 2000, while gratifying to his supporters, was deemed "incidental" to the travel described, and entailed no Committee expense obligation allocable for the former Candidate himself, as proscribed under §9034.7(b)(2). In cities and circumstances where Keyes 2000 incurred expenses for staff, refreshments or venue in order to facilitate donor gatherings or supporter meetings ancillary to the Ambassador's other, professional appearances, Keyes 2000 of course paid those expenses in full as authorized Committee expenditures, and documented those disbursements. Such travel expenditures were made, most typically, in order to position one or two Committee staff into cities where the Ambassador was already appearing. Wherever possible, these staff trips were further coordinated with achieving additional Committee administrative wind down tasks, such as the closing of campaign offices, disposing of residual campaign materials, etc.

These types of "piggy-backed" travel arrangements during wind down made our phase out of field political and administrative organization across the country much more fruitful and much more affordable than if we had proceeded otherwise. Keyes 2000

was a grassroots, 50-states, volunteer-driven initiative. Positive public relations, donor meetings, and opportunities for the former Candidate to thank supporters are a critical element in ending political operations, as well as sustaining future fundraising. In many cases, the Committee was fortunate to be able to accomplish these objectives with "meet and greet" hand-shake opportunities in numerous states and cities during trips already underway by Ambassador Keyes, at nominal cost to the Committee. In a few instances of invitations or opportunities presented to the Committee that were judged by the Treasurer or Chief of Staff to represent a significant public relations or donor benefit to it, Keyes 2000 deemed it appropriate for the former Candidate to journey into an area entirely under Committee auspices and at its expense. Expenses for these trips were fully allocable under §9034.7(b)(1) and documented as such.

All such travel expenses during wind down were rightfully judged an essential component of the Committee's orderly termination of campaign activities, which is why Committee disbursements were made and documented. All such arrangements were disclosed to the Auditors in Committee travel documentation, and because of the Keyes 2000 component coordinated around his personal travel, Ambassador Keyes' personal schedules containing data pertaining to his private business were made available for review by the Auditors.

This courtesy was vulgarly violated in the FAR, when without consultation or Committee authorization, the Auditors placed details of the former Candidate's personal business into public documents. Compounding this breach, the Auditors falsely implied that the PAR response documents "suggest" such personal business was financially conflated with Committee business. But the documentation made available to the Auditors demonstrates no such thing. The "itineraries" provided show that the travel being made for other groups was separate from Keyes 2000 business. Disclosure of details regarding personal speaking engagements was to clarify for the Auditors what travel specifically was *not* for the Committee. The Auditors have indulged in what can only be characterized as either an exceedingly careless, or a maliciously perverse violation of privileged information. In this context they have also grossly misrepresented the facts of who was benefiting from what, at whose expense.

The Auditors' commentary in the FAR perniciously implies that because the Ambassador traveled on personal business and made one appearance for an organization not the Committee, he could not that same day have made another appearance in the same city, which was for the Committee. Keyes 2000 business as reported in fact occurred, and Committee resources were never used to benefit other organizations. Again, on the contrary, Keyes 2000 in some cases "benefited" from the circumstance that when the Ambassador already had professional appearances in various parts of the country, Keyes 2000 could facilitate supporters gaining personal meetings or brief contact with him without Keyes 2000 having to provide his transportation costs. Around such travel, the Committee built donor "good-bye and thank you and please keep supporting Keyes 2000" gatherings or meetings with donors and Keyes 2000 loyalists.

In doing so, Keyes 2000 expenses (primarily for staff travel) were its own, and it paid them – and no one else's. No other organizations subsidized any Keyes 2000 element of such "out of town" wind down efforts. For incidental contacts, the Ambassador's professional travel would have occurred just as it did, whether Keyes 2000 scheduled ancillary meeting opportunities or not. In other instances, Keyes 2000 scheduled travel for the Ambassador and paid all expenses. As with all other travel documentation produced by the Committee for other time periods, the same sources of specific travel expenditure transaction records, detailed with data from the Candidate schedules and charted in the staff "itineraries," were supplied to the Auditors to document actual Committee travel expenses during wind down.

OGC rested its concurrence with the PAR finding that wind down travel was non-qualified as a "documentation failure," based on the statement of Audit staff that, "the schedules do not provide any additional information beyond what was made available during fieldwork and at the Exit Conference. The schedules merely provide general, uncorroborated descriptions relating to the purpose of the disbursements." This is simply untrue, has been addressed in exhaustive detail above – and is easily refuted by reference to the data contained in the itinerary schedules themselves.

Referencing the Committee's PAR response, the Auditors state, "... in the opinion of the Audit staff, the documents provided do not support Keyes 2000's contention that the travel and activity that occurred after June 6, 2000, was related to winding down the campaign. In fact, they suggest that Ambassador Keyes was engaged in activity not connected with winding down his campaign."

On the contrary, the documents provided do not "suggest," they show in detail precisely where and when the Ambassador was appearing to assist the wind down activities of Keyes 2000, and hence, why there are Committee travel disbursements. They also show, as a courtesy to the Auditors for the sake of clarity, when he was appearing for others, at others' expense, for their organizational benefit. There has never been the slightest representation by the Committee in any of its documentation or exchanges with Audit staff to support the malicious characterization implicit in this statement of the PAR.

In the PAR response, the Committee sought to make clear that a major objective of its travel during wind down was to solidify donor and volunteer relationships garnered during a hectic primary season. There was an explicit administrative need to facilitate the future fundraising abilities of Keyes 2000, as an essential component of terminating its operations. Successful maintenance of a donor base necessitates competent public relations. Consequently, Keyes 2000 made efforts to ensure that wherever feasible and judged beneficial to Keyes 2000, a senior Committee staff person was present when the former Candidate appeared in public. The Committee absorbed the travel expenses of functionaries as they linked around the country with supporters, volunteers, and on occasion, the former Candidate. This included some limited appearances and one delegates and supporters reception event sponsored by Keyes 2000 in Philadelphia, around the GOP national convention in Philadelphia. Ambassador Keyes was surprised at this event by staff with a birthday cake in honor of his 50<sup>th</sup> birthday. Neither Keyes 2000, nor the former

Candidate, incidentally, had any official participation or role in the Republican National Convention.

During wind down, senior staff was most typically sent into areas where campaign operations were being terminated, and supporter and volunteer materials and activities were being accounted for and phased down. Coordinated around these tasks, Keyes 2000 seized some opportunities for functionaries to engage in ongoing fundraising and donor solicitation. Incidentally, it was the policy of Keyes 2000 throughout the entire course of the campaign, including the wind down phase, that the Candidate never directly, personally solicited financial contributions. To the best knowledge of the Treasurer and the Chief of Staff, there has never been any deviation from this policy. Direct, personal fundraising was solely the responsibility of staff.

Several other points deserve to be made for the record. To quote from the Committee's PAR response:

"All travel expenses incurred by the Committee in the wind down period are qualified costs associated with the termination of political activity of a nationwide campaign, including the fundraising imperative of facilitating personal candidate contact with contributors and supporters. All travel and associated costs funded by the Committee in this period represent either compliance, administrative, or legitimate and essential fundraising and contributor solicitation expenditures.

"For the record, from June 7 through December 8, 2000, Keyes 2000 directly spent on travel not the \$76,489.43 the PAR carelessly asserts, but rather a total of \$53,766.75. This actual travel amount includes expenditures of \$1,421.53 from our operational account and \$52,345.22 from our First Union "travel" account. These amounts are documented and clarified in both the Committee's "Wind Down Travel Table - First Union Account" (correlated to the PAR Campaign Expense, Wind Down Travel Total), and the Committee's "Schedule of Wind Down Travel" providing detailed itinerary documentation relevant not only to the travel expenses, but also the continuing to campaign category of the PAR. The qualified expenses balance of the First Union transaction activity, \$21,575.03, is properly allocated in the "Wind Down Administrative Table - First Union Account," with all tables and schedules attached.

"As a national grassroots campaign with an organizational presence in all fifty states, the District of Columbia, and Puerto Rico and Guam, this Committee coordinated thousands of regional and state volunteer activists, supporters and donors. In the highly front-loaded "whirlwind" primary election cycle that now confronts with greatest disadvantage challenger candidates, there is little opportunity for the candidate to cultivate and consolidate contributor relationships prior to withdrawal and wind down. Keyes 2000 is a Committee with significant debt to retire, sustained almost

entirely by small-donor supporters. In closing down our state and regional volunteer groups and state-based offices, and consolidating our national staff and accountability operations, Ambassador Keyes and a few senior staff have met with donors all over the country to thank them for their efforts and solicit their ongoing financial support. The generous contributions of our donors made our campaign possible, and it is they who will assist us in retiring our debt – once its magnitude is finally determined in this audit process.

“The regulations at 11 CFR §9034.4(a)(3)(i) authorize ‘costs associated with the termination of political activity, such as the costs of complying with the post election requirements of the Act...’ which costs reasonably include fundraising and supporter solicitation, whether via direct mail, telemarketing or traveling the former candidate for appearances and personal meetings. It is the Committee’s prerogative how best to execute its own termination, and how most appropriately to handle its donor relations in preparing the ground for its debt retirement activity. The Committee deems our average cost of less than \$1,015 per state for termination travel to be a modest and necessary administrative cost associated with successfully winding down our campaign.” (Committee PAR Response and Addendum).

All Committee travel disbursements in the wind down period represent authorized expenditures by Keyes 2000 functionaries, with a few appearances made by the Candidate. We are glad to note that the OGC concurs with the Committee, “it is the Committee’s prerogative how best to execute its own termination.” Keyes 2000 in wind down established this travel as part of an ongoing program of Committee donor base maintenance and public relations essentially connected with the administrative and operational tasks permissible during winding down. It is the contention of the Committee that these expenses in their entirety are qualified campaign expenses under the Act.

### SPECIFIC AUDIT FINDINGS AND RECOMMENDATIONS

With additional detailed commentary below, the Keyes Committee response will hereafter briefly address each specific FAR recommendation, in the order in which, and under the headings where, it appears in the Final Audit Report document.

## II. AUDIT FINDINGS AND RECOMMENDATIONS – NON REPAYMENT MATTERS

### Recommendation #1: Unresolved Excessive Contributions

The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$95,286 for unresolved excessive contributions.

Keyes 2000 accepts this determination without further dispute, as our data shows reliably the precise amount of unresolved excessive contributions to be virtually identical with this number, revised from the PAR. Keyes 2000 withdraws none of its objections to the inflated total, or to the sampling techniques, used in providing Audit staff's original projection of \$168,200. The FAR projection for unresolved excessive contributions, derived from data sampling, should have changed as a result of materials provided in the Keyes 2000 PAR response. Keyes 2000 provided a schedule of contributors who made excessive contributions and copies of letters from contributors stating their donor intentions and re-attributing their contributions. The schedule indicated what action was taken by the Committee to address the contribution overages.

Audit Division informs us that the Commission has wisely adopted new regulations, which allow committees greater latitude than previously to properly attribute contributions to joint account holders. Audit staff states that because the Commission has applied new provisions to current matters, the Audit staff reevaluated the sample results for the Keyes Committee under the revised regulations. This reevaluation resulted in a reduction to the number of excessive contribution sample errors and a corresponding reduction of the projection for excessive contributions.

**The Auditors' new excessive contribution projection of \$95,286 corresponds closely with our Keyes contribution data, and the Committee will not pursue further resolution of a few dollars discrepancy.**

**Recommendation #2: Receipt of Excessive Cash Contributions**

**The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$15,013 (\$16,839 less \$1,826).**

Throughout the course of the audit, the Audit staff identified 89 deposits, each containing currency greater than \$50. The total for these currency deposits was \$39,243. Keyes 2000 provided documentation for 45 deposits associated with events that were accepted by the Auditors as documented. Despite repeated presentations of data, the remaining 44 currency deposits have not been explained to the Auditors' satisfaction. These deposits totaled \$19,039. After allowing for one permissible \$50 anonymous currency contribution from each deposit, Keyes 2000 was judged to have received excessive anonymous currency contributions in the amount of \$16,839.

In a statement provided subsequent to the exit conference Keyes 2000 stated:

"Each cash contribution in question has been matched to the candidate's daily schedules, staff travel itineraries, and campaign events where small donor fundraising solicitation was made. The documents which specified these travel and event fundraising efforts, correlated to the Committee's bank records of receipts deposits, were ignored by the audit team. A spreadsheet was provided to the Auditors, which shows this

information explicitly. At the Exit Conference we first learned that this spreadsheet had not been accepted, and some cash receipts were still deemed excessive. All of these cash receipts do qualify under the regulations and should be accepted."

At the exit conference, the Keyes Committee Treasurer and the Chief-of-Staff had inquired why the Candidate's schedules showing detailed information regarding campaign small donor events and rallies were not collated with the currency deposits of cash coming in from the field. In footnote one of the FAR document, the Auditors erroneously note, "Though requested during audit fieldwork, the Candidate's itineraries were not made available for Audit staff review until the Exit Conference."

This is a persistent but false representation by the Audit staff, which has been used in a derogatory fashion to confuse the issue of Keyes 2000's audit compliance, and our responsiveness to Audit staff requests. Commentary attempting to clarify this issue was raised in some detail in the prior sections of this response, but to reiterate, copies of the Candidate's **daily schedules** – the main contemporaneous calendar documentation of the Committee for campaign travel, events and activities – have been available to the audit team since the early fieldwork phase of the audit. The various versions of so-called "itineraries" formatted in schedule or table form, which provide collation with and consolidation of travel and other disbursement data detail with campaign activity into a single reference source, were generated by the Committee, at various times during the audit, and at the request or advice of the Auditors.

While in response to the Preliminary Audit Report, Keyes 2000 supplied a revised schedule of cash deposits and demonstrated that it had indeed matched each contribution deposit in question to the:

- Candidate's daily schedule;
- Candidate and staff travel itineraries; and
- Campaign events where small donor fundraising solicitations were made.

the Auditors continued to reject 30 deposits, as having not been achieved by the Treasurer within ten days of the associated event. However, Audit staff accepted changes related to nine events that resulted in a reduction of \$1.826 to the excessive anonymous cash total.

Given the exigencies inherent in rural campaign procedures and travel of volunteers successfully collecting, accounting for, and transporting funds to the Committee, and the Treasurer then caging receipts from small town donor events, Keyes 2000 contends the standard applied here is unreasonable and interpretively overreaches the purposes of the rule, and that the ten day time limitation should apply to the time of receipt of funds by the Committee Treasurer or his official representative – not the event itself.

Keyes 2000 attached contemporaneous documentation to its PAR response that supported its position that all of these cash receipts meet compliance under the regulations, and should be accepted as qualified campaign contributions. This included

contemporaneous field documents from Iowa and elsewhere that reported the numbers of attendees at rallies, the costs per event, the receipts gathered, etc. However, this contemporaneous documentation was evidently disregarded by the Auditors, and in fact, was erroneously noted as having not been attached to the Committee's response.

**It is the position of the Committee that these currency deposits meet the criteria for compliance, and the amount of \$15,013 should not be due the U. S. Treasury from Keyes 2000.**

### **III. AUDIT FINDINGS AND RECOMMENDATIONS – REPAYMENT MATTERS**

#### **A. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES**

##### **Recommendation #3**

**The Audit staff recommends that the Commission determine that a pro rata repayment of \$74,439 (\$288,876 multiplied by the repayment ratio of .257686, as calculated pursuant to 11 CFR §9038.2(b)(2)(iii)), is payable to the U. S. Treasury.**

The Auditors assert that the audit “discovered that Keyes 2000 made non-qualified disbursements totaling \$407,378.” This amount allegedly includes a duplicate payment of \$12,000, “undocumented disbursements” of \$314,880 (\$127,433 from the operating account and \$187,447 from the travel account) and \$80,498 in cash disbursements in excess of the \$100 limit.

