



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

November 16, 2000

MEMORANDUM

TO: Ronald M. Harris
Chief, Press Office

FROM: Kim Leslie Bright *KL*
Associate General Counsel

SUBJECT: Public Issuance of the Statement of Reasons for Dole for President, Inc.
(LRA #467)

Attached please find a copy of the above-referenced Statement of Reasons which the Commission approved on November 2, 2000.

Informational copies of the Statement of Reasons have been received by all parties involved and the document may be released to the public.

Attachments as stated.

cc: Audit Division
FEC Library
Public Disclosure
Reports Analysis Division

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Robert J. Dole and)
Dole for President, Inc.) LRA #467

STATEMENT OF REASONS

On November 2, 2000, the Federal Election Commission (the "Commission") determined that Robert J. Dole (the "Candidate") and Dole for President, Inc. (the "Primary Committee") must repay \$6,255 to the United States Treasury. The Commission's repayment determination is based on the use of \$20,231 in public funds to defray non-qualified campaign expenses. See 26 U.S.C. § 9032(9). The Committee is ordered to repay this amount to the United States Treasury within thirty (30) calendar days after service of this determination. See 26 U.S.C. § 9038(b)(2); 11 C.F.R. § 9038.2(d)(2). This Statement of Reasons sets forth the factual and legal basis for this Post Administrative Review Repayment Determination. 11 C.F.R. § 9038.2(c)(3).

I. INTRODUCTION

The Primary Committee registered with the Commission on January 12, 1995 as the principal campaign committee for Senator Robert J. Dole, a candidate for the 1996 Republican Party's nomination for the office of President of the United States. Attachment 1, at 3. Senator Dole was determined eligible to receive matching funds on May 31, 1995. *Id.* The Primary Committee received \$13,545,771 from the United States Treasury for the purpose of seeking the Republican Party nomination. *Id.* The

1 Commission conducted an audit of the Primary Committee pursuant to 26 U.S.C.
2 § 9038(a).

3 On June 3, 1999, the Commission approved the Audit Report and determined that
4 the Primary Committee must repay a total of \$289,736 to the United States Treasury. *See*
5 Attachment 1.¹ The Commission's repayment determination was based on its findings
6 that the Primary Committee had a surplus of funds in the amount of \$916,828² and used
7 \$20,231 in public funds to defray non-qualified campaign expenses. 11 C.F.R.
8 § 9038.2(b)(4) and (2).

9 On August 30, 1999, the Primary Committee submitted a written response to the
10 Commission seeking an administrative review of the repayment determination and
11 requesting an oral hearing as permitted under 11 C.F.R. § 9038.2(c)(2)(i).³ Attachment 2.
12 The Commission granted the Primary Committee's request for an oral hearing and heard
13 an oral presentation by the Primary Committee on December 15, 1999. *See* Attachment
14 4. Following the oral hearing, the Primary Committee submitted additional
15 documentation on December 22, 1999.⁴ *See* Attachment 5.

¹ The repayment determination does not include a payment of \$225,536 that the Commission determined was due to the United States Treasury for stale-dated checks. 11 C.F.R. § 9038.6.

² In the context of the Administrative Review, the Commission rejected a staff analysis recommending a repayment of \$283,481 (\$916,828 x .309198) for a surplus of funds resulting from the Primary Committee's payment of the Dole/Kemp '96, Inc.'s winding down expenses.

³ On July 30, 1999, the Commission granted the Primary Committee a fifteen-day extension of time to respond to the Commission's repayment determination.

⁴ The additional documentation was submitted as a follow-up to the oral presentation made to the Commission by both Dole for President, Inc. and Dole/Kemp '96, Inc. At the oral hearing, Dole/Kemp '96, Inc. contested a Commission determination that Dole/Kemp '96, Inc. must repay \$3,168,097 to the United States Treasury. Inasmuch as the additional documentation submitted on December 22, 1999, relates only to issues addressed by Dole/Kemp '96, Inc., it is not discussed herein.

1 **II. REPAYMENT NOTIFICATION**

2 As a preliminary matter, the Commission addresses a procedural argument raised
3 by the Primary Committee for the first time at its oral hearing. The Primary Committee
4 argued that it was not timely notified of the Commission's repayment determination.
5 Attachment 4 at 7-8. The Primary Committee challenged the timeliness of notification of
6 the Commission's repayment determination as follows:

7 ... we preserved our procedural and due process defenses, and we
8 are preserving or making the argument herein that the notices for
9 repayment are not timely at this point because we don't believe
10 that the notices that had been provided to us in the form of the
11 exit conference memorandum is sufficient to fulfill the three-year
12 requirement under the statute.