To revisit yet again the controversy over the Committee's credit card “travel account” and the lingering contention over “undocumented disbursements,” both administrative and (overwhelmingly) travel related, the best guidance in the Act that Keyes 2000 has found in how to apply the specific reporting mechanisms and bank statement data contained within the credit/debit card account activity are the regulations at 11 CFR 102.9(b). Understood in the light of 11 CFR 9033.11, the bank statements from the travel account, combined with the data from the Candidate's daily schedule, are sufficient to constitute adequate documentation for expenditure qualification, as they provide all minimally required information, and they establish the transactions were made in connection with Ambassador Keyes' campaign for nomination. The documentation standards for publicly funded campaigns are more stringent than those applicable to non-publicly funded campaigns; they are not irrational.

In the Preliminary Audit Report, the Audit staff recommended that Keyes 2000 provide evidence documenting that the disbursements described below were qualified campaign expenses. The Committee did so, exhaustively, and summarizes below our PAR responses, and the FAR determinations.

### 1. Duplicate Payment to Vendor

Keyes 2000 made an erroneous duplicate payment to MDS Communications. Two invoices from this vendor totaling \$12,000 were paid on February 22, 1999. These two invoices were mistakenly batched with three additional invoices and paid a second time on April 2, 1999.

**In the response to the preliminary audit report, Keyes 2000 concurred with the Audit staff that the duplicate payment was made.**

### 2. Undocumented Disbursements

In response to the preliminary audit report, Keyes 2000 provided documentation that demonstrated that \$117,626 of the \$127,433 in disbursements by check, described as "undocumented" by the Auditors, were in fact qualified campaign expenses. In the FAR, this leaves \$9,807 in disbursements by check "undocumented." The Committee cannot tell from the Auditors' presentation in the FAR, to what disbursements this aggregated amount is attributable. Judging from the OGC's memo relevant to disbursements made to Malvey Travel and Iowa City Flyers, however, it is logical to assume that at least \$7,666.69 of this \$9,807 is attributable to check #2777 paid on July 3, 1999, and made payable to Iowa City Flyers against its invoice of \$67,691.07.

**If this is case, then Keyes 2000 has provided a cancelled check and a legitimate vendor's invoice for \$7,666.69 of the "undocumented" \$9,807, reducing the undocumented disbursements in this category to \$2,140.31.**

### 3. Undocumented Expenses from the Travel Account

Referencing the "travel account" disbursements, Audit staff asserts, "Originally, expenses totaling \$594,385 were insufficiently documented. However, the candidate itineraries supplied at the exit conference provided collateral evidence to document \$406,938 in expenses as campaign related, reducing the amount not documented to \$187,447."

In response to the PAR, Keyes 2000 provided documentation to support this remaining \$187,447 in undocumented disbursements as qualified campaign expenses, including two canceled check copies documenting expenses of \$3,461. The entire credit card activity of the account was again rejected, while the checks were accepted. This dropped the undocumented travel account disbursements to \$183,986, but leaves non-qualified as "undocumented" the following categories of expenses:

- a. Expenses incurred from 1/3/00 through 2/3/00; and
- b. Travel Expenses as Winding Down Costs

a. **Expenses incurred from 1/3/00 through 2/3/00**

Contrary to the Auditors' assertion, Candidate "itineraries" were provided for the period 01/03/00 through 02/03/00. These were, like all such documents provided by the Committee, developed at the request of the Auditors, and **supplemental** to the Candidate's daily schedules. The facts and substance of the "itinerary" documentation were exhaustively addressed earlier in this Request for Administrative Review. The Committee herein will summarize the main points of the dispute, however.

In response to Auditors' objections raised **during the exit conference, and prior to the preliminary audit report** that the data in the Candidate's schedules for January 2000 were not sufficiently detailed, Keyes 2000 submitted a *Schedule of Travel Disbursements 1/01/00 thru 02/02/00*. This listing of disbursements from the travel account included a vendor name, date, amount, purpose and Keyes 2000's "reason for compliance" for each transaction. For each entry, the reason for compliance was stated as "Travel and Related Expenses Other" followed by a detailed description of the purpose for the disbursement – including a list of the actual campaign events, activities, venues, staff attending, and other relevant details.

The schedule was derived from contemporaneous materials, but was never represented to be a contemporaneous memorandum. The Auditors assert that, "the schedule does not demonstrate that the disbursements were made as part of an identifiable program or covered by a pre-established written policy," when it in fact demonstrates that the activities, practices, disbursement mechanisms and **supporting documentation** for this period are perfectly consistent with all the Committee's prior and succeeding history – which have been accepted as achieving compliance.

**Therefore, travel account expenses totaling \$80,132 (\$83,593 less the two checks totaling \$3,461 documented in response to the PAR) paid during this period should be qualified as documented disbursements.**

b. **Travel Expenses as Winding Down Costs**

The PAR states, erroneously, "From June 7 through December 8, 2000, Keyes 2000 spent \$76,489 on travel." At the risk of belaboring our position on this dispute, we quote from our PAR response the following,

"For the record, from June 7 through December 8, 2000, Keyes 2000 directly spent on travel not the \$76,489.43 the PAR carelessly asserts, but rather a total of \$53,766.75. This actual travel amount includes expenditures of \$1,421.53 from our operational account and \$52,345.22 from our First Union "travel" account. These amounts are documented and clarified in both the Committee's *Wind Down Travel Table – First Union Account* (correlated to the PAR Campaign Expense, Wind Down Travel Total), and the Committee's *Schedule of Wind Down Travel* providing detailed itinerary documentation relevant not only to the travel expenses, but also the continuing to campaign category of the PAR. The qualified expenses balance of the First Union transaction

activity, \$21,575.03, is properly allocated in the 'Wind Down Administrative Table - First Union Account,' with all tables and schedules attached."

The regulations at 11 CFR §9034.4(a)(3)(i) allow necessary administrative costs associated with winding down the campaign. Keyes 2000 in the opening sections of this Request for Administrative Review believes it has established the connection between this travel and administrative expenses allowed during winding down. In further support of its position, the Committee attaches for the Commissioners to review the three schedules Keyes 2000 submitted in response to the preliminary audit report:

1. *Wind Down Travel Table - First Union Account* - This is a schedule of disbursements, paid from the travel account during the period, which lists the disbursements by category (airfare, lodging, and transportation).
2. *Wind Down Administrative Table - First Union Account* - This is a schedule of disbursements, paid from the travel account during the period, that are administrative in nature (expenses for telephone, general office expense, and office supplies.)
3. *Schedule of Wind Down Travel - Itinerary Documentation for Non-Qualified Campaign Expenditures* - This is a schedule that lists staff and Candidate's travel during the period June 8, 2000 through December 6, 2000. For each date, the schedule lists personnel, location, airline city of departure and arrival, type and location of event, hotel, car service and a "reason for expenditure qualification." This travel was part of identifiable donor relations and public relations programs associated with Keyes 2000 terminating political activity and still remaining financially viable. It is the prerogative of the Committee to have funded such programs, just as it has had direct mail and other fundraising and supporter contact programs. These expenditures are allocable to the need for the Committee to sustain the positive public relations and donor support essential for wind down, and ultimately, debt retirement, funding.

As Keyes 2000 stated in its written response to the PAR, "All travel and associated costs funded by the Committee in this period represent either compliance [costs], or legitimate and essential fundraising and contributor solicitation expenditures." The Committee rejects the FAR finding, and contends that the amount of \$76,489.43 from the "travel account," should be qualified campaign expenses, both travel related and administrative. Some \$52,345.22 from the "travel account" during wind down plus \$1,421.53 from the operational account equals \$53,766.75 in wind down travel expenses, and \$21,575 from the travel account during this period are administrative expenses that are also minimally but adequately documented.

#### c. Cash Withdrawals

The Auditors assert that Keyes 2000 made cash disbursements in excess of the limitation for petty cash disbursements, which, in the aggregate, totaled \$107,863 (\$80,498.00 + \$27,365.00).

The FAR asserts two categories of apparent violation by Committee functionaries of the following two sections governing cash expenditures, 11 CFR §102.10 and §102.11. The Committee rejects the Auditors' assertion that in the circumstances cited, these are the most relevant sections for determining record-keeping compliance. Both assertions of regulatory violations in the Committee's New Hampshire campaigning and with the staff credit/debit cards rest upon (1) applying a narrow and, in campaign field operations, unrealistic interpretation of the term "disbursement" to apply to every specific and discrete transaction exceeding \$200.00, and (2) categorizing all the expenditures in question to fall under the rubric of excessive petty cash fund transactions - which are limited to the even lower threshold of \$100.00 per purchase or expenditure.

The Committee contends that it is appropriate to understand the disbursements discussed in the FAR as follows:

The cash expenditures in both cash categories were paid out by funds drawn directly from an authorized Committee depository, not from any cash which lacked a documented and reported Committee source. Indeed, both these depositories were operational accounts, funded via Committee transfers, not donor contributions. The purpose of §102.10 should be understood as protection against expenses and field operations paid by unattributed and undocumented, i.e., unbanked, cash. It is neither reasonable nor realistic in the exigencies of national field campaigning that must contend with the ever more highly compressed election cycle to interpret this section as a blanket prohibition of substantive cash transactions simply.

The campaign itineraries, when "lined up" with the bank records, could be seen to provide adequate, if minimal, documentation for the per diem, travel advance policy for staff cash expenditures. Under application of 11 CFR §102.9 the Committee is obligated to keep an account of all disbursements, consisting of "a record of name, address, date, amount and purpose of the disbursement." In addition, "a receipt or invoice from the payee or a cancelled check to the payee shall be obtained and kept for each disbursement in excess of \$200.00." Hence, all staff remuneration, expense reimbursements, travel advances, operations, goods and services paid in cash that were rendered from lump-sum withdrawals made by check drawn on the Committee's New Hampshire bank account, or withdrawn via Committee debit cards, should be interpreted as documented and technically in compliance with this section even in excess of \$200.00, as long as they are part of an identifiable program, or if substantiating ledger, memoranda, vouchers or receipts are produced that correspond with the aggregated amounts of cash withdrawals from an authorized account.

Beginning in May 1999, Keyes 2000 opened and maintained an account at First Union Bank to increase field operations accountability and facilitate campaign travel. Three debit cards were issued to key campaign personnel - the campaign manager, the Candidate's personal aide, and the Committee Chief of Staff. Because the highly staff-intensive and time-sensitive burden of monthly reporting for every small purchase made with the cards in the field quickly became apparent as a serious inefficiency, the Treasurer

set a written Committee policy for using the cards, allowing for those authorized staffers with cards to make periodic cash withdrawals as petty cash, per diem, and travel advances for staff in the field.

Cash withdrawals totaling \$27,365 were made from the "travel account." For reasons discussed in the opening sections of this Request for Administrative Review, field receipts for the purchases made from these cash advances cannot be provided by the Committee.

In response to the preliminary audit report, Keyes 2000 asserted that the cash disbursements were minimally but adequately documented, and followed a preexisting policy of accountability. Under 11 CFR §9033.11 (b)(iii)(A) and (B), the itemized bank statements, collated with the Candidate's schedules and campaign "itineraries" offer information as to how the cash was allocated and spent among campaign staff and functionaries for meals, incidentals, and local travel. To support this, the Committee cited the following:

- The cash disbursements were part of an identifiable personnel policy to provide travel advances for the staff;
- The First Union bank statements served to "voucherize" each advance by designating by debit card number the staff member making the withdrawal; and
- The policy for facilitating travel advances is substantiated by lining up daily data on the itineraries with withdrawals on the bank records.

Keyes 2000 has explained at the opening of this Request why itemized, transaction field receipts and other preferred field documentation for cash disbursements are unavailable. Nevertheless, cash withdrawals using the Committee debit/credit cards from the "travel account" meet a qualifying programmatic threshold for several reasons, which were presented in detail in the Committee response to the PAR, and which will be reiterated here.

In a general note, these Committee cards were issued to just three Keyes 2000 personnel, only two of whom were in the field – the campaign manager, and the Candidate's personal aide. The third other such card was issued to the campaign Chief of Staff. The PAR response was criticized in the FAR because it did not identify the staff members to whom the debit cards were assigned or their corresponding debit card numbers, but this information has been provided several times previously to the Auditors, and each itemized transaction on the bank account statements specifies which card was used.

The Auditors noted that, "over the course of the campaign cycle, Keyes 2000 personnel made 129 cash withdrawals, each in excess of \$100.00, from its travel account. The total for these withdrawals was \$27,365." That averages approximately \$200.00 per withdrawal, and there were only three such cards issued to facilitate the entire campaign staff. Keyes 2000 functionaries at the outset of the campaign had been directed

in writing by the Treasurer to maintain receipts or other documentation supporting all field expenditures, no matter how minor. But with the issuance of the debit charge cards, there was apparently a misunderstanding that the bank statements reflecting limited cash withdrawal amounts and itemized transaction records would in themselves constitute sufficient documentation to maintain compliance, and not all field receipts from the candidate's top staffers were retained or submitted, even prior to the severing of those consultant relationships with the Committee.

The Committee asserts categorically that, with the notable exception of a few airfare purchases at airports that were so last-minute only cash could transact quickly enough to get tickets issued, and which were personally authorized by the Chief of Staff, virtually no cash purchase greater than \$100 per person was ever authorized or made from these funds, as the cards operated as debit and credit cards and there was no need for large cash transactions. Moreover, there were functionaries deployed around the country to facilitate operations and transact substantive expenditures with Committee checks. All of the Committee's FEC monthly reporting supports and substantiates this.

Many of these cash withdrawals are "in excess of \$100.00" only because of the \$1.00 or \$1.50 ATM transaction fee charged in addition to the \$100.00 per person standard withdrawal. If a senior staffer had two junior staffers traveling with him, the withdrawal would typically be for \$300.00 plus the ATM transaction fee. These cash withdrawals fed, transported locally, and provided incidentals for the Candidate, numerous staff and Committee functionaries, as is meticulously detailed in the Committee itineraries we have generated for the audit team. The campaign itineraries, when "lined up" with the bank records, provide adequate documentation for the per diem, travel advance policy for staff cash expenditures. With the number of staff in the field, and the tightly controlled access to cash withdrawal privileges, Keyes 2000 has shown that cash disbursements, totaling \$27,365, can readily be seen to be qualified campaign expenses.

The Committee respectfully requests that the Commissioners ensure that common sense be applied in this matter. Under 11 CFR §102.10 and §9033.11(b)(iii)(A & B), the \$27,635 ATM field cash withdrawals made by senior functionaries on the merits should not be considered cash disbursements in excess of the limitation for petty cash disbursements, and should not be non-qualified.

#### 4. New Hampshire Cash Disbursements

Keyes 2000 opened an account at the Bank of New Hampshire in December 1999 to facilitate campaigning in the state. Delays in the funds transfer process created confusion regarding available balances, and resulted in a brief series of shortfalls in the initial funding of the New Hampshire account. Because Committee depository transfers left an insufficient balance to cover every check written during an aggressive campaigning period that involved advertising buys and other major transactions, thirty-one checks to vendors totaling more than eighty thousand dollars were returned unpaid. The Committee was financially embarrassed, and our checks would not be accepted by essential vendors and functionaries until our creditworthiness could be reestablished. Subsequently,

campaign staff was compelled to make lump-sum withdrawals, paying for documented goods and services using cash drawn from the New Hampshire account.

The audit review of the activity in New Hampshire identified 397 receipts for purchases made in cash totaling \$111,104. One hundred twenty-two of these receipts involved purchases greater than \$100. The total value of these expenditures was \$80,498. The Committee asserts that ledger entries, receipts, vouchers and other contemporaneous memoranda for these campaign expenditures have been provided and are well identified, and there is no need for each to be associated with any specific check. According to the Auditors, ninety-seven percent of the receipted cash disbursements and all of the checks which funded them, occurred between October 1999 and February 2000. The total amount of cash disbursements correspond in time and amount to total funds available, there is substantive documentation of transactions in accordance with 11 CFR §102.9, and §9033.11.

The Auditors in the PAR stated that, "at the exit conference a Keyes 2000 representative stated that the cash payments had been made in violation of committee policy." Of course, the use of lump-sum cash disbursements violated the Committee's accounting standards and practices, and utterly defeated the entire purpose of our opening an operations account in New Hampshire. It was deeply regrettable that the funds transfer system initially failed to perform on deadline, and local faith in our creditworthiness was undermined. Although we believe we can justify our assertion of compliance with the purposes of the Act, the Committee Treasurer shut down activity on the account immediately upon receiving accounting that reflected the large cash withdrawals.

**Even with the prohibition on cash disbursements, a legitimate accountability threshold has been maintained in this instance, and the New Hampshire campaign expenses should not be deemed non-qualified. The cash money represents disbursement transactions by checks from a Committee depository for legitimate and authorized expenditures, they are documented, and those transactions in justice should be deemed qualified campaign expenses.**

In summary, the FAR asserts that Keyes 2000 made non-qualified disbursements totaling \$288,876. This amount includes the duplicate payment of \$12,000, campaign expenses of \$2,585 for convention activity, undocumented disbursements of \$274,291 (\$9,807 from the operating account and \$183,986 from the "travel account" and \$80,498 in cash disbursements in excess of the \$100 limitation).

**The Committee requests that the Commission determine that a pro rata repayment payable to the United States Treasury be re-determined relative to "Apparent Non-Qualified Campaign Expenses," that is more equitably reflective of the compliance standard the Committee has substantiated in this Request, and documented previously for Audit staff. The repayment amount recommended in this section of the FAR is inaccurate, excessive, and arbitrary in its applications.**

## B. COSTS ASSOCIATED WITH CONTINUING TO CAMPAIGN

### Recommendation #4

The Audit staff recommends that the Commission determine that \$30,009 (\$116,454 multiplied by the repayment ratio of .257686) is repayable to the United States Treasury.

Absent a re-consideration by the Commission on the Arkansas primary results, the Committee provisionally concurs that Ambassador Keyes' date of ineligibility (DOI) was April 20, 2000. Ambassador Keyes chose to continue to campaign until June 7, 2000, when he formally withdrew from active campaigning.

Ambassador Keyes was certified by the Arkansas Secretary of State as having received 19.8% of the vote in the Arkansas primary, which, however, experienced certain irregularities that may have reduced the vote totals in a few counties. The Candidate needed to receive 20% of the vote to reestablish his eligibility to receive matching funds. Keyes 2000 continues to seek from the Arkansas authorities a re-certification of his primary vote total to 20%, which is consistent with Arkansas law and the state GOP rules on the aggregation of election results and allocation of delegates.

Regardless of this effort, the Committee Treasurer contends that there remain serious errors in how the Audit staff has presented the issue of the Committee's liability for costs associated with the Continuing To Campaign (CTC) period.

In response to the preliminary audit report, Keyes 2000 presented documentation that the Auditors accepted as showing disbursements totaling \$215,817 paid during the period were for goods and services provided prior to DOI or following the CTC period. Included in this amount were two reimbursements for expenses said by Audit staff to have been incurred for attending the Republican National Convention. Since the convention occurred in the winding down period, and as all wind down travel has been summarily deemed non-qualified by the Auditors, these reimbursements were also deemed non-qualified expenses to Keyes 2000, and were added to non-qualified expenses in Finding III.A. According to the Audit staff, this reduced the amount spent during the period from \$782,711 to \$566,894, or \$116,454 in excess of the amount available for use during the period.

Subsequent to the PAR, the Committee reviewed the Auditors' list of non-qualified Continuing To Campaign expenses. The Auditors had contended that Keyes 2000 incurred \$782,711 of expenses during the Continuing To Campaign period and received \$450,440 of donations, leaving \$332,271 of non-qualified expenses.

Keyes 2000 resubmitted photocopies of all invoices, bills and receipts that had previously been either overlooked or ignored by the Auditors. Of these, \$215,817 of expenses were deemed qualified and no explanation was given as to the acceptability or unacceptability of the remaining documentation supplied. For that reason, these invoices

and receipts have been submitted again with this Request for Administrative Review. They indicate, as the Committee has stated from the beginning of the audit fieldwork, that substantially fewer expenses were incurred during the Continuing To Campaign period than the Auditors assert.

In the documentation unaddressed, and evidently disregarded by the Auditors, are bills for fundraising, which state clearly that the services billed were rendered before the Date of Ineligibility. These invoices have been available at the Keyes 2000 office since the beginning of the audit fieldwork and copies have been submitted to the Auditors on three separate occasions.

The assertion in the FAR that Keyes 2000 has acknowledged spending \$35,720.00 in excess of the amount of funds available to campaign is false. The Committee submitted as a response to the PAR bills that the Auditors had neglected in the past. They are again submitted for review and do indicate that they are for goods and services rendered before the Date of Ineligibility.

It is the Committee's contention that of the \$782,711 of bills paid during the Continuing To Campaign period, \$311,406 were paid for goods and services rendered before the Date of Ineligibility. Keyes 2000 again submits documentation to support that no more than \$471,304.95 of expenses are correctly attributable to the CTC period. Total donations during this period were \$450,439.49.

The Committee's accounting hence supports our continued assertions that \$471,304.95 less the \$450,439.49 funds available to campaign leaves \$20,865.46 spent in excess of the amount available for use during the CTC. This \$20,865.46, multiplied by the repayment ratio of .257686, leaves a payment due to the U.S. Treasury of \$5,376.74.

#### C. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS

The Commission determined that Ambassador Keyes' date of ineligibility was April 20, 2000. However, he continued to campaign until June 7, 2000, the date he notified the Commission of his official withdrawal from active campaigning. As a result, Ambassador Keyes may not claim any winding down costs until June 8, 2000. The Audit staff reviewed Keyes 2000's financial activity through December 31, 2000, reviewed Keyes 2000's reported activity through September 30, 2002, analyzed allowable winding down costs, and prepared the following Statement of Net Outstanding Campaign Obligations (NOCO).

The Committee accepts without revision the Auditors' Statement of NOCO.

**Keyes 2000, Inc.**  
**Statement of Net Outstanding Campaign Obligations**  
**As of April 20, 2000**  
**As Determined at September 30, 2002**

**ASSETS**

Cash in Bank	\$739,163	
Accounts Receivable	3,692	
Capital Assets	<u>3,808</u>	
Total Assets		\$746,663

**LIABILITIES**

Accounts Payable for Qualified Campaign Expenses at 4/20/00	\$1,318,400	
Disbursements for Winding Down (06/08/00 - 09/30/02)	3,716,162	(a)
Loan Payable	181,006	
Estimated Winding Down Costs (10/01/02 - 12/31/03)	332,188	(b)
Amount Due United States Treasury		
Excessive Currency Contributions	15,013	
Unresolved Excessive Contributions	168,200	
Stale Dated Checks	<u>8,003</u>	
Total Liabilities		<u>\$5,738,972</u>
<b>Net Outstanding Campaign Obligations (Deficit)</b>		<b>(\$4,992,309)</b>

**Footnotes:**

- (a) This amount does not include \$566,494 in expenses incurred between April 21 and June 7, 2000, the period after DOI during which Ambassador Keyes continued to campaign. (See Finding III.B.) Post DOI campaign expenses such as travel and convention and undocumented cash disbursements have been excluded from winding down expenses.
- (b) The estimated winding down costs will be monitored throughout calendar year 2002. Should actual costs be substantially less than projected costs, a repayment pursuant to 26 USC §9038.2(b)(1) would result.

The Statement of Net Outstanding Campaign Obligations as of April 20, 2000 as presented above shows Keyes 2000 to be in a deficit position in the amount of \$4,992,309. Shown below are adjustments for funds received after April 20, 2000, based on the most current financial information available:

Net Outstanding Campaign Obligations (Deficit) as of 4/20/00	(\$4,992,309)
Net Private Contributions Received 6/7/00 to 12/31/00	882,934
Matching Funds Received 04/20/00 to 12/31/00	<u>3,183,371</u>
SUBTOTAL: Remaining Net Outstanding Campaign Obligations (Deficit) @ 12/31/00	(\$926,004)
Net Private Contributions Received 1/1/01 to 6/01/01	302,621
Matching Funds Received 1/2/01 through 06/01/01	<u>171,567</u>
Remaining Net Outstanding Campaign Obligations (Deficit)	<u>(\$451,816)</u>

As presented above, the Keyes 2000 Committee has not received matching fund payments in excess of its entitlement.

**D. STALE-DATED CHECKS**

**Recommendation #5**

**The Audit staff recommends that Keyes 2000 make a payment to the United States Treasury in the amount of \$8,003.**

**The Committee concurs with this recommendation without comment.**

**IV. SUMMARY OF AMOUNTS DUE TO THE UNITED STATES TREASURY**

The Keyes Committee contends that the amounts below are more accurately reflective of its achievement of regulatory compliance under the Federal Election Campaign Laws and the relevant provisions of the United States Code, and respectfully submits that under the discretionary powers of the Federal Election Commissioners, the Committee's liability to the Treasury be recalculated.

Finding II.B.	Unresolved Excessive Contributions	\$ 95,286
Finding II.C.	Excessive Cash Contributions	0
Finding III.A.	Non-Qualified Expenses	3,644
Finding III.B.	Costs Associated with Continuing to Campaign	5,377
Finding III.D.	Stale-Dated Checks	<u>8,003</u>
		<u>\$ 112,310</u>

LRA 570  
4/15/03



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

April 15, 2003

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OFFICE OF GENERAL  
COUNSEL

MEMORANDUM

To: Lawrence H. Norton  
General Counsel

Through: James A. Pehrkon  
Staff Director

*[Handwritten signature]*  
Robert J. Costa  
Deputy Staff Director

From: Joseph F. Stoltz  
Assistant Staff Director  
Audit Division

Wanda J. Thomas  
Audit Manager *[Handwritten initials]*

Marty Kuest *[Handwritten initials]*  
Lead Auditor

**SUBJECT:** Audit staff review of Response by Keyes 2000, Inc. to the Commission's Repayment Determination (LRA#570).

On March 10, 2003, Keyes 2000, Inc. (Keyes 2000) responded to the repayment determination contained in the "Report of the Audit Division on Keyes 2000, Inc." (the Final Audit Report or FAR) by submitting "Committee Response and Request for Administrative Review Report of the Audit Division on Keyes 2000, Inc." (the response).

The following is the Audit staff's analysis of Keyes 2000's response. The issues are dealt with in the order raised by Keyes 2000 and the page numbers in parentheses refer to where the issues are raised in the response.

**Summary section (pages 1-2 of the response):**

Keyes 2000 outlined its position with regard to the audit and requested an administrative review of the repayment determination. Keyes 2000 stated that:

“... Within the contested findings, however, the Committee strenuously disputes various representations made by the Audit Division in both the Preliminary Audit Report and Final Audit Report regarding Keyes 2000’s alleged failure to supply various materials that were, in fact provided; failure to respond to requests that were, in fact, addressed; and failure to comply in reporting categories where minimal compliance has been, in fact, achieved.”

The Audit staff maintains that the Final Audit Report accurately presented the facts regarding the Committee’s maintenance of documentation. The FAR concluded that source documentation, required by 11 CFR §9033.11(b) and routinely retained by most committees, was not maintained by Keyes 2000. This documentation problem was predominantly associated with disbursements made from Keyes 2000 First Union Travel account (the travel account). The missing documentation was primarily receipts, invoices, and contemporaneous memoranda for disbursements made by debit cards from the travel account. During the audit fieldwork the Audit staff regularly apprised Keyes 2000 of the need to provide records as evidenced by numerous written requests.

**Committee History (pages 2-3 of the response):**

Keyes 2000 noted at the outset that while its records have been and remain materially complete and within regulatory compliance

- some travel documentation was not in its possession because of the departure of several personnel.
- this proved burdensome to the Committee and the auditors.

This was essentially what the Audit staff wrote in both the Preliminary Audit Report (PAR) and the Final Audit Report .

Keyes 2000 explained that it has learned expensive lessons and acknowledged the need for stringent internal enforcement mechanisms to ensure recourse should consultants fail to uphold their contractual obligations. Keyes 2000 stated there should operate in the audit process a standard of reasonableness in determining a compliance threshold. Keyes 2000 said that it supplied the Audit staff with documentation adequate to minimally qualify expenditures that the Auditors persisted in designating non-qualified. Keyes 2000 was particularly concerned about the \$187,447 of detailed, itemized transactions from the First Union travel account that are categorized by the Audit staff as undocumented. Moreover, the Keyes 2000 stated such a determination was excessive given the admonition of the legal review of the FAR made by the FEC Office of General Counsel (OGC). Keyes 2000 also concluded that the finding is also inconsistent with the Audit Division’s prior acceptance as qualified of similar documentation for similar campaign disbursements.

The Audit staff notes that, until the candidate's itineraries were provided, the entire activity within the travel account was categorized as non-qualified. The itineraries provided collateral evidence (11CFR §9033.11(b)(1)(iii)) to document \$406,938 in expenses as campaign related, reducing the amount not documented to \$187,447. However, itineraries for January 3<sup>rd</sup> through February 3<sup>rd</sup>, 2000 were not provided. Instead, Keyes 2000 provided schedules of campaign travel, compiled in response to the PAR. These schedules do not constitute contemporaneous, collateral documentation and thus, are not similar documentation for similar campaign disbursements. The balance of the travel, which occurred after Ambassador Keyes withdrew from active campaigning, was categorized as non-qualified because the documentation (the itineraries) did not establish the winding down purpose of the travel. Regarding Keyes 2000's reference to statements in OGC's legal analysis of the FAR, the Audit staff complied with the recommendation to review the supporting documentation submitted in connection with undocumented disbursements.

Keyes 2000 stated that the Audit staff declined their invitation to subpoena the former employees for the missing documentation. This is correct. The Audit staff does not routinely request subpoenas for records that are required by 11 CFR §9033.11 to be maintained by committees. Such an action could be construed as a willingness on the part of the Commission to relieve Keyes 2000, and in the future, similar committees, of their responsibility to collect and maintain documentation to demonstrate that its expenditures were qualified campaign expenses. Furthermore, to be eligible to receive Presidential primary matching funds, Ambassador Keyes agreed that he or his authorized committee would comply with the documentation requirements set forth in 11 §CFR 9033.11.

Keyes 2000 explained that because it believed the Audit staff should and would accept, as adequate documentation, the supporting materials it had on hand, it decided not to pursue legal recourse to recover travel documents from former employees. Keyes 2000 misunderstood. This imagined commitment was not the case. The Audit staff's willingness to review the available documentation was not an assurance that it would automatically be accepted as sufficient.