13
14 That was not ripe at the time of our response to the exit
15 conference memorandum because we responded in August. The
16 three-year period ran in November after that at that time, but we
17 did preserve that right for both the committees

18
19 Attachment 4 at 7-8.⁵ The Primary Committee's written response stated that in addition
20 to the arguments contained in the written response, the Primary Committee "preserves all
21 constitutional, procedural and jurisdictional claims that may be available to it."

22 Attachment 2 at 1.

23 The Commission concludes that the Primary Committee failed to raise the issue of
24 repayment notification in a timely fashion. Section 9038.2(c)(2)(i) of the Commission's
25 regulations provide that a candidate who disputes the Commission's repayment

⁵ As noted above, at the oral hearing, the Primary Committee stated that it did not believe that notice "in the form of the Exit Conference Memorandum" was sufficient, and that it responded to the Exit Conference Memorandum in August. The Commission presumes that the Primary Committee is referring to the Audit Report, not the Exit Conference Memorandum, with regard to its notification claim because it is the Audit Report, approved by the Commission on June 3, 1999, to which the Primary Committee responded in August 1999. It is also the Commission's issuance of the Audit Report, not the Exit Conference Memorandum, that constitutes notification for purposes of the 3-year notification requirement. See 11 C.F.R. § 9038.2(a)(2).

1 determinations shall submit in writing, within 60 calendar days after service of the
2 Commission's notice, legal and factual materials demonstrating that no repayment, or a
3 lesser repayment, is required. 11 C.F.R. § 9038.2(c)(2)(i). A candidate's failure to timely
4 raise an issue in written materials will be deemed a waiver of the candidate's right to raise
5 the issue at any future stage of proceedings including any petition for review filed under
6 26 U.S.C. § 9041(a). *Id.* However, the Primary Committee did not raise the issue of the
7 Commission's repayment notification in its written response to the Commission's
8 repayment determination. *See* Attachment 2.

9 Based on the Primary Committee's failure to raise its challenge with respect to the
10 repayment notification in its written materials, the Commission concludes that the
11 Primary Committee waived the right to present such challenge at the oral hearing or any
12 future stage of proceedings pursuant to 11 C.F.R. § 9038.2(c)(2)(i). 11 C.F.R.
13 § 9038.2(c)(2)(i). *See Americans for Robertson v. Federal Election Commission*, 45 F.3d
14 486, 491 (D.C. Cir. 1995); *see also Explanation and Justification for § 9007.2(c)(2)(i)*,
15 60 Fed. Reg. 31864 (June 16, 1995) (Candidate's failure to timely raise an issue in the
16 written materials presented pursuant to paragraph (c)(2)(i) will be deemed a waiver of the
17 candidate's right to raise the issue at any future stage of the proceedings).

18 Although the Primary Committee claims that it raised the repayment notification
19 issue in its written response, the Primary Committee's written response merely states that
20 the Committee "preserves all constitutional, procedural and jurisdictional claims that may
21 be available to it." Attachment 2 at 1. This catchall statement provides the Commission
22 with no notice of the nature of the Primary Committee's challenges to the repayment
23 determination as it brings within its ambit an endless array of possible arguments. Simply

1 including such a broad and vague prescription in the written response cannot be construed
2 as having raised or preserved any particular issue inasmuch as this does not give the
3 Commission timely notice of the nature of the challenges to its repayment determination
4 as required by 11 C.F.R. § 9038.2(c)(2)(i).

5 The Commission notes, however, that it is not requiring a perfect pleading in a
6 written response to a repayment determination. Nonetheless, the written response must
7 be sufficient to place the Commission on timely notice as to the nature of the Primary
8 Committee's challenges. *See Fulani for President v. Federal Election Commission*, 147
9 F.3d 924, 927 n.5 (D.C. Cir. 1998) (court denied Committee's petition for rehearing for
10 not setting forth clear and convincing grounds why new questions of fact and law were
11 not and could not have been presented during the earlier determination process, and the
12 court noted that the Committee may have been barred from raising the new theory at the
13 oral hearing pursuant to 11 C.F.R. § 9038.2(c)(2)(i) where the issue had been generally,
14 but not specifically, raised by the Committee in its written submissions).