**Audit Background (Pages 3-4 of the response):**

Keyes 2000 stated that the largest categories of dispute under Repayment Matters in the FAR are found in the "Apparent Non-Qualified Campaign Expenses" section. Keyes 2000 contended that the findings do not accurately reflect the level of compliance achieved and are erroneous because the Audit staff assessments of the Keyes 2000's supporting documentation are incomplete. In summary, Keyes 2000 stated that the Audit staff:

- Applied erratically the standards used to determine compliance;
- Refused to acknowledge or process documentation that was provided; and
- Demanded documents known to be unavailable.

The Audit staff's review of documentation was consistent with the procedures outlined in the Commission approved Audit Program and used historically by the Audit staff to assess whether disbursements are qualified campaign expenses as defined at 11 CFR §9032.9. Some disbursements were classified as non-qualified because they lacked documentation. Once documentation was received, it showed that the disbursements were non-qualified for another reason. Some documentation presented by Keyes 2000 was reviewed and deemed inadequate, thus the charge that the Audit staff refused to acknowledge or process documentation. Certain documents that Keyes 2000 insists were presented for Audit staff review were in fact not presented (for example, the candidate's itineraries). Finally, Keyes 2000 has the burden of proving that disbursements are qualified campaign expenses by furnishing to the Commission upon request evidence as provided for in 11 CFR §9033.11(b).

### **PRINCIPAL CATEGORIES IN CONTENTION – REPAYMENT MATTERS**

#### **A. Campaign Travel Expenses During Eligibility (Pages 4-6 of the response):**

Addressing the campaign travel during the period of eligibility, Keyes 2000 noted, at OGC's suggestion, the acceptance of \$54,547.55 in charter expense as a qualified campaign expense. OGC concluded, in this instance, that the minimum standards for documentation had been met. The Audit staff notes that this minimal documentation, however, substantially exceeded the documentation provided for other undocumented disbursements and amounts disbursed from Keyes 2000 travel account.

Keyes 2000 contended that the Audit staff has not applied the OGC recommendation (discussed at page 2, ¶ 3) to the remaining non-qualified disbursements or the travel account expenses totaling \$193,793. Keyes 2000 repeated its earlier claim that there are no grounds to have rejected these disbursements as non-qualified, while accepting as qualified precisely similar documentation for other similar disbursements. Keyes 2000 next stated that it had made numerous requests for clarification of the grounds of the rejection and had made repeated submissions of materials to provide further supporting detail to demonstrate compliance in documenting expenses.

The Audit staff notes that four categories comprise the non-qualified disbursement total of \$193,793. There were nine undocumented disbursements from Keyes 2000 operating accounts totaling \$9,807. Undocumented travel disbursements from the travel account for the period of January 3 through February 3, 2000 totaled \$80,132. Travel account disbursements in the wind down period total \$76,489. And the last category of non-qualified expense making up this total was the undocumented cash withdrawals from the travel account totaling \$27,365. Further, the majority of the documentation pertaining to undocumented expenses from Keyes 2000 operating accounts had been accepted and the undocumented amount was reduced from \$127,433 in the PAR to \$9,807 in the FAR.

Keyes 2000 takes issue with the Audit staff's categorization, as non-qualified, the \$80,132 in disbursements made by debit card from the travel account for the period of

January 3, 2000 to February 3, 2000. These disbursements were not supported by source documentation, candidate itineraries, or any other contemporaneous documentation. Rather, Keyes 2000 provided Candidate Schedules, without supporting documentation, prepared in response to the preliminary audit report.

Keyes 2000 asserted that because the disbursements of \$80,132 were made in the same manner as the \$406,938, which is qualified campaign expenses, it is inconsistent to refuse to accept the \$80,132 as qualified as well. However, the \$406,938 reclassified as qualified in the PAR was supported by detailed and contemporaneous campaign itineraries (provided at the Exit Conference) and not because of a Keyes 2000 schedule generated after receipts of the PAR. The underlying difference between the Candidate schedules [prepared by Keyes 2000 in response to the PAR] and the itineraries is that the schedules are not contemporaneous documentation. Keyes 2000 contended that the source of the data on the Candidate Schedules was the itineraries and other records for the period in question. If Keyes 2000 has the itineraries and related records, they should have been made available for the Audit staff to review.

**B. Campaign Travel Expenses During Wind Down (Pages 7-12 of the response):**

Keyes 2000 suggested that the issue of the wind down travel first arose without warning during the PAR phase of the audit and stated that just prior to issuance of the PAR document, in a phone call, the lead auditor announced that he had found the wind down travel disbursements to be excessive and would be rejecting them as non qualified.”

The Audit staff notes that non-qualified travel account disbursements in the wind down period was not a new issue. These disbursements had been categorized continuously as non-qualified disbursements due to lack of documentation, first when the findings were transmitted to Keyes 2000 on November 5, 2001 and again, at the exit conference on February 15, 2002. In the above referenced phone conversation, which occurred on February 20, 2002 (approximately five months before the PAR was issued on July 17, 2002) Keyes 2000 was made aware the candidate traveled extensively in the wind down period and that a legitimate purpose for this travel would need to be established. Based on the review of itineraries, the Audit staff concluded these particular disbursements were not qualified winding down expenses because the activities presented in the itineraries did not seem to be activities related to winding down the campaign.

Keyes 2000 further wrote that it should have been notified during fieldwork that the post wind down travel disbursements were non-qualified. Had Keyes 2000 provided the itineraries during fieldwork rather than at exit conference on February 15, 2002, they would have been advised of this problem during fieldwork. The Committee was advised on February 20, 2002, the first day that the Audit staff became aware of this matter.

Keyes 2000 again raised the issue of the sufficiency of the candidate schedules it had prepared to support the other expenses paid through the travel account. The Audit staff notes, however, that where the winding down expenses were concerned, a lack of

documentation was not at issue. These disbursements were documented by Keyes 2000 itineraries. The itineraries indicated the bulk of the activity listed did not appear to be related to winding down the Keyes 2000 campaign, and for that reason, the expenses were rejected as qualified winding down expenses.

Keyes 2000 made the case that after Ambassador Keyes withdrew his candidacy and resumed, in his personal capacity, his public speaking schedule around the country, he traveled largely for purposes other than winding down his campaign. With this being the case, it is incumbent upon the Committee to identify the expenses that relate to the Committee and show a wind down purpose for each. (See 11 CFR §9034.7(b)(2). In the case of the itineraries, there is no indication, other than the heading, "Keyes 2000 Schedule," that the Ambassador was conducting activity on behalf of the committee. Keyes 2000 stated that disbursements were allocable, but did not provide any information as to how the allocation of the wind down travel should have been made.

Keyes 2000 expressed extreme displeasure at the Audit staff's inclusion of information in the FAR that had been taken from the Keyes 2000, Inc. itineraries.

"...All such arrangements were disclosed to the Auditors in Committee travel documentation, and because of the Keyes 2000 component coordinated around his personal travel, Ambassador Keyes' personal schedules containing data pertaining to his private business were made available for review by the Auditors.

"This courtesy was vulgarly violated in the FAR, when without consultation or Committee authorization, the Auditors placed details of the former Candidate's personal business into public documents."

"The Auditors have indulged in what can only be characterized as either an exceedingly careless, or maliciously perverse violation of privileged information."

There was, however, no indication on the itineraries and Keyes 2000 never represented the itineraries for this period as being proprietary or the exclusive, private property of Ambassador Keyes. Each itinerary dated between June 7, 2000 and December 6, 2000 was headed (as were itineraries from earlier periods) as "Keyes 2000 Schedule."

## **SPECIFIC AUDIT FINDINGS AND RECOMMENDATIONS**

### **II. AUDIT FINDINGS AND RECOMMENDATIONS – NON REPAYMENT MATTERS (pages 12-15 of the response)**

Since the Administrative review requested by Keyes 2000 will involve only repayment matters, the Audit staff will make no comment on the receipt of excessive contributions from individuals in excess of the limitation or currency contributions received in excess of the limitation.

**III. AUDIT FINDINGS AND RECOMMENDATIONS – REPAYMENT MATTERS**  
(pages 15-22 of the response)

**A. APPARENT NON-QUALIFIED CAMPAIGN EXPENSES**

Keyes 2000 stated its belief that the bank statements from the travel account had met the minimum requirements of 11 CFR §102.9(b). Keyes 2000 asserted that statements from the travel account combined with the candidate schedules would meet the requirements of 11 CFR §9033.11. The Audit staff disagrees. The candidate schedules differ from the itineraries in that they (as discussed previously in the History and Background sections of this document) are not contemporaneous or supported by contemporaneous documents, and therefore, the disbursement from the travel account for the period where no itineraries were available, remain inadequately documented.

**1. Duplicate Payment to Vendor**

Keyes 2000 agreed with the Audit staff.

**2. Undocumented Disbursements**

Keyes 2000 provided a copy of a canceled check and an invoice in the amount of \$7,666.69 to document \$9,807 in undocumented disbursements. This particular disbursement paid to Malvey Travel was not one of the nine remaining undocumented disbursements.

However, upon reexamination of the remaining undocumented disbursements, we were able to trace a \$5,000 payment to Holiday Inn Downtown to contemporaneous documentation. Thus, the remaining eight disbursements in the amount of \$4,807 remain undocumented. For these disbursements, neither documentation such as receipted bills, invoices, vouchers or contemporaneous memoranda was available for review, nor could these disbursements be associated with an identified program, policy, reoccurring expense or other contemporaneous collateral evidence to document them as qualified campaign expenses. (See Attachment I.)

**3. Undocumented Expenses from the Travel Account**

**a. Expenses incurred from 1/3/00 through 2/3/00**

Keyes 2000 stated again that “**precisely similar documentation**” was provided for all the disbursements made from the Travel account. They noted that \$406,938, originally categorized as non-qualified, was later categorized as documented. Therefore, the \$80,132 in expenditures made between January 3 and February 3, 2000 should be accepted as qualified.

The Audit staff again notes that the documentation provided for the period in question was not "precisely similar". Most disbursements from this account were made by debit card. Campaign personnel did not retain documentation from vendors for disbursements from this account. The only documentation retained and provided during audit fieldwork was account statements that itemized each disbursement in chronological order. The information provided was limited to a transaction date, an eighteen-character field to identify the name of the vendor, and the City and State where the transaction occurred. The Audit staff relied on Keyes 2000 itineraries when it reclassified the \$406,938 in travel expenditures from non-qualified to qualified. The candidate schedules Keyes 2000 prepared in response to the PAR, unlike the itineraries provided for the other travel account disbursements, were not contemporaneous documentation. Keyes 2000 did not provide itineraries for the period in question. Without some contemporaneous collateral evidence showing the connection between the expenses and the campaign efforts, these expenses are insufficiently documented. (See Attachment II, page 1.)

**b. Travel Expenses as Winding Down Costs**

Keyes 2000 stated "All Committee travel disbursements in the wind down represent authorized expenditures by Keyes 2000 functionaries, with a few appearances made by the Candidate. We are glad that the OGC concurs with the Committee, 'it is the Committee's prerogative how best to execute its own termination.'" Keyes 2000 further states "All travel and associated costs funded by the Committee in this period represent either the compliance [costs], or legitimate and essential fundraising and contributor solicitation expenditures." Keyes 2000 mentions at some length, the schedules it prepared to document this travel.

The Audit staff notes that this travel was not classified as non-qualified due to a lack of documentation. The purpose of the travel detailed in the itineraries for this period seemed to be either Ambassador Keyes' return to public speaking, his fundraising on behalf of other candidates or entities, or his role as a media commentator. There was no mention of campaign related activity other than the itinerary headings of Keyes 2000 Schedule.

For any Keyes 2000 related wind down activities during this period, Keyes 2000 must identify the expenses that relate to the committee and show a wind down purpose for each. (See 11 CFR §9034.7(b)(2)). The lack of documentation, other than the itineraries, such as receipted bills, invoices, or vouchers, from the payees; contemporaneous memoranda; or other collateral evidence that associates the disbursements with the wind down effort; prevents the Audit staff from concluding that the disbursements represent legitimate winding down costs. Further, available documentation suggested that Ambassador Keyes was predominantly engaged in activity unrelated to the wind down effort of his campaign. In the absence of any other documentation, the expenses from the travel account, incurred between June 7<sup>th</sup> and December 6<sup>th</sup>, 2000 remain non-qualified campaign expenses. (See Attachment II, page 4.)

**c. Cash Withdrawals (page 19 of the response)**

Keyes 2000" presents virtually the same arguments that it made in response to the preliminary audit report:

- That with the notable exception of a few airfare purchases at airports that were so last-minute only cash could transact quickly enough to get tickets issued, and which were personally authorized by the Chief of Staff, virtually no cash purchase greater than \$100 per person was ever authorized or made from these funds;
- The cash disbursements were part of an identifiable personnel policy to provide travel advances for the staff;
- The First Union bank records served to "voucherize" each advance by designating by debit card number the staff member making the withdrawal; and
- The campaign itineraries when "lined up" with the bank records provided adequate documentation for the per diem, travel advance policy for cash expenditures.

Keyes 2000 has not provided adequate documentation for the cash disbursements. The response provided nothing to demonstrate how the itineraries, when "lined up" with the bank records, provide adequate documentation for the cash withdrawals. The materials provided in the response to the preliminary audit report did not comply with the documentation requirements of 11 CFR §9033.11, which require, for disbursements made from a petty cash fund, the amount, date, and purpose of the disbursement<sup>1</sup>. Additionally, Keyes 2000 has not provided documentation that would demonstrate that cash disbursements in excess of \$100 per transaction were not made, but its records do establish that cash withdrawals in excess of that amount were made. Indeed, Keyes 2000 acknowledged that, when required and on the authority of senior personnel, it made cash disbursements in excess of \$100 to purchase airline tickets and to provide travel advances to staffers. Cash disbursements are prohibited by 2 U.S.C. §432(h) unless made from a petty cash fund with no cash transaction exceeding \$100. Thus, Keyes 2000 has not shown that cash disbursements, totaling \$27,365, comply with the law, or that they were qualified campaign expenses. No additional materials were provided that would change the Audit staff's conclusion that the cash disbursements were non-qualified campaign expenses. (See Attachment II, page 7.)

**4. New Hampshire Cash Disbursements**

Keyes 2000 explains the circumstances that it encountered with its New Hampshire campaign. It stated that:

- the large cash disbursements violated Committee policy;
- their funds transfer system failed to perform on deadline;
- local faith in their creditworthiness was undermined when their checks were returned for insufficient funds.

<sup>1</sup> The Travel Account Debit Cards can hardly be classified as a Petty Cash Fund.

Keyes 2000 concluded by stating "Even with the prohibition on cash disbursements:" those transactions in justice should be deemed qualified campaign expenses because:

- in this instance a legitimate accountability threshold was maintained;
- the cash money represented disbursement transactions by checks;
- they were from a Committee depository for legitimate and authorized expenditures;
- they were documented.

The Audit staff notes that the problem with the cash disbursements in New Hampshire was not that they were undocumented, but the manner in which they were made; i.e. by cash. In the course of conducting campaign activity in New Hampshire, Keyes 2000 made 122 cash disbursements (each in excess of \$100) totaling \$80,498. This action violated 2 U.S.C §432(h)(2) which allows a political committee to maintain a petty cash fund for the purpose of making disbursements not in excess of \$100 to any person in connection with a single purchase or transaction. That provision does not distinguish between cash that is withdrawn from a campaign account and cash that was never deposited. It simply prohibits the making of large cash disbursements. (See Attachment III)

**B. COSTS ASSOCIATED WITH CONTINUING TO CAMPAIGN (pages 23 – 24 of the response)**

Keyes 2000 maintains that there exists "serious errors in how the Audit staff has presented the issue of the Committee's liability for costs associated with the Continuing to Campaign period" and suggested that even without a re-consideration of the Arkansas vote by the Commission, if these errors were corrected, the matter could be resolved.

Keyes 2000 stated that the assertion in the FAR that they acknowledged spending \$37,720 excess of the funds available to campaign was false. However, in response to the PAR, Keyes 2000 submitted a schedule of expenditures made in the Continuing to Campaign period which stated: "Amount spent in excess of the funds available to campaign \$37,720.37." In documentation supplied with the response, Keyes 2000 provided another schedule that lists \$20,865.46 as "Amount spent in excess of funds available to campaign."

In the FAR, the Audit staff concluded that Keyes 2000 spent \$116,454 in excess of funds available for campaigning. Keyes 2000 resubmitted copies of the receipts it submitted in response to the PAR. The Audit staff has again reviewed the documentation and concluded that there is nothing new that would cause us to change the conclusions drawn at the time the FAR was prepared<sup>2</sup>. (See Attachment IV.)

<sup>2</sup> One example of the documentation submitted is a letter from a consultant prepared during the audit process representing that monthly bills for the continuing to campaign period were actually for services prior to the Date of Ineligibility and that the bills were submitted late. The invoices, apparently prepared at the time the services were rendered, are very specific about the time period covered and are dated within a few days of the end the month. Further, the Keyes 2000 records document previous payments to the vendor for the months referenced in the letter.

**C. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS (pages 24 – 26 of the response)**

Keyes 2000 agreed with the Audit staff's presentation of the NOCO.

**D. STALE DATED CHECKS (page 26)**

Keyes 2000 agreed with the Audit staff's position on the stale dated checks.

**REVISED SUMMARY OF AMOUNTS DUE TO THE UNITED STATES TREASURY**

Amounts Payable to U.S. Treasury:

Stale Dated Checks	8,003
Excessive Cash Contributions	15,013
Unresolved Excessive Contributions	95,286
Repayment due to Continuing To Campaign	30,009
Non-Qualified Campaign Expense	<u>74,439</u>

Previously Payable to U.S. Treasury 222,750

Reduction to the Non Qualified Campaign Expense: -5,000

Repayment Ratio 25.7686%

Pro Rata Reduction: -1,288

Revised Amount Payable to U.S. Treasury 221,462

Should you have any questions, please contact Marty Kuest or Wanda Thomas.

KEYES 2000, INC.						Attachment I
Non Qualified Disbursements from the Operation Account						
Count	VENDOR	CK #	DATE	A/S comments	Audit Staff Conclusion Re. PAR Response Materials	Remaining NQ
1	Quackenbush, David	2025	30-Dec-97	check copy not available for review,, according to the bank statements for this period, a check #2025 in the this amount cleared the bank on January 5, 1998.	no	455.45
2	Conservative Coaliti	3434	9-Jan-00	nothing on memo line, ck signed by MPL, endorsed by vendor	no	2,500.00
3	Phillips, Jim	2490	21-Mar-99	memo line "cell phone reimbursements", signed by MPL,	no	165.16
4	O'donnell, Michael	3927	27-Mar-00	signed by MPL, endorsed by payee	no	239.42
5	Powers, Emily	2317	24-Nov-98	signed by MPL, endorsed by payee	no	182.35
6	Braden, Brooks	2704	1-Jun-99	check signed by MPL, no contract, no documentation, check endorsed by vendor.	no	500.00
7	Godzich, Dan	2766	1-Jul-99	memo line "travel-other", signed by MPL, endorsed by payee	no	331.36
8	Soc	3555	2-Feb-00	No supporting documentatin found, Canceled check, "Soc" endorsed check as "Soc Enterprises." memo line says mail outside services.	dup pmt	433.54
						4,807.28

Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
1	Arnon Transportation	Transportation		3-Jan-00	143.75	Jan. 3 - Feb. 3
2	Arnon Transportation	Transportation		3-Jan-00	143.75	Jan. 3 - Feb. 3
3	Chevy Chase Federal	Travel Expenses		3-Jan-00	301.50	Jan. 3 - Feb. 3
4	Amerwest Air	Airfare		3-Jan-00	384.00	Jan. 3 - Feb. 3
5	TWA	Airfare		3-Jan-00	455.00	Jan. 3 - Feb. 3
6	NWA Air	Airfare		3-Jan-00	573.00	Jan. 3 - Feb. 3
7	Southwest Air	Airfare		4-Jan-00	318.50	Jan. 3 - Feb. 3
8	Holiday Inn	lodging		5-Jan-00	107.67	Jan. 3 - Feb. 3
9	Chevy Chase Federal	Travel Expenses		5-Jan-00	201.50	Jan. 3 - Feb. 3
10	Firststar Iowa	Travel Expenses		5-Jan-00	300.00	Jan. 3 - Feb. 3
11	Country Inn Hotel	lodging		6-Jan-00	259.22	Jan. 3 - Feb. 3
12	Merchants Rent a Car	Transportation		6-Jan-00	1,402.38	Jan. 3 - Feb. 3
13	Merchants Rent a Car	Transportation		6-Jan-00	1,402.38	Jan. 3 - Feb. 3
14	Merchants Rent a Car	Transportation		6-Jan-00	1,402.38	Jan. 3 - Feb. 3
15	Teddy's Steakhouse	Meals		7-Jan-00	189.13	Jan. 3 - Feb. 3
16	Best Western Inn	lodging		7-Jan-00	463.04	Jan. 3 - Feb. 3
18	Merchants Rent a Car	Transportation		7-Jan-00	1,402.38	Jan. 3 - Feb. 3
20	Five Seasons	lodging		10-Jan-00	106.40	Jan. 3 - Feb. 3
21	Five Seasons	lodging		10-Jan-00	112.00	Jan. 3 - Feb. 3
22	Five Seasons	lodging		10-Jan-00	118.68	Jan. 3 - Feb. 3
23	Adam's Mark Hotel	lodging		10-Jan-00	144.72	Jan. 3 - Feb. 3
24	Citizens Bank	Travel Expenses		10-Jan-00	201.00	Jan. 3 - Feb. 3
25	Claussens	lodging		10-Jan-00	276.10	Jan. 3 - Feb. 3
26	Fleet Bank	Travel Expenses		10-Jan-00	301.00	Jan. 3 - Feb. 3
27	Mich Nat'l Bank	Travel Expenses		10-Jan-00	301.50	Jan. 3 - Feb. 3
28	Mich Nat'l Bank	Travel Expenses		10-Jan-00	301.50	Jan. 3 - Feb. 3
29	US Air	Airfare		10-Jan-00	406.50	Jan. 3 - Feb. 3
30	B.A. Mobile Rt	Transportation		10-Jan-00	421.65	Jan. 3 - Feb. 3
31	Claussens	lodging		10-Jan-00	1,392.22	Jan. 3 - Feb. 3
32	Arnon Transportation	Transportation		12-Jan-00	136.05	Jan. 3 - Feb. 3
33	US Air	Airfare		12-Jan-00	143.00	Jan. 3 - Feb. 3
34	Arnon Transportation	Transportation		12-Jan-00	153.80	Jan. 3 - Feb. 3
35	Amway Grand Plaza	lodging		13-Jan-00	125.82	Jan. 3 - Feb. 3
36	Holiday Inn	lodging		13-Jan-00	336.00	Jan. 3 - Feb. 3
37	Amway Grand Plaza	lodging		13-Jan-00	388.59	Jan. 3 - Feb. 3
38	Amway Grand Plaza	lodging		13-Jan-00	533.94	Jan. 3 - Feb. 3
39	Amway Grand Plaza	lodging		13-Jan-00	567.22	Jan. 3 - Feb. 3
40	Amway Grand Plaza	lodging		13-Jan-00	881.64	Jan. 3 - Feb. 3
41	Arnon Transportation	Transportation		14-Jan-00	187.00	Jan. 3 - Feb. 3
42	Continental Airlines	Airfare		14-Jan-00	219.00	Jan. 3 - Feb. 3
43		Travel Expenses		14-Jan-00	302.50	Jan. 3 - Feb. 3
44	Arnon Transportation	Transportation		14-Jan-00	379.50	Jan. 3 - Feb. 3
45	Delta Air	Airfare		14-Jan-00	433.00	Jan. 3 - Feb. 3
46	TWA	Airfare		14-Jan-00	576.00	Jan. 3 - Feb. 3
47	Doubletree Hotel	lodging		18-Jan-00	138.22	Jan. 3 - Feb. 3
48	Holiday Inn	lodging		18-Jan-00	160.92	Jan. 3 - Feb. 3
49	Doubletree Hotel	lodging		18-Jan-00	174.51	Jan. 3 - Feb. 3
50	Doubletree Hotel	lodging		18-Jan-00	174.51	Jan. 3 - Feb. 3
51	Doubletree Hotel	lodging		18-Jan-00	188.55	Jan. 3 - Feb. 3
52	Lone Star Steakhouse	Meals		18-Jan-00	225.87	Jan. 3 - Feb. 3
53	Mustards	Meals		18-Jan-00	258.63	Jan. 3 - Feb. 3
54	Doubletree Hotel	lodging		18-Jan-00	706.31	Jan. 3 - Feb. 3
55	TWA	Airfare		18-Jan-00	944.00	Jan. 3 - Feb. 3

Keyes 2000, Inc.				Attachment II		
Travel Account		Non-Qualified Campaign Expense				
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
56	TWA	Airfare		18-Jan-00	944.00	Jan. 3 - Feb. 3
57	TWA	Airfare		18-Jan-00	944.00	Jan. 3 - Feb. 3
58	TWA	Airfare		18-Jan-00	944.00	Jan. 3 - Feb. 3
59	Centennial Inn	lodging		18-Jan-00	2,417.77	Jan. 3 - Feb. 3
60	US Air	Airfare		19-Jan-00	104.50	Jan. 3 - Feb. 3
61	US Air	Airfare		19-Jan-00	104.50	Jan. 3 - Feb. 3
62	Davenport Centry Inn	lodging		19-Jan-00	123.20	Jan. 3 - Feb. 3
63	Davenport Centry Inn	lodging		19-Jan-00	123.20	Jan. 3 - Feb. 3
64	Davenport Centry Inn	lodging		19-Jan-00	123.20	Jan. 3 - Feb. 3
65	Davenport Centry Inn	lodging		19-Jan-00	125.57	Jan. 3 - Feb. 3
66	Davenport Centry Inn	lodging		19-Jan-00	132.08	Jan. 3 - Feb. 3
67	Amway Grand Plaza	lodging		19-Jan-00	252.59	Jan. 3 - Feb. 3
68	TWA	Airfare		19-Jan-00	564.00	Jan. 3 - Feb. 3
69	TWA	Airfare		19-Jan-00	564.00	Jan. 3 - Feb. 3
70	TWA	Airfare		19-Jan-00	564.00	Jan. 3 - Feb. 3
71	TWA	Airfare		19-Jan-00	564.00	Jan. 3 - Feb. 3
72	TWA	Airfare		19-Jan-00	576.00	Jan. 3 - Feb. 3
73	TWA	Airfare		19-Jan-00	576.00	Jan. 3 - Feb. 3
74	TWA	Airfare		19-Jan-00	576.00	Jan. 3 - Feb. 3
75	PR Newswire	lodging		19-Jan-00	980.00	Jan. 3 - Feb. 3
76	Check	Travel Expenses		19-Jan-00	1,341.00	Jan. 3 - Feb. 3
77	Holiday Inn	lodging		20-Jan-00	100.75	Jan. 3 - Feb. 3
78	Five Seasons	lodging		20-Jan-00	107.15	Jan. 3 - Feb. 3
79	Five Seasons	lodging		20-Jan-00	109.40	Jan. 3 - Feb. 3
80	Five Seasons	lodging		20-Jan-00	119.15	Jan. 3 - Feb. 3
81	Davenport Centry Inn	lodging		20-Jan-00	129.01	Jan. 3 - Feb. 3
82	Five Seasons	lodging		20-Jan-00	146.75	Jan. 3 - Feb. 3
83	Five Seasons	lodging		20-Jan-00	200.48	Jan. 3 - Feb. 3
84	Jumers Castle Lodge	lodging		20-Jan-00	214.00	Jan. 3 - Feb. 3
85	Holiday Inn	lodging		20-Jan-00	257.04	Jan. 3 - Feb. 3
86	Hyatt Hotels	lodging		20-Jan-00	291.49	Jan. 3 - Feb. 3
87	Amon Transportation	Transportation		21-Jan-00	255.30	Jan. 3 - Feb. 3
88	American Airlines	Airfare		21-Jan-00	470.00	Jan. 3 - Feb. 3
89	Country Inn Hotel	lodging		24-Jan-00	199.36	Jan. 3 - Feb. 3
90	Fairmont Hotel	lodging		24-Jan-00	228.65	Jan. 3 - Feb. 3
91	Amon Transportation	Transportation		24-Jan-00	274.25	Jan. 3 - Feb. 3
92	Sprint PCS	Travel Expenses		24-Jan-00	388.37	Jan. 3 - Feb. 3
93	NWA Air	Airfare		24-Jan-00	679.00	Jan. 3 - Feb. 3
94	TWA	Airfare		24-Jan-00	890.00	Jan. 3 - Feb. 3
95	TWA	Airfare		24-Jan-00	890.00	Jan. 3 - Feb. 3
96	TWA	Airfare		24-Jan-00	890.00	Jan. 3 - Feb. 3
97	Waterfront Grille	Meals		25-Jan-00	171.84	Jan. 3 - Feb. 3
98	Kinkos	Travel Expenses		25-Jan-00	288.00	Jan. 3 - Feb. 3
99	Delta Air	Airfare		25-Jan-00	692.00	Jan. 3 - Feb. 3
100	TWA	Airfare		25-Jan-00	696.00	Jan. 3 - Feb. 3
101	TWA	Airfare		25-Jan-00	696.00	Jan. 3 - Feb. 3
102	TWA	Airfare		25-Jan-00	696.00	Jan. 3 - Feb. 3
103	Amon Transportation	Transportation		26-Jan-00	108.10	Jan. 3 - Feb. 3
104	Country Inn Hotel	lodging		26-Jan-00	140.55	Jan. 3 - Feb. 3
105	United Air	Airfare		26-Jan-00	171.50	Jan. 3 - Feb. 3
106	Country Inn Hotel	lodging		26-Jan-00	183.59	Jan. 3 - Feb. 3
107	Southwest Air	Airfare		26-Jan-00	196.00	Jan. 3 - Feb. 3
108	Southwest Air	Airfare		26-Jan-00	196.00	Jan. 3 - Feb. 3

Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
109	Country Inn Hotel	lodging		26-Jan-00	199.36	Jan. 3 - Feb. 3
110	US Air	Airfare		26-Jan-00	202.50	Jan. 3 - Feb. 3
111	American Airlines	Airfare		26-Jan-00	204.50	Jan. 3 - Feb. 3
112	Holiday Inn	lodging		26-Jan-00	204.98	Jan. 3 - Feb. 3
113	American Airlines	Airfare		26-Jan-00	210.50	Jan. 3 - Feb. 3
114	Country Inn Hotel	lodging		26-Jan-00	304.87	Jan. 3 - Feb. 3
115	United Air	Airfare		26-Jan-00	439.00	Jan. 3 - Feb. 3
116	Country Inn Hotel	lodging		26-Jan-00	443.31	Jan. 3 - Feb. 3
117	Country Inn Hotel	lodging		26-Jan-00	620.73	Jan. 3 - Feb. 3
118	Amerwest Air	Airfare		26-Jan-00	690.50	Jan. 3 - Feb. 3
119	NWA Air	Airfare		26-Jan-00	693.00	Jan. 3 - Feb. 3
120	NWA Air	Airfare		26-Jan-00	693.00	Jan. 3 - Feb. 3
121	NWA Air	Airfare		26-Jan-00	693.00	Jan. 3 - Feb. 3
122	NWA Air	Airfare		26-Jan-00	693.00	Jan. 3 - Feb. 3
123	Enterprise Rent a Car	Transportation		26-Jan-00	963.84	Jan. 3 - Feb. 3
124	Enterprise Rent a Car	Transportation		26-Jan-00	976.84	Jan. 3 - Feb. 3
125	Enterprise Rent a Car	Transportation		26-Jan-00	1,147.82	Jan. 3 - Feb. 3
126	Country Inn Hotel	lodging		26-Jan-00	1,403.56	Jan. 3 - Feb. 3
127	Enterprise Rent a Car	Transportation		26-Jan-00	2,200.43	Jan. 3 - Feb. 3
128	Country Inn Hotel	lodging		26-Jan-00	2,528.79	Jan. 3 - Feb. 3
129	Country Inn Hotel	lodging		26-Jan-00	8,841.66	Jan. 3 - Feb. 3
130		Travel Expenses		27-Jan-00	101.50	Jan. 3 - Feb. 3
131		Travel Expenses		27-Jan-00	101.50	Jan. 3 - Feb. 3
132	Holiday Inn	lodging		27-Jan-00	109.47	Jan. 3 - Feb. 3
133	Holiday Inn	lodging		27-Jan-00	150.00	Jan. 3 - Feb. 3
134	Wireless Connection	Telephone		27-Jan-00	300.00	Jan. 3 - Feb. 3
135	Wireless Connection	Telephone		27-Jan-00	1,100.00	Jan. 3 - Feb. 3
136	Hilton Boston Loga	lodging		28-Jan-00	167.55	Jan. 3 - Feb. 3
137	Hilton Boston Loga	lodging		28-Jan-00	167.55	Jan. 3 - Feb. 3
138	Hilton Hotels	lodging		28-Jan-00	205.95	Jan. 3 - Feb. 3
139	Hilton Hotels	lodging		28-Jan-00	236.01	Jan. 3 - Feb. 3
140	Hilton Hotels	lodging		28-Jan-00	240.38	Jan. 3 - Feb. 3
141	US Air	Airfare		31-Jan-00	104.50	Jan. 3 - Feb. 3
142	Amon Transportation	Transportation		31-Jan-00	133.80	Jan. 3 - Feb. 3
143	Aloha Restaurant	Meals		31-Jan-00	167.92	Jan. 3 - Feb. 3
144	Amon Transportation	Transportation		31-Jan-00	172.50	Jan. 3 - Feb. 3
145	US Air	Airfare		31-Jan-00	302.50	Jan. 3 - Feb. 3
146	US Air	Airfare		31-Jan-00	332.50	Jan. 3 - Feb. 3
147	United Air	Airfare		31-Jan-00	339.00	Jan. 3 - Feb. 3
148	Delta Air	Airfare		31-Jan-00	772.50	Jan. 3 - Feb. 3
149	Southwest Air	Airfare		1-Feb-00	134.00	Jan. 3 - Feb. 3
150	Coastal Transportation	Airfare		1-Feb-00	216.00	Jan. 3 - Feb. 3
151	IRS	Payroll		1-Feb-00	321.68	Jan. 3 - Feb. 3
152	Merchants Rent a Car	Transportation		1-Feb-00	641.84	Jan. 3 - Feb. 3
153	Merchants Rent a Car	Transportation		1-Feb-00	641.84	Jan. 3 - Feb. 3
154	Merchants Rent a Car	Transportation		1-Feb-00	641.84	Jan. 3 - Feb. 3
155	Merchants Rent a Car	Transportation		1-Feb-00	641.84	Jan. 3 - Feb. 3
156	Merchants Rent a Car	Transportation		1-Feb-00	641.84	Jan. 3 - Feb. 3
157	Quinta with Style	Travel Expenses		1-Feb-00	690.00	Jan. 3 - Feb. 3
158	Holiday Inn	lodging		2-Feb-00	126.40	Jan. 3 - Feb. 3
159	Residence Inn	lodging		2-Feb-00	139.32	Jan. 3 - Feb. 3
160	Residence Inn	lodging		2-Feb-00	139.32	Jan. 3 - Feb. 3
<b>Undocumented Travel Account Total:</b>					<b>80,131.79</b>	

Keyes 2000, Inc.				Attachment II		
Travel Account	Non-Qualified Campaign Expense					
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
1	Amon Transportation	md	Transportation	8-Jun-00	111.95	wind down
2	Amon Transportation	md	Transportation	8-Jun-00	127.00	wind down
3	Amon Transportation	md	Transportation	8-Jun-00	171.05	wind down
4	Select Entertainment	az	Events	8-Jun-00	300.00	wind down
5	American Airlines	az	Airfare	8-Jun-00	461.91	wind down
6	Allied Digital Inc.	fl	Events	14-Jun-00	2,319.18	wind down
7	GTE Network Service	tx	Telephone	19-Jun-00	609.28	wind down
8	Amon Transportation	md	Transportation	22-Jun-00	101.90	wind down
9	Amerwest Air	az	Airfare	22-Jun-00	904.00	wind down
10	PR Newswire	nj	lodging	26-Jun-00	755.00	wind down
11	American Airlines	az	Airfare	29-Jun-00	266.50	wind down
12	US Air	az	Airfare	29-Jun-00	316.50	wind down
13	Amon Transportation	md	Transportation	30-Jun-00	162.00	wind down
14	US Air	az	Airfare	30-Jun-00	308.50	wind down
15	Delta Air	az	Airfare	3-Jul-00	120.45	wind down
16	Doubletree Hotel	va	lodging	3-Jul-00	232.65	wind down
17	Doubletree Hotel	va	lodging	3-Jul-00	233.66	wind down
18	Continental Airlines	az	Airfare	3-Jul-00	322.60	wind down
19	US Air	az	Airfare	3-Jul-00	457.50	wind down
20	Holiday Inn	ar	lodging	3-Jul-00	750.03	wind down
21	C-Span Archives	in	General Office	3-Jul-00	846.55	wind down
22	Amon Transportation	md	Transportation	5-Jul-00	287.90	wind down
23	Southwest Air	tx	Airfare	13-Jul-00	326.00	wind down
24	United Air	az	Airfare	13-Jul-00	1,127.00	wind down
25	PR Newswire	nj	lodging	14-Jul-00	615.00	wind down
26	Dinari Limousine Service	nj	Transportation	17-Jul-00	1,791.50	wind down
27	US Air	az	Airfare	19-Jul-00	633.00	wind down
28	Amerwest Air	az	Airfare	21-Jul-00	726.00	wind down
29	TWA	az	Airfare	21-Jul-00	1,166.00	wind down
30	US Air	az	Airfare	24-Jul-00	104.50	wind down
31	Delta Air	az	Airfare	24-Jul-00	238.50	wind down
32	Delta Air	az	Airfare	24-Jul-00	238.50	wind down
33	American Airlines	az	Airfare	24-Jul-00	241.00	wind down
34	American Airlines	az	Airfare	24-Jul-00	241.00	wind down
35	American Airlines	az	Airfare	24-Jul-00	241.00	wind down
36	American Airlines	az	Airfare	24-Jul-00	241.00	wind down
37	United Air	co	Airfare	24-Jul-00	1,414.00	wind down
38	Rent-a-PC	ga	Office Comput	25-Jul-00	1,359.86	wind down
39	Amtrak	dc	Transportation	26-Jul-00	336.00	wind down
40	Delta Air	az	Airfare	27-Jul-00	293.50	wind down
41	Amtrak	pa	Transportation	28-Jul-00	114.00	wind down
42	US Air	az	Airfare	28-Jul-00	723.00	wind down
43	Pizzicato	pa	Meals	31-Jul-00	176.32	wind down
44	Hilton Hotels	va	lodging	31-Jul-00	223.65	wind down
45	Delta Air	az	Airfare	31-Jul-00	588.10	wind down
46	Delta Air	co	Airfare	31-Jul-00	1,309.00	wind down
47	Amtrak	dc	Transportation	1-Aug-00	270.00	wind down
48	US Air	az	Airfare	2-Aug-00	104.50	wind down
49	Sun Com	va	Telephone	2-Aug-00	150.04	wind down
50	Amtrak	dc	Transportation	2-Aug-00	185.00	wind down
51	Select Entertainment	az	Events	2-Aug-00	335.00	wind down

Keyes 2000, Inc.				Attachment II		
Travel Account	Non-Qualified Campaign Expense					
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
52	Sun Com	va	Telephone	2-Aug-00	1,986.82	wind down
53	Amtrak	dc	Transportation	3-Aug-00	128.00	wind down
54	Doubletree Hotel	va	lodging	3-Aug-00	176.81	wind down
55	Amtrak	dc	Transportation	3-Aug-00	256.00	wind down
56	US Air	az	Airfare	3-Aug-00	360.00	wind down
57	US Air	az	Airfare	3-Aug-00	378.50	wind down
58	Amtrak	dc	Transportation	3-Aug-00	467.50	wind down
59	US Air	az	Airfare	3-Aug-00	478.50	wind down
60	US Air	az	Airfare	3-Aug-00	478.50	wind down
61	US Air	az	Airfare	7-Aug-00	104.50	wind down
62	US Air	az	Airfare	7-Aug-00	104.50	wind down
63	Amtrak	dc	Transportation	7-Aug-00	114.00	wind down
64	ATA Air	az	Airfare	7-Aug-00	268.00	wind down
65	US Air	az	Airfare	7-Aug-00	457.50	wind down
66	Arnon Transportation	md	Transportation	7-Aug-00	500.00	wind down
67	Amtrak	dc	Transportation	7-Aug-00	614.00	wind down
68	Delta Air	az	Airfare	7-Aug-00	619.25	wind down
69	US Air	az	Airfare	8-Aug-00	104.50	wind down
70	Southwest Air	tx	Airfare	8-Aug-00	328.50	wind down
71	Doubletree Hotel	va	lodging	8-Aug-00	692.99	wind down
72	Incentive Connection	az	Meals	9-Aug-00	142.86	wind down
73	Delta Air	az	Airfare	9-Aug-00	266.50	wind down
74	Thrifty Car Rental	va	Transportation	9-Aug-00	277.97	wind down
75	Select Entertainment	az	Events	10-Aug-00	175.00	wind down
76	Doubletree Hotel	va	lodging	14-Aug-00	176.81	wind down
77	Renaissance Hotels	ca	lodging	14-Aug-00	298.26	wind down
78	US Air	az	Airfare	14-Aug-00	363.00	wind down
79	United Air	ca	Airfare	14-Aug-00	400.00	wind down
80	Renaissance Hotels	ca	lodging	14-Aug-00	633.73	wind down
81	Arnon Transportation	md	Transportation	15-Aug-00	141.45	wind down
82	US Air	az	Airfare	15-Aug-00	720.50	wind down
83	Thrifty Car Rental	az	Transportation	16-Aug-00	102.65	wind down
84	US Air	az	Airfare	16-Aug-00	104.50	wind down
85	Metro Washington Airport	dc	Transportation	17-Aug-00	112.00	wind down
86	Holiday Inn	md	lodging	17-Aug-00	189.28	wind down
87	Arizona Biltmore	az	lodging	17-Aug-00	252.82	wind down
88	2 for 1 Inkjet.Com	ca	Office Comput	18-Aug-00	263.70	wind down
89	Amtrak	dc	Transportation	21-Aug-00	218.00	wind down
90	Amtrak	dc	Transportation	21-Aug-00	240.00	wind down
91	Doubletree Hotel	ny	lodging	21-Aug-00	350.00	wind down
92	PR Newswire	nj	Telephone	23-Aug-00	245.00	wind down
93	US Air	az	Airfare	28-Aug-00	201.50	wind down
94	Council Travel	ma	Transportation	30-Aug-00	275.99	wind down
95	American Airlines	az	Air Fare	1-Sep-00	439.00	wind down
96	Select Entertainment	az	General Office	5-Sep-00	250.00	wind down
97	Incentive Connection	az	Air Fare	5-Sep-00	3,027.06	wind down
98	Doubletree Hotel	va	Lodging	11-Sep-00	157.89	wind down
99	American Airlines	az	Air Fare	11-Sep-00	418.34	wind down
100	US Air	az	Air Fare	12-Sep-00	212.50	wind down
101	Incentive Connection	az	Air Fare	13-Sep-00	140.00	wind down
102	Doubletree Hotel	va	Lodging	13-Sep-00	207.96	wind down
103	Hyatt Hotels	ma	Lodging	13-Sep-00	250.14	wind down
104	Arnon Transportation	md	Transportation	14-Sep-00	139.65	wind down

Keys 2000, Inc.				Attachment II		
Travel Account	Non-Qualified Campaign Expense					
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
105	US Air	az	Air Fare	14-Sep-00	272.50	wind down
106	US Air	az	Air Fare	15-Sep-00	272.50	wind down
107	US Air	az	Air Fare	18-Sep-00	104.50	wind down
108	United Air	az	Air Fare	18-Sep-00	169.50	wind down
109	Sun Com	va	Telephone	18-Sep-00	222.66	wind down
110	Sun Com	va	Telephone	18-Sep-00	224.00	wind down
111	Sun Com	va	Telephone	18-Sep-00	1,098.14	wind down
112	Doubletree Hotel	va	Lodging	19-Sep-00	285.64	wind down
113		nc	Lodging	19-Sep-00	301.00	wind down
114	US Air	az	Air Fare	20-Sep-00	104.50	wind down
115	Enterprise Rent a Car	va	Transportation	21-Sep-00	115.09	wind down
116	The Men's Wearhouse	va	Miscellaneous	22-Sep-00	360.15	wind down
117	US Air	az	Air Fare	25-Sep-00	104.50	wind down
118	Courtyard Marriott	in	Lodging	25-Sep-00	126.34	wind down
119	Holiday Inn	dc	Lodging	25-Sep-00	308.13	wind down
120	US Air	az	Air Fare	26-Sep-00	104.50	wind down
121	Select Entertainment	az	General Office	27-Sep-00	200.00	wind down
122	American Airlines	az	Air Fare	27-Sep-00	724.77	wind down
123	Holiday Inn	va	Lodging	28-Sep-00	240.04	wind down
124	US Air	az	Air Fare	29-Sep-00	104.50	wind down
125	Hyatt Hotels	va	Lodging	29-Sep-00	482.30	wind down
126	Hyatt Hotels	va	Lodging	2-Oct-00	252.42	wind down
127	Marriott	dc	Lodging	2-Oct-00	312.48	wind down
128	US Air	az	Air Fare	2-Oct-00	367.50	wind down
129	US Air	az	Air Fare	2-Oct-00	436.50	wind down
130	OSCO Drug	nh	General Office	3-Oct-00	103.72	wind down
131	Amtrak	dc	Transportation	3-Oct-00	165.00	wind down
132	US Air	az	Air Fare	4-Oct-00	104.50	wind down
133	US Air	fl	Air Fare	4-Oct-00	178.00	wind down
134	Select Entertainment	az	General Office	10-Oct-00	200.00	wind down
135	Marriott	md	Lodging	10-Oct-00	255.03	wind down
136	US Air	fl	Air Fare	10-Oct-00	351.50	wind down
137	Holiday Inn	nh	Lodging	10-Oct-00	460.78	wind down
138	American Airlines	az	Air Fare	10-Oct-00	461.11	wind down
139	US Air	az	Air Fare	12-Oct-00	114.50	wind down
140	Incentive Connection	az	Air Fare	12-Oct-00	142.54	wind down
141	American Airlines	az	Air Fare	13-Oct-00	510.80	wind down
142	US Air	az	Air Fare	16-Oct-00	114.50	wind down
143	Thrifty Car Rental	az	Transportation	16-Oct-00	119.75	wind down
144	Doubletree Hotel	va	Lodging	16-Oct-00	207.96	wind down
145	Hyatt Hotels	va	Lodging	16-Oct-00	833.52	wind down
146	US Air	az	Air Fare	18-Oct-00	673.00	wind down
147	US Air	md	Air Fare	23-Oct-00	120.00	wind down
148	US Air	az	Air Fare	23-Oct-00	278.00	wind down
149	Marriott	md	Lodging	23-Oct-00	644.24	wind down
150	Staples	nh	Office supplies	26-Oct-00	104.87	wind down
151	US Air	az	Air Fare	26-Oct-00	278.00	wind down
152	Sun Com	va	Telephone	30-Oct-00	137.29	wind down
153	Sun Com	va	Telephone	30-Oct-00	225.97	wind down
154	US Air	md	Travel	3-Nov-00	120.00	wind down
155	Marriott	md	Travel	6-Nov-00	575.42	wind down
156	Incentive Connection	az	Travel	9-Nov-00	144.63	wind down
157	Motel Res. Network	tx	Travel	10-Nov-00	113.00	wind down