15 The Primary Committee also proffers the argument that the repayment notification
16 issue was not "ripe" as justification for not raising the issue in its written response.
17 Attachment 4 at 7-8. The Primary Committee appears to argue that the notification issue
18 was not "ripe" until the 3-year notification period expired. However, the 3-year
19 notification period expired on August 14, 1999, three years following the end of the
20 primary matching payment period.⁶ *See* 11 C.F.R. § 9032.6. Subsequently, on August

⁶ The primary matching payment period ended on August 14, 1996, the date on which the Republican Party nominated Senator Dole as its candidate for the office of President of the United States. *See* 11 C.F.R. § 9032.6 (matching payment period may not exceed date on which party nominates its candidate). Thus, the Commission was required to notify the Primary Committee of any repayment determination on or before August 14, 1999. *See* 2 U.S.C. § 9038(c). On June 3, 1999, the Commission

1 30, 1999, the Primary Committee filed its written response to the Commission's
2 repayment determination. Thus, the repayment notification period expired before the
3 Primary Committee submitted its written response. Nevertheless, the Primary Committee
4 did not raise the issue in its written response.⁷ The Commission accordingly rejects the
5 Primary Committee's assertion that the timeliness issue was not ripe.

6 **III. NON-QUALIFIED CAMPAIGN EXPENSES**

7 In the context of the Audit Report, the Commission determined that the Primary
8 Committee made disbursements totaling \$20,231 for non-qualified campaign expenses
9 and must, therefore, repay \$6,255 ($\$20,231 \times .309198$) to the United States Treasury.
10 These non-qualified campaign expenses include a \$4,000 refund of an unpaid
11 contribution check, a \$3,009 payment for the preparation of a United States Senate
12 financial disclosure statement, \$6,465 in payments to local jurisdictions for tax penalties,
13 \$1,703 in duplicate payments to two vendors, and \$5,054 that was paid for the personal
14 travel of campaign staff. Attachment 1 at 50. The Primary Committee's response
15 challenges only the Commission's determination that the Primary Committee must repay
16 \$1,237 ($\$4,000 \times .309198$) for refunding an unpaid contribution and \$930 ($\$3,009 \times$
17 $.309198$) for paying for the preparation of a United States Senate financial disclosure
18 statement, leaving a \$4,088 ($\$13,222 \times .309198$) balance of unchallenged non-qualified
19 campaign expenditures.

approved the Audit Report and determined that the Primary Committee must repay a total of \$289,736 to the United States Treasury. See Attachment 1. The Audit Report, along with a letter from the Commission notifying the Primary Committee of its repayment determination, was mailed to the Primary Committee on June 10, 1999, and received by the Primary Committee by June 14, 1999, within the three-year notification period.

⁷ As noted previously, the Commission granted the Primary Committee a fifteen-day extension of time to respond to the Commission's repayment determination.

1 The Commission reviewed the Primary Committee's response and concludes that
2 the Primary Committee must repay \$6,255 for its use of funds to defray non-qualified
3 campaign expenses, including \$1,237 for the refunded contribution, \$930 for the
4 preparation of the financial statements, and \$4,088 for the balance of unchallenged non-
5 qualified campaign expenses.

6 **A. Refund of a Contribution**

7 In the context of the Audit Report, the Commission determined that the Primary
8 Committee's disbursement of \$4,000, purportedly paid by the Primary Committee to
9 refund an excessive contribution check that was never paid to the Primary Committee due
10 to insufficient funds in the contributor's account, was a non-qualified campaign expense
11 and, therefore, repayable to the United States Treasury.

12 In its written response to the repayment determination, the Primary Committee
13 argues that it is unfair to require a repayment in connection with a disbursement that it
14 made to purportedly refund the excessive portion of a contribution. The contribution was
15 in excess of the contribution limitation of the FECA. Attachment 2 at 2-3. The Primary
16 Committee explains that it received a \$5,000 contribution check from Skilled Healthcare
17 PAC, and that it "refunded" \$4,000 after realizing that the PAC had not qualified as a
18 multicandidate committee.⁸ Attachment 2 at 3. However, the Primary Committee
19 explains, the bank would not honor the original \$5,000 contribution check from Skilled
20 Healthcare PAC due to insufficient funds. Attachment 2 at 2-3. The Primary Committee

⁸ The FECA permits multicandidate committees to make contributions to a candidate and his or her authorized committee which, in the aggregate, do not exceed \$5,000. 2 U.S.C. § 441a(a)(2). However, political committees that do not qualify as multicandidate committees may only make contributions to a candidate and his or her authorized committee which, in the aggregate, do not exceed \$1,000. 2 U.S.C. § 441a(a)(1).

1 asserts that despite repeated efforts, it was unable to retrieve the \$4,000 from the PAC,
2 which it understands no longer exists. Attachment 2 at 3. The Primary Committee
3 asserts that under these circumstances, the Commission should not consider the \$4,000
4 disbursement a non-qualified campaign expense as it would be unfair to penalize the
5 Committee for a second time with a repayment when it has already suffered a \$4,000 loss.
6 *Id.*

7 The Commission concludes that the \$4,000 erroneously paid by the Primary
8 Committee to Skilled Healthcare PAC was a non-qualified campaign expense, and that a
9 pro rata portion of this disbursement is repayable to the United States Treasury. The
10 funds were not spent in connection with the candidate's campaign for nomination because
11 the original contribution check was never paid to the Primary Committee; thus, the
12 Primary Committee's \$4,000 disbursement was lost. While the Primary Committee may
13 have made a mistake in making the \$4,000 disbursement, committees must exercise a
14 duty of care when disbursing taxpayer funds. *See generally* 11 C.F.R. § 9034.4(b)(8)
15 (Commission considers factors indicating whether committee exercised duty of care in
16 determining whether lost or misplaced items are considered non-qualified campaign
17 expenses). The factual record indicates that the Primary Committee did not exercise the
18 duty of care in failing to ascertain the propriety of making the \$4,000 disbursement. The
19 Primary Committee first deposited the contribution check from Skilled Healthcare PAC
20 in April, 1995; redeposited the check in May, 1995; and did not disburse the \$4,000 until
21 September, 1995, *see* Attachment 3 at 5. In light of the Committee's failure to exercise a
22 duty of care by making the \$4,000 disbursement after unsuccessful attempts to collect on
23 the original contribution check, the Commission concludes that the \$4,000 disbursement

1 was a non-qualified campaign expense. Therefore, a pro rata portion of the \$4,000 must
2 be returned to the United States Treasury. Thus, the Primary Committee must repay
3 \$1,237 ($\$4,000 \times .309198$) to the United States Treasury.

4 **B. Payment for Services to Prepare Financial Statements**

5 In the context of the Audit Report, the Commission determined that a \$3,009
6 payment by the Primary Committee for the preparation of a United States Senate financial
7 disclosure statement was a non-qualified campaign expense and is therefore repayable in
8 pro rata portion to the United States Treasury. Attachment 1 at 50. The Primary
9 Committee challenges the Commission's determination, asserting that Senator Dole was
10 required to file a financial statement both as a presidential candidate and as a Senator, and
11 that there is overlap between these reporting requirements and the same information is
12 used to prepare the presidential and the Senate disclosure statements. Attachment 2 at 3.
13 Therefore, the Primary Committee argues that it was appropriate for the Primary
14 Committee to pay "its portion" of gathering and reporting the financial information; thus,
15 there should be no repayment in connection with the Primary Committee's payments for
16 services to prepare Senator Dole's financial statements. *Id.*

17 The total cost to prepare the financial statements was \$4,815. An invoice reflects
18 that three-eighths of the cost of the financial services ($3/8 \times \$4,815 = \$1,806$) related to
19 Senator Dole's campaign for the Republican presidential nomination, while the remaining
20 five-eighths of the cost ($5/8 \times \$4,815 = \$3,009$) related to Senator Dole's responsibilities
21 to the United States Senate. Attachment 7. However, the record reflects that the Primary
22 Committee paid the total cost of \$4,815 for the financial services. The \$3,009 portion of
23 the cost was not spent in connection with the Candidate's campaign for nomination

1 because it was related to Senator Dole's responsibilities to the United States Senate.
2 Although the Primary Committee claims that the same information was used for both the
3 presidential and Senate statements, the Primary Committee did not provide any
4 documentation to support an allocation different from that reflected on the invoice,⁹ see
5 11 C.F.R. § 9033.11(a). Therefore, the Commission concludes that the Primary
6 Committee's \$3,009 payment for the preparation of a United States Senate financial
7 disclosure statement is a non-qualified campaign expense, and that the Primary
8 Committee must repay \$930 ($\$3,009 \times .309198$) to the United States Treasury. See
9 *Robertson v. Federal Election Commission*, 45 F.3d 486, 492 (D.C. Cir. 1995)
10 ("recipients of matching funds bear the burden of accounting for allocation and
11 documentation of campaign expenses").

12 V. CONCLUSION

13 For the foregoing reasons, the Commission determines that Senator Robert J. Dole
14 and Dole for President, Inc. must repay \$6,255 to the United States Treasury pursuant to
15 26 U.S.C. § 9038(b)(2). The Commission determined that Robert J. Dole and Dole for
16 President, Inc. must, within 30 days, repay to the United States Treasury \$6,255 for the
17 use of public funds to defray non-qualified campaign expenses pursuant to 26 U.S.C.
18 § 9038(b)(2) and 11 C.F.R. § 9038.2(b)(2).

19

20

21

⁹ The Primary Committee has not stated whether its argument that the same information was used for Senator Dole's presidential campaign and his Senate disclosure statement supports a 50/50 allocation or some other allocation.

1 **Attachments**

- 2 1. Report of the Audit Division on Dole for President, Inc. dated
3 June 3, 1999.
- 4
5 2. Request of Dole for President, Inc. for an Administrative Review
6 of the Repayment Determination dated August 30, 1999.
- 7
8 3. Memorandum from the Audit Division to the Office of General Counsel (Analysis
9 of the Administrative Review Request) dated October 7, 1999.
- 10
11 4. Transcript of the Dole for President, Inc. Oral Hearing before the Federal Election
12 Commission on December 15, 1999.
- 13
14 5. Supplemental Submissions of Dole for President, Inc. dated December 22, 1999.
- 15
16 6. Candidate Certification Letter (and Amended Page Three)
- 17
18 7. Invoice for Financial Services

REPORT OF THE AUDIT DIVISION
ON
DOLE FOR PRESIDENT, INC

Approved June 3, 1999



FEDERAL ELECTION COMMISSION

999 E STREET, N.W.

WASHINGTON, D.C.



FEDERAL ELECTION COMMISSION
Washington, DC 20463

**REPORT OF THE AUDIT DIVISION
ON
DOLE FOR PRESIDENT, INC.**

I. BACKGROUND

A. AUDIT AUTHORITY

This report is based on an audit of Dole for President, Inc. (DFP). 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 committee 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 of DFP covered the period from its inception, January 12, 1995 through December 31, 1997. DFP reported an opening cash balance¹ of \$-0-; total receipts of \$56,583,853;² total disbursements of \$55,926,465;² and a closing cash balance of \$657,388.³

¹ All figures are rounded to the nearest dollar amount. These amounts were taken from amended reports filed in 1997 and 1998 during audit fieldwork.

² These figures do not reflect the transfers of \$2,000,000 between DFP and DK (See finding II.A.)

³ Ending cash is overstated by approximately \$476,000 at year end 1997. (See finding II.C.)

C. CAMPAIGN ORGANIZATION

DFP maintains its headquarters in Washington, D.C. The treasurer is Mr. Robert E Lighthizer.

DFP registered with the Federal Election Commission on January 12, 1995. During the period audited, DFP maintained depositories in Alexandria, Virginia and Washington, D.C. To handle its financial activity, DFP opened and used nineteen bank accounts. From these accounts DFP made approximately 19,650 disbursements. Into these accounts, DFP received approximately 401,300 contributions from 168,000 contributors. These contributions totaled approximately \$32,075,000.

In addition, DFP received \$13,545,771⁴ in matching funds from the United States Treasury. This amount represents 87.65% of the \$15,455,000 maximum entitlement that any candidate could receive. Senator Dole ("the candidate") was determined eligible to receive matching funds on May 31, 1995. DFP made twelve requests for matching funds totaling \$13,596,469. The Commission certified 99.63% of the requested amount. For matching fund purposes, the Commission determined that Senator Dole's candidacy ended on August 14, 1996, the date he was nominated at the Republican Convention in San Diego, California. As applicable to Senator Dole, the Commission's Regulations at 11 CFR §9033.5(c) state that the candidate's ineligibility date shall be the last day of the matching payment period as specified at 11 CFR §9032.6. DFP received its twelfth and final matching fund payment of \$373,697 on August 1, 1996.

D. AUDIT SCOPE AND PROCEDURES

In addition to a review of the Committees' expenditures to determine the qualified and non-qualified campaign expenses incurred by the campaign, the audit covered the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (Findings II.A. and B.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations;
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 (Findings III.A., B., C. and D.);

⁴ DFP made three refunds to the U.S. Treasury totaling \$21,000 for matching funds which had been received for contributions that were subsequently refunded.

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 (Finding II.C.);
7. adequate recordkeeping for campaign transactions;
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by Dole for President, Inc. (DFP) to disclose its financial condition and to establish continuing matching fund entitlement (Finding III.G.);
9. DFP's compliance with spending limitations (Findings III.E. and III.F.); and.
10. other audit procedures that were deemed necessary in the situation.

As part of the Commission's standard audit process, an inventory of campaign records is normally conducted prior to the audit fieldwork. This inventory is conducted to determine if the auditee's records are materially complete and in an auditable state. Based on our review of records presented, fieldwork began immediately.

As the audit progressed, additional materials and information were required from DFP, its vendors, an individual, and the Republican National Committee (RNC). To obtain the needed materials the Commission issued subpoenas to 10 entities. Portions of the findings presented below are based on the material supplied in response to those subpoenas.

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. Finally, this report constitutes notice of potential Federal funds repayment pursuant to 11 C.F.R. §9038.2(a)(2).

In a series of meetings between December 3, 1998, and March 4, 1999, the Commission considered the Staff findings and recommendations. The action taken with respect to each issue is described at the end of the respective finding.

II. AUDIT FINDINGS - NON REPAYMENT MATTERS

A. LOAN TO DOLE KEMP '96

Section 9003.2(a)(2) of Title 11 of the Code of Federal Regulations states, in relevant part, that to be eligible to receive payments under 11 CFR part 9005, each Presidential and Vice Presidential candidate of a major party shall certify to the Commission that no contributions have or will be accepted by the candidate or his or her authorized committee except for contributions solicited for, and deposited to, the candidate's legal and accounting compliance fund, or to make up any deficiency in payments received from the Fund.

Section 9032.9(a) of Title 11 of the Code Federal Regulations states, in part, that a *qualified campaign expense* means a loan or advance of money – incurred by or on behalf of a candidate or his authorized committee from the date the individual becomes a candidate through he last day of the candidate's eligibility, made in connection with his campaign for nomination and neither the incurrence nor payment of which constitutes a violation of any law of the United States.

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, as determined under 11 CFR §9033.5, are not qualified campaign expenses except for costs associated with the termination of political activity to the extent permitted under 11 CFR §9034.4(a)(3).

Section 104.3 of Title 11 of the Code of Federal Regulations requires political committees authorized by a candidate for Federal office to report, for the reporting period and the calendar year, total receipts, total disbursements, transfers to other committees authorized by the same candidate, and transfers from other committees authorized by the same candidate. Further, each authorized committee shall report the full name and address of each authorized committee of the same candidate to which a transfer is made or from which a transfer is received during the reporting period, together with the date and amount of such transfer.

In the process of reconciling DFP's bank accounts, the Audit staff identified a series of transfers between DFP and the Dole - Kemp '96 General Committee (DK) which were not properly disclosed or itemized. Between October 30 and November 1, 1996, DFP transferred \$2,000,000 to the DK. Without the transfers from DFP, the DK bank account statements would have had a negative balance at November 1, 1996 of approximately (\$2,563,375). This balance excludes certificates of deposit used as collateral for a line of credit and letters of credit issued in lieu of cash deposits for telephone service, credit cards, and other vendors. Although these certificates of deposit represent \$2,948,077 in DK funds, the balances were not available to pay checks issued by DK.

In a memorandum dated December 5, 1996, included in its disclosure report for the post general election period, DFP stated:

"In the process of consolidating its primary committee bank accounts, transfers totaling \$2,000,000 were made from Signet Bank accounts to Franklin National Bank. These funds were transferred in error to an account titled "Dole-Kemp '96 Operating Expenses" instead of the primary account which is titled "Dole for President Operating Expenses." This error was made, discovered, and corrected within this reporting period."

The account described as "Dole-Kemp '96 Operating Expenses" was in fact titled "Dole for President General Committee," and, as noted, the transfers occurred over a three day period. DFP transferred \$500,000 on October 30; \$1,250,000 on October 31; and, \$250,000 on November 1 for a total of \$2,000,000. The transfers, as noted in the memorandum, occurred between accounts at two different banks. Transfer advices from the originating bank identified the name and account number of the destination account for each transfer as follows: October 30 - "Dole for President/AC-1016040712," October 31 - "Dole for President General Operating Expenses/AC-1016040712" and November 1 - "Dole for President Operating expenditures/AC-1016040712." Though the account name varied, the account number did not. It was the number of the DK operating account. The memorandum that requested the October 31 transfer was found by the Audit staff. It was a faxed copy that had been received at the transferring bank and it also identified the transfer's destination by the DK operating account number. This document suggests that no error occurred; that the transferring bank made the \$1,250,000 transfer exactly as requested. Further, no documentation was found to suggest that the intended transfer destination for any of the three transfers was other than the DK operating account. It was also noted that DFP's general ledger originally classified each of the transfers as a "loan." On December 23, 1996, the general ledger entry classifications were changed from "loan" to "transfer error." DFP did open a second primary operating account, #3000024220, at Franklin National Bank. According to a notation found on the account signature cards, November 4, 1996 is listed as the opening date and November 6 is the date of the first deposit; both dates are after the last transfer.⁵

These transfers were reversed when DK transferred \$2,000,000 to DFP on November 25, 1996. However, in order for DK to accomplish the return of the \$2 million, it was necessary for DFP to repurchase from DK certificates of deposits in the

⁵ Another transfer of \$25,000 was made to DK on November 4, 1996. The documentation with that transaction suggests that it was intended for account #3000024220, the Franklin National Bank account opened by DFP on that day. That transfer was deposited to DK's press reimbursement account and refunded on January 14, 1997. Documentation surrounding this transaction suggests that it was erroneously credited to DK's account.

amount of \$1 million. DK had purchased these certificates of deposit from DFP on August 30, 1996. They were used to secure letters of credit that served as DK's telephone deposits and other security deposits. However when the certificates of deposit were repurchased by DFP, one in the amount of \$202,767 (\$200,000 plus accrued interest), had been liquidated. Therefore, DK owes DFP \$202,767. That amount is reported by DFP as a debt owed to it.

This issue was discussed with DFP representatives and their response was to state that amended disclosure reports would "...be filed to show transfers made in error between committees, as well as the reversal of these transfers which were made to correct the error."

The Audit staff concluded that the transactions described above represent loans to and repayments from DK by DFP. The loan was also a prohibited contribution on the part of DFP to DK,⁶ and as such, DFP incurred a non-qualified campaign expense. Further, DFP made an additional contribution to DK and incurred an additional non-qualified campaign expense when it repurchased certificates of deposit that either secured DK's deposits, or had been liquidated by DK since funds represented by the CD's were not available to DFP.⁷ The contributions and non-qualified campaign expenses were resolved when the letters of credit and other security requirements were eliminated in the winding down period and the funds represented by the CD's became available.

In the Exit Conference Memorandum (the Memorandum) it was recommended that DFP file amended Summary and Detailed Summary pages, schedules A-P and B-P for the Post General period which fully disclose and itemize the transfers between DFP and DK, provide documentation that demonstrated the transfers were not contributions from DFP to DK for the period that the funds were with DK, and provide any other relevant information regarding the transfers between DFP and DK which would support their contention that the transfers were inadvertent and not intentional. It was further specified that the documentation to be provided should demonstrate that it was permissible for DFP to purchase certificates of deposit from DK that were serving as security for deposits required of DK; and that the DFP operating account at Franklin National Bank was open at the time the transfers were made. Finally, DFP was to provide transfer requests which identify the DFP operating account by number; an analysis of DK's security deposit requirements at the time the certificates of deposit were

⁶ In advisory opinion 1992-38, the Commission permitted the Clinton-Gore committee to borrow funds from its GELAC to cover short term cash flow problems caused by amounts due from the Secret Service. That opinion did not permit similar borrowing from a Federally funded primary campaign. The opinion further required the amount borrowed to be repaid from the next amounts received from the Secret Service, and full reporting of the transactions.

⁷ In Advisory Opinion 1988-05, the Commission held that a committee's proposed use of public funds received in connection with one election, to pay obligations incurred by another committee of the same candidate incurred in connection with a different election to be a non qualified campaign expense.

repurchased by DFP; and any documentation from Franklin Bank which supports DFP's contention that the transfers had been erroneously credited.

In its response to the Memorandum, DFP states that it has filed amended disclosure reports to disclose both the initial transfers and the correcting transfer. On April 22, 1998, DFP filed schedules A-P, line 18, Transfers From Other Authorized Committees, and B-P, line 24, Transfers To Other Authorized Committees, which disclose the transfers in and out of its accounts. No amended Summary or Detailed Summary pages were included. Further, DFP maintains that the transfers occurred in error but provided none of the requested documentation to support its contention.

With respect to the conclusion that DFP's purchase of the certificates of deposit constituted a contribution to DK, DFP explained that its letters of credit, underlying certificates of deposit, lines of credit, and loans were obtained in the normal course of business as provided for at 11 CFR §110.7(b)(11) and therefore could not be contributions. DFP's relationship with the banking institutions that provided the certificates of deposit, letters of credit, and commercial loans was not questioned. Rather, DFP's purchase during the expenditure report period of the certificates of deposit securing the business relationship between DK and its vendors is the issue. In the Memorandum that transaction was identified as a contribution from DFP to DK. With respect to this, DFP notes only that the Certificates of Deposit were transferred back to DFP which has been the lead committee during the wind down phase. That statement does not resolve the question. (See Section III.H.1.b. for a discussion of wind down costs)

DFP has failed to demonstrate that the \$2 million transferred to DK, and the purchase of the certificates of deposit underlying DK's security arrangements with its vendors were not contributions to DK.

The Commission voted to receive this finding without any determination on the merits of the analysis of the facts or the interpretation of the law contained therein.

B. RECEIPT OF AN EXCESSIVE IN-KIND CONTRIBUTION

Section 100.7(a)(1) of Title 11 of the Code of Federal Regulations state, in relevant part, that the term contribution includes anything of value such as advances of services made by any person for the purpose of influencing any election for Federal office. Subsection (iii)(A) states that the term *any thing of value* includes all in-kind contributions. Unless specifically exempted under 11 CFR §100.7(b), the provision of services at a charge which is less the usual an normal charge for such service is a contribution. If services are provided at less than the usual and normal charge, the amount of the in-kind contribution is the difference between the usual and normal charge for the services and the amount charged to the political committee. Subsection (iii)(B) states that the *usual and normal charge* for any services other than those provided by an

unpaid volunteer, means the hourly charge for the services at a commercially reasonable rate prevailing at the time the services were rendered.

Section 110.1(b)(1) of Title 11 of the Code of Federal Regulations states that no person shall make contributions to any candidate, his or her authorized political committees or agents with respect to any election for Federal office which, in the aggregate, exceed \$1,000.

Section 114.9(e) of Title 11 of the Code of Federal Regulations states, in relevant part, that a candidate who uses an airplane which is owned or leased by a corporation not licensed to provide commercial service for travel in connection with a Federal election must, in advance, reimburse the corporation where regular commercial service is available the first class air fare and where no regular commercial service exists, the usual charter rate.

A Gulfstream IV jet aircraft, personally owned by Mr. William Keck, was used by Senator Dole and his campaign for travel from Sunday to Friday, May 28 through June 2, 1995. Senator Dole and his campaign staff, according to a DFP itinerary, made at least nine⁸ flights on the airplane paying first class airfare for each member of its entourage for each flight leg. The total reimbursed to Mr. Keck was \$17,225.⁹

DFP believes that these flights were entitled to treatment under 11 CFR §114.9(e) because the airplane functioned as the corporate jet for Coalinga Corp. despite the fact that it was privately owned. Patrick Templeton, Washington Representative for Coalinga Corp., wrote as follows in response to the Audit staff inquiries of DFP concerning these flights:

"Senator Dole's campaign travel on an aircraft registered in the name of William Keck is properly reimbursable at first class rates. The aircraft functioned as the corporate jet for Coalinga Corp., a sub-chapter S corporation which is a diversified holding company wholly owned by Mr. Keck. The aircraft was registered in Mr. Keck's name rather than in the name of Coalinga Corp., dictated by tax law considerations. If Mr. Keck, as a Coalinga employee, or any other Coalinga employee, needed a jet for corporate business, they used the aircraft in question. Also, Coalinga's Washington representative traveled on the aircraft every time Senator Dole

⁸ The nine trips were Washington, DC to Manchester, NH; Concord, NH to Boston, MA; Boston, MA to Chicago, IL; Chicago, IL to San Francisco, CA; San Francisco, CA to Los Angeles, CA; Irvine, CA to Las Vegas, NV; Las Vegas, NV to Phoenix, AZ; Phoenix, AZ to Tuscon, AZ; and Tuscon, AZ to Washington, DC. A second itinerary suggests that an additional flight with passengers occurred between Santa Monica, CA and Santa Ana, CA (Irvine, CA).

⁹ DFP wrote two checks for this flight. The first check was dated May 25, 1995, but was made out to Coalinga Corp. Because Mr. Keck personally owned the plane, a second check was requested. The date of the check written to Mr. Keck was June 2, 1995.

or any other public official traveled on the plane (except in one instance).¹⁰ The tail numbers of the plane ended with "CC" (N404CC)¹¹ for Coalinga Corp. and has other markings in the cabin that make reference to Coalinga Corp."

The "Financial Control and Compliance Manual," an FEC publication offering guidance for presidential primary candidates receiving Federal funds, cautions that the reimbursement rate for the use of aircraft owned by individuals is the usual and normal charge for services provided. Usual and normal charges in such instances will generally be the equivalent charter rate for the means of transportation used.

In order for the use of an airplane to qualify under the provisions of 11 CFR §114.9(e), it must be either owned or leased by a corporation. Coalinga Corp. through its Washington Representative concedes that the plane was not owned or leased by a corporation. Thus, the use of this airplane should have been reimbursed on the basis of the usual and normal cost for a similar charter.

KaiserAir, Inc.¹² quotes an hourly charter rate of \$4,500 for the use of a Gulfstream IV. In addition to the nine identified flights, four positioning flights are included in the calculation of total flight hours. The usual and normal costs of chartering this trip was computed by multiplying the advertised hourly charter rate by the total flight hours as listed on the KaiserAir itinerary. The airplane flew 26.3 reimbursable hours for the campaign and the usual and normal charge should have been \$118,350 (26.3 hrs. x \$4,500 per hr.). DFP paid \$17,225 for the use of the airplane and therefore received an in-kind contribution from Mr. Keck of \$100,125 (\$118,350 less the already paid \$17,225 and a contribution allowance of \$1,000).

In the Memorandum it was recommended that DFP show that the actual charter cost was timely paid and it therefore had not received an excessive in-kind contribution, or provide any additional relevant information that would show that the flights were correctly reimbursed.

DFP, responding to the Memorandum, states at the time it was used by DFP the aircraft was not being used as a charter aircraft, but as a corporate aircraft in all respects except formal title. DFP again mentions the aircraft