Keys 2000, Inc.				Attachment II		
Travel Account	Non-Qualified Campaign Expense					
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
158	Delta Air	az	Travel	10-Nov-00	450.18	wind down
159	Doubletree Hotel	va	Travel	13-Nov-00	130.61	wind down
160	Holiday Inn	va	Travel	15-Nov-00	144.62	wind down
161	Select Entertainment	az	General Office	15-Nov-00	200.00	wind down
162	Cellhire USA LLC	tx	Telephone	22-Nov-00	691.32	wind down
163	Cellhire USA LLC	tx	Telephone	22-Nov-00	970.32	wind down
164	Select Entertainment	az	General Office	24-Nov-00	200.00	wind down
165	Delta Air	az	Travel	24-Nov-00	483.12	wind down
166	US Air	dc	Travel	4-Dec-00	120.00	wind down
167	Incentive Connection	az	Travel	6-Dec-00	168.06	wind down
168	Select Entertainment	az	General Office	6-Dec-00	200.00	wind down
169	JLM & Sons/Manche		Miscellaneous	6-Dec-00	265.49	wind down
170	Delta Air	az	Travel	6-Dec-00	539.41	wind down
171	Cellhire USA LLC	ny	Telephone	6-Dec-00	5,000.00	wind down
172	United Air	az	Travel	7-Dec-00	344.00	wind down
173	Cellhire USA LLC	ny	Telephone	7-Dec-00	5,000.00	wind down
<b>Wind Down Travel Total:</b>					<b>76,489.43</b>	
1	undocumented cash withdrawal	Petty Cash		2-Jul-99	300.50	
2	undocumented cash withdrawal	Petty Cash		2-Aug-99	200.00	
3	undocumented cash withdrawal	Petty Cash		4-Aug-99	300.00	
4	undocumented cash withdrawal	Petty Cash		6-Aug-99	300.00	
5	undocumented cash withdrawal	Petty Cash		10-Aug-99	200.00	
6	undocumented cash withdrawal	Petty Cash		12-Aug-99	300.00	
7	undocumented cash withdrawal	Petty Cash		13-Aug-99	200.00	
8	undocumented cash withdrawal	Petty Cash		17-Aug-99	201.00	
9	undocumented cash withdrawal	Petty Cash		19-Aug-99	101.25	
10	undocumented cash withdrawal	Petty Cash		20-Aug-99	121.50	
11	undocumented cash withdrawal	Petty Cash		27-Aug-99	101.00	
12	undocumented cash withdrawal	Petty Cash		27-Aug-99	101.50	
13	undocumented cash withdrawal	Petty Cash		30-Aug-99	101.50	
14	undocumented cash withdrawal	Petty Cash		7-Sep-99	101.00	
15	undocumented cash withdrawal	Petty Cash		7-Sep-99	101.50	
16	undocumented cash withdrawal	Petty Cash		7-Sep-99	101.50	
17	undocumented cash withdrawal	Petty Cash		13-Sep-99	101.50	
18	undocumented cash withdrawal	Petty Cash		20-Sep-99	201.50	
19	undocumented cash withdrawal	Petty Cash		20-Sep-99	202.50	
20	undocumented cash withdrawal	Petty Cash		23-Sep-99	201.50	
21	undocumented cash withdrawal	Travel Out of Pocket		27-Sep-99	101.50	
22	undocumented cash withdrawal	Travel Out of Pocket		1-Oct-99	201.00	
23	undocumented cash withdrawal	Petty Cash		5-Oct-99	101.00	
24	undocumented cash withdrawal	Travel Out of Pocket		5-Oct-99	201.50	
25	undocumented cash withdrawal	Travel Out of Pocket		8-Oct-99	112.00	
26	undocumented cash withdrawal	Travel Out of Pocket		12-Oct-99	201.00	
27	undocumented cash withdrawal	Petty Cash		14-Oct-99	201.50	
28	undocumented cash withdrawal	Travel Out of Pocket		18-Oct-99	201.00	
29	undocumented cash withdrawal	Travel Out of Pocket		18-Oct-99	300.00	
30	undocumented cash withdrawal	Travel Out of Pocket		19-Oct-99	201.00	
31	undocumented cash withdrawal	Travel Out of Pocket		21-Oct-99	201.00	
32	undocumented cash withdrawal	Travel Out of Pocket		25-Oct-99	201.00	
33	undocumented cash withdrawal	Travel Out of Pocket		26-Oct-99	201.50	
34	undocumented cash withdrawal	Travel Out of Pocket		29-Oct-99	201.00	
35	undocumented cash withdrawal	Travel Out of Pocket		29-Oct-99	301.00	

Keyes 2000, Inc.				Attachment II		
Travel Account		Non-Qualified Campaign Expense				
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
36	undocumented cash withdrawa.	Travel Out of Pocket		3-Nov-99	301.00	
37	undocumented cash withdrawa	Travel Out of Pocket		4-Nov-99	201.00	
38	undocumented cash withdrawa	Travel Out of Pocket		9-Nov-99	201.00	
39	undocumented cash withdrawa	Travel Out of Pocket		10-Nov-99	301.50	
40	undocumented cash withdrawa	Travel Out of Pocket		15-Nov-99	201.50	
41	undocumented cash withdrawa	Travel Out of Pocket		23-Nov-99	101.00	
42	undocumented cash withdrawa	Travel Out of Pocket		30-Nov-99	201.00	
43	undocumented cash withdrawa	Travel Out of Pocket		30-Nov-99	201.50	
44	undocumented cash withdrawa	Travel Out of Pocket		2-Dec-99	201.00	
45	undocumented cash withdrawa	Travel Out of Pocket		2-Dec-99	201.00	
46	undocumented cash withdrawa	Travel Out of Pocket		6-Dec-99	301.00	
47	undocumented cash withdrawa	Travel Out of Pocket		8-Dec-99	201.00	
48	undocumented cash withdrawa	Travel Out of Pocket		13-Dec-99	200.00	
49	undocumented cash withdrawa	Travel Out of Pocket		14-Dec-99	200.00	
50	undocumented cash withdrawa	Travel Out of Pocket		17-Dec-99	301.00	
51	undocumented cash withdrawa	Travel Out of Pocket		20-Dec-99	300.00	
52	undocumented cash withdrawa	Travel Out of Pocket		24-Dec-99	201.00	
53	undocumented cash withdrawa	Travel Out of Pocket		24-Dec-99	301.00	
54	undocumented cash withdrawa	Travel Expenses		13-Jan-00	105.00	
55	undocumented cash withdrawa	Travel Out of Pocket		13-Jan-00	300.00	
56	undocumented cash withdrawa	Travel Expenses		14-Jan-00	201.50	
57	undocumented cash withdrawa	Travel Expenses		18-Jan-00	200.00	
58	undocumented cash withdrawa	Travel Expenses		18-Jan-00	301.50	
59	undocumented cash withdrawa	Travel Expenses		18-Jan-00	301.50	
60	undocumented cash withdrawa	Travel Expenses		19-Jan-00	300.00	
61	undocumented cash withdrawa	Travel Expenses		25-Jan-00	200.00	
62	undocumented cash withdrawa	Travel Expenses		26-Jan-00	201.50	
63	undocumented cash withdrawa	Petty Cash		31-Jan-00	101.00	
64	undocumented cash withdrawa	Travel Expenses		31-Jan-00	301.50	
65	undocumented cash withdrawa	Petty Cash Account		1-Feb-00	201.25	
66	undocumented cash withdrawa	Petty Cash Account		2-Feb-00	201.00	
67	undocumented cash withdrawa	Petty Cash Account		2-Feb-00	301.50	
68	undocumented cash withdrawa	Petty Cash Account		7-Feb-00	102.25	
69	undocumented cash withdrawa	Petty Cash Account		7-Feb-00	102.25	
70	undocumented cash withdrawa	Petty Cash Account		7-Feb-00	201.50	
71	undocumented cash withdrawa	Petty Cash Account		7-Feb-00	301.50	
72	undocumented cash withdrawa	Petty Cash Account		7-Feb-00	301.50	
73	undocumented cash withdrawa	Petty Cash Account		16-Feb-00	102.50	
74	undocumented cash withdrawa	Petty Cash Account		22-Feb-00	202.50	
75	undocumented cash withdrawa	Petty Cash Account		22-Feb-00	1,000.00	
76	undocumented cash withdrawa	Petty Cash Account		25-Feb-00	101.50	
77	undocumented cash withdrawa	Petty Cash Account		28-Feb-00	201.50	
78	undocumented cash withdrawa	Petty Cash Account		29-Feb-00	201.50	
79	undocumented cash withdrawa	Petty Cash		1-Mar-00	101.50	
80	undocumented cash withdrawa	Petty Cash		1-Mar-00	101.50	
81	undocumented cash withdrawa	Petty Cash		2-Mar-00	121.50	
82	undocumented cash withdrawa	Travel Out of Pocket		8-Mar-00	201.00	
83	undocumented cash withdrawa	Petty Cash		8-Mar-00	965.75	
84	undocumented cash withdrawa	Petty Cash		13-Mar-00	201.00	
85	undocumented cash withdrawa	Petty Cash		15-Mar-00	201.00	
86	undocumented cash withdrawa	Petty Cash		29-Mar-00	201.00	
87	undocumented cash withdrawa	Petty Cash		3-Apr-00	201.00	
88	undocumented cash withdrawa	Petty Cash		14-Apr-00	101.00	

Keys 2000, Inc.				Attachment II		
Travel Account	Non-Qualified Campaign Expense					
Count	VENDOR	PURPOSE	CK #	DATE	AMOUNT	memo
89	undocumented cash withdrawal	Petty Cash		20-Apr-00	201.00	
90	undocumented cash withdrawal	Petty Cash		12-Jun-00	101.00	
91	undocumented cash withdrawal	Petty Cash		26-Jun-00	101.50	
92	undocumented cash withdrawal	Petty Cash		28-Jun-00	201.00	
93	undocumented cash withdrawal	Petty Cash		5-Jul-00	101.00	
94	undocumented cash withdrawal	Petty Cash		10-Jul-00	101.00	
95	undocumented cash withdrawal	Petty Cash		10-Jul-00	101.50	
96	undocumented cash withdrawal	Petty Cash		13-Jul-00	101.50	
97	undocumented cash withdrawal	Petty Cash		18-Jul-00	101.00	
98	undocumented cash withdrawal	Petty Cash		25-Jul-00	201.50	
99	undocumented cash withdrawal	Petty Cash		26-Jul-00	201.00	
100	undocumented cash withdrawal	Petty Cash		31-Jul-00	201.00	
101	undocumented cash withdrawal	Petty Cash		2-Aug-00	101.25	
102	undocumented cash withdrawal	Petty Cash		2-Aug-00	201.00	
103	undocumented cash withdrawal	Petty Cash		7-Aug-00	201.50	
104	undocumented cash withdrawal	Petty Cash		8-Aug-00	301.00	
105	undocumented cash withdrawal	Petty Cash		9-Aug-00	200.00	
106	undocumented cash withdrawal	Petty Cash		11-Aug-00	201.00	
107	undocumented cash withdrawal	Petty Cash		14-Aug-00	102.00	
108	undocumented cash withdrawal	Petty Cash		25-Aug-00	101.25	
109	undocumented cash withdrawal	Petty Cash		29-Aug-00	101.00	
110	undocumented cash withdrawal	Petty Cash		11-Sep-00	201.50	
111	undocumented cash withdrawal	Petty Cash		12-Sep-00	301.00	
112	undocumented cash withdrawal	Petty Cash		26-Sep-00	301.00	
113	undocumented cash withdrawal	Petty Cash		2-Oct-00	201.00	
114	undocumented cash withdrawal	Petty Cash		4-Oct-00	301.50	
115	undocumented cash withdrawal	Petty Cash		5-Oct-00	201.00	
116	undocumented cash withdrawal	Petty Cash		10-Oct-00	301.00	
117	undocumented cash withdrawal	Petty Cash		16-Oct-00	302.50	
118	undocumented cash withdrawal	Petty Cash		17-Oct-00	301.00	
119	undocumented cash withdrawal	Petty Cash		20-Oct-00	301.50	
120	undocumented cash withdrawal	Petty Cash		25-Oct-00	301.50	
121	undocumented cash withdrawal	Petty Cash		30-Oct-00	302.50	
122	undocumented cash withdrawal	Petty Cash		2-Nov-00	301.00	
123	undocumented cash withdrawal	Petty Cash		3-Nov-00	301.50	
124	undocumented cash withdrawal	Petty Cash		13-Nov-00	301.00	
125	undocumented cash withdrawal	Petty Cash		20-Nov-00	201.00	
126	undocumented cash withdrawal	Petty Cash		24-Nov-00	101.00	
127	undocumented cash withdrawal	Petty Cash		27-Nov-00	101.00	
128	undocumented cash withdrawal	Petty Cash		4-Dec-00	101.00	
129	undocumented cash withdrawal	Petty Cash		6-Dec-00	301.50	
<b>Undocumented Cash Withdrawn From the TA - Total:</b>					<b>27,365.25</b>	

KEYES 2000, INC.					Attachment III
NH CASH DISBURSEMENTS					
count	Vendor	Date	Amount	Comment	Add'l Comment
1	Holiday Inn	01/26/00	258.12	travel	
2	Best Buy	01/02/00	1,064.98	purchase	
3	Phil Weber	02/18/00	967.29	reimbursement	not itemized
4	Best Buy	01/06/00	167.36	purchase	
5	US Postal Service	12/27/99	990.00	stamp purchase	
6	US Postal Service	01/10/00	247.20	stamp purchase	
7	US Postal Service	01/18/00	412.25	stamp purchase	
8	US Postal Service	12/10/99	1,324.00	stamp purchase	
9	US Postal Service	12/14/99	585.00	stamp purchase	
10	US Postal Service	12/16/99	455.05	stamp purchase	
11	US Postal Service	12/27/99	1,168.00	stamp purchase	
12	Elaine Potview	12/10/99	192.00	hourly labor	not itemized
13	Future Microsystems, Inc.	12/29/99	275.00	computer rental	
14	Nathan M. Cargilio	12/12/99	400.00	hourly labor	not itemized
15	Best Buy	01/06/00	167.36	purchase	
16	Copy Express	01/12/00	1,500.00	campaign materials	
17	US Postal Service	01/06/00	684.60	stamp purchase	
18	US Postal Service	01/19/99	231.00	stamp purchase	added - diff from #62
19	Tom Gadion	01/23/00	400.00	hourly labor	
20	Tom Gadion		212.44	postage due - 188 pieces @ \$1.13	addressed to Steve
21	Phil Weber	01/28/00	410.55	reimbursement	
22	Holiday Inn	01/24/00	246.00	room rental	
23	Mail Boxes	01/19/00	284.77	shipping	
24	Tactical Security Specialists	01/29/00	108.00	Security	
25	Flagworks Over America, LLC 4.0	01/26/00	192.00	purchase	
26	Clayton Pare		256.00	hourly labor	
27	The Center of New Hampshire	01/26/00	324.00	room rental	
28	The Center of New Hampshire	01/26/00	216.00	room rental	
29	Christine Biordi	01/28/00	250.00	hourly labor	
30	Elaine Potview	01/28/00	400.00	hourly labor	
31	Phil Weber		191.40	reimbursement	not itemized
32	Holiday Inn	01/27/00	267.17	room and telephone	
33	Mail Boxes	01/12/00	329.11	shipping	
34	John Gibson	01/28/00	224.68	reimbursement	not itemized
35	reimb to Rob Thompson	01/20/00	200.00	walkee talkee batteries	vendor not known
36	Comfort Inn	02/25/00	116.48	room rental	
37	Staples	10/15/99	434.82	purchase	not itemized
38	Best Buy	10/13/99	138.95	purchase	
39	Walmart	10/14/99	113.86	purchase	
40	Kinko's	12/12/99	145.60	reproduction	
41	Staples	12/14/99	122.56	purchase	
42	Elaine Potview	12/15/99	280.00	hourly labor	
43	"from: B Tyler"	12/13/99	800.00	mailers	not apparently itemized
44	Office Max		159.98	Computer supplies	Can't see date on receipt
45	Staples	12/10/99	197.86	purchase	
46	Phil Weber	12/09/99	500.00	reimbursement	expenses from november
47	Staples	12/28/99	167.53	purchase	
48	US Postal Service	12/30/99	597.40	stamp and m.o. purchase	

KEYES 2000, INC.					Attachment III
NH CASH DISBURSEMENTS					
count	Vendor	Date	Amount	Comment	Add'l Comment
49	Nashua Screen Printing Co.	12/21/99	1,080.00	2nd Amendment post cards	not itemized
50	Staples	01/03/00	365.55	Computer supplies	
51	Nathan C.	12/27/99	200.00	hourly labor	
52	"from: B Tyler"	12/29/99	990.00	mailers	not apparently itemized
53	US Postal Service	01/04/00	407.00	stamp purchase	
54	Gibson construction	01/03/00	700.00	strapping for polical signs	probable cash disbursement - not listed on db
55	Clayton Pare	01/07/00	240.00	hourly labor	
56	Elaine Potview	01/07/00	400.00	hourly labor	
57	US Postal Service	12/10/99	154.00	stamp purchase	
58	US Postal Service	12/14/99	145.10	stamp purchase	
59	US Postal Service	12/18/99	120.55	stamp purchase	
60	US Postal Service	12/22/99	137.05	stamp purchase	
61	US Postal Service	01/07/00	641.70	stamp and m.o. purchase	
62	US Postal Service	01/08/00	263.90	stamp purchase	
63		01/05/00	240.00	advertisement on wntk	signed Peter Tenand sp??
64	Michael Streit - Clearpix Media llc	11/12/99	250.00	payment on invoice #34	
65	US Postal Service	11/12/99	335.00	purchase	
66	Phil Weber	11/29/99	250.00	payment	
67	Eric Mauer	11/28/99	115.00	reimbursement	original prnt to Richard Roy for web site
68	NH Presidential Candidate dinner and forum	11/18/99	415.00	add'l ad space and table	signed Jean S. ??? - executive director
69	Phil Weber	11/17/99	525.00	payment	
70	Clearpix Media llc	11/16/99	700.00	video duplication	
71	NH Presidential Candidate dinner and forum	11/28/99	225.00	dinner table 8 seats, display table	signed Jean S. ??? - executive director
72	Staples	11/18/99	190.83	software	
73	US Postal Service	11/30/99	350.40	stamps	
74	US Postal Service	12/01/99	318.00	stamps	
75	Copy Express	11/17/99	240.00	copies	
76	US Postal Service	11/17/99	403.80	stamps	
77	US Postal Service	11/12/99	132.00	stamps	
78	US Postal Service	11/16/99	800.00	stamps	
79	US Postal Service	11/18/99	231.00	stamps	
80	"from: B Tyler"	12/10/99	210.00	mailers	
81	" "	12/23/99	151.42	Postage for 116 pieces @ 1.13 each	addressed to Steve
82	S M	12/14/99	120.91	postage	probably related to "Steve" initials S. M.
83	Clearpix Media llc	12/10/99	1,140.00	purchase	notation, paid cash
84	Best Buy	01/05/00	167.36	purchase	
85	US Postal Service	01/26/00	265.00	stamps	
86	Lisa Malvey	01/07/00	1,000.00	cash for salary	
87	US Postal Service	12/30/99	597.40	money orfers and stamps	
88	The Event Center	01/29/00	940.82	rent ballroom	
89	Joe Cyr	01/21/??	119.98	Delivery on time	
90	The Event Center	01/29/00	800.82	rent ballroom	
91	Blue Line Garage	01/31/00	120.80	auto repair	
92	Holiday Inn	01/28/00	247.32	room	

KEYES 2000, INC.					Attachment III
NH CASH DISBURSEMENTS					
count	Vendor	Date	Amonat	Comment	Add'l Comment
93	William "Bill" Pinkney	01/19/00	3,000.00	Original Drifters contract	
94	Ramda Inn	02/15/00	159.41		
95	Holiday Inn	02/09/00	122.00		
96	The Green Gate	12/06/99	453.90	hall rental	
97	Staples	10/16/99	126.70		
98	Phil Weber	02/04/00	3,180.00	payment in cash	
99	Eric Maurer	02/04/00	585.00	2nd half of pay plus expenses	
100	Rob Thompson	02/04/00	3,185.00	witness -JohnGibson	
101	John Gibson	02/04/00	680.00	outstanding salary and expenses	
102	US Postal Service	12/24/99	496.80	stamps, money order	
103	Eric Maurer	02/04/00	150.00	travel expenses	
104	US Postal Service	12/08/99	212.00	stamps	
105	Eric Maurer	02/05/00	500.00	per Mary, took for expenses	
106	T. Gould?	02/04/99	1,440.00		
107	Tom Godine	02/14/00	2,227.45	salary and reimb exps.	
108	US Postal Service	12/09/99	259.00	stamps	
109	Clark Braodcasting of NH WNNH	02/27/00	715.00	spots	
110	Comfort Inn	02/26/00	116.40		
111	B. Tyler	11/17/99	120.00	mailers	
112	Clearpix Media - Michael Strut	11/12/99	250.00	invoice 34	
113	Lisa Malvey	12/10/99	1,600.00	14 days	
114	Rob Wellington	01/31/00	1,479.40	receipt for pay	
115	Phil Weber	02/04/00	9,294.00	receipt for pay	
116	Lisa Malvey	02/07/00	5,226.22	receipt for pay	
117	John Gibson	02/14/00	4,029.35	receipt for pay	
118	Nathan Cargilio	02/14/00	1,525.00	receipt for pay	
119	Eric Maurer	02/14/00	2,061.30	4561.30 less 2500	
120	Clearpix Media - Michael Strut	12/10/99	240.00	invoice 55	
121	Super 8	02/10/00	134.40		
122	Super 8	02/18/00	105.32		
			80,497.73		

Keys 2000, Inc.		Continuing to Campaign Summary				Attachment IV	
Identification of Differences between Audit and Keys 2000		Allocation of CTC Expense				WD	
JAME	AMOUNT	DATE	CHECK NO	PURPOSE	AP	CTC	WD
<b>Audit and Keys 2000 agree on the allocation to the CTC Period of the disbursements making up this total:</b>							
Regent Beverly Hills	403.79	04/24/00	3107	Lodging		403.79	
Sprint Pcs	518.28	04/30/00	4189	Telephone		518.28	
Us West Communicato	73.54	05/03/00	4198	Telephone		73.54	
Us West Communicato	175.30	05/03/00	4198			175.30	
Us West Communicato	960.01	05/03/00	4198			960.01	
American Caging	646.24	05/04/00	2032	Caging Fees		646.24	
American Caging	1,000.00	05/04/00	2033	Caging Fees		333.33	666.67
American Caging	76.05	05/04/00	2033	Caging Fees		25.35	50.70
American Caging	769.00	05/04/00	2115	Caging Fees		769.00	0.00
American Caging	852.93	05/04/00	2116	Caging Fees		284.31	568.62
American Caging	640.68	05/04/00	2182	Caging Fees		640.68	0.00
American Caging	860.70	05/04/00	2183	Caging Fees		860.70	0.00
American Caging	666.54	05/04/00	2184	Caging Fees		0.00	666.54
Information Systems	9,840.00	05/11/00	2034			8,280.00	1,560.00
Telenational Marketi	1,682.81	05/17/00	4240	Remuneration		1,205.60	477.21
Clearpix Media Llc	4,325.00	05/17/00	4242	Remuneration		4,325.00	0.00
Badgar Becker, Inc	1,294.00	05/17/00	4245	Printing		1,294.00	0.00
Quackembush	2,332.75	05/17/00	4247	Remuneration		2,015.06	317.69
Cat Consulting	10,000.00	05/17/00	4248	Remuneration		10,000.00	0.00
Mobilize Internet So	8,812.96	05/17/00	4253	Remuneration		8,490.22	322.74
Sprint Pcs	329.94	05/17/00	4260	Telephone		220.07	109.87
Ziegler	3,979.10	05/18/00	4327	Remuneration		3,979.10	0.00
Ziegler	1,020.90	05/18/00	4327			1,020.90	0.00
Post Central Inc	3,456.45	05/22/00	4288	Advertising		3,456.45	0.00
Sprint Pcs	582.31	05/24/00	4297	Telephone		233.20	349.11
Fisher	1,059.40	05/24/00	4308	Reimbursement		0.00	1,059.40
Mds Communications	54,422.20	05/30/00	2188	Fundraising Expenses		48,797.76	0.00
Ups	11,798.09	06/05/00	4399	Deliveries		11,656.65	141.44
Carr Goodison Warne	2,813.60	06/05/00	4411	Legal Expenses		2,473.60	340.00
Carr Goodison Warne	1,647.28	06/05/00	4411			1,647.28	0.00
Moon	4,560.00	06/06/00	4427	Remuneration		3,760.00	800.00
Cyril Scott Compani	150,000.00	06/15/00	5055	Cyril Scott Expenses		0.00	52,566.69
Angel.com Marketng	5,897.95	06/28/00	4458	Remuneration		0.00	2,064.62
							3,833.33

Continuing to Campaign Summary									
Identification of Differences between Audit and Keyes 2000 Allocation of CTC Expense									
NAME	AMOUNT	DATE	CHECK_NO	PURPOSE	emte position	AP	CTC	Attachment IV	WD
Ventus Media Group	3,500.00	07/05/00	4473	Remuneration	Cmte disagrees s/b AP	0.00	0.00	3,500.00	
Cecola	2,000.00	07/10/00	4503	Remuneration	Cmte disagrees s/b AP	0.00	466.67	1,533.33	
Michele	8,000.00	07/18/00	4521	Remuneration	Cmte disagrees s/b AP	0.00	8,000.00		
Maurer	2,500.00	07/19/00	4528	Remuneration	Cmte disagrees s/b AP	0.00	0.00	2,500.00	
Cecola	2,000.00	07/19/00	4529	Remuneration	Cmte disagrees s/b AP	0.00	0.00	2,000.00	
Response Unlimited	75,142.65	07/24/00	2127	Fundraising Expenses	Cmte disagrees s/b AP	36,936.63	0.00		
Maurer	2,387.22	08/07/00	4560	Reimbursement	Cmte disagrees s/b AP	0.00	0.00		
Housel	663.16	08/08/00	4564	Reimbursement	Cmte disagrees s/b AP	0.00	663.16		
Time Value Software	1,878.50	08/08/00	4570	Office Computer Expense	Cmte disagrees s/b AP	1,878.50	0.00		
Cat Consulting	3,500.00	08/10/00	4575	Remuneration	Cmte disagrees s/b AP	0.00	3,500.00		
Liberty Tree	2,600.00	08/11/00	4577	Printing	Cmte disagrees s/b AP	0.00	0.00	2,600.00	
Imagemax	926.85	08/14/00	4586	Printing	Cmte disagrees s/b AP	0.00	0.00	926.85	
Maurer	2,500.00	08/17/00	4594	Remuneration	Cmte disagrees s/b AP	0.00	0.00	2,500.00	
Washington Marketing	36,797.23	08/31/00	2054	Fundraising Expenses	Cmte disagrees s/b AP	0.00	24,055.00		
Cat Consulting	3,500.00	09/01/00	4615	Remuneration	Cmte disagrees s/b AP	0.00	3,500.00		
Cat Consulting	197.64	09/01/00	4615	Reimbursement	Cmte disagrees s/b AP	0.00	0.00		
Cecola	2,000.00	09/07/00	4634	Remuneration	Cmte disagrees s/b AP	0.00	0.00	2,000.00	
Cecola	415.18	09/07/00	4634	Reimbursement	Cmte disagrees s/b AP	0.00	0.00	415.18	
Cecola	227.60	09/15/00	4650	Reimbursement	Cmte disagrees s/b AP	0.00	0.00	227.60	
National Cable Compa	2,062.95	10/04/00	4685	Advertising	Cmte disagrees s/b AP	2,062.95	0.00		
Cecola	2,000.00	10/04/00	4691	Remuneration	Cmte disagrees s/b AP	0.00	0.00	2,000.00	
Ventus Media Group	1,067.53	10/04/00	4695	Reimbursement	Cmte disagrees s/b AP	51.41	84.18	931.94	
Terry Thompson Prods	212.25	10/17/00	4717	Reimbursement	Cmte disagrees s/b AP	212.25	0.00		
Michele	1,500.00	10/26/00	4733	Remuneration	Cmte disagrees s/b AP	1,500.00	0.00		
Badgar Becker, Inc	1,294.00	05/17/00	4245		duplicate entry	0.00	0.00		
						186,969.99	566,520.09	24,968.24	
						CTC Adjustment:	374.00		
						CTC Adjusted:	566,894.09		

ATTACHMENT

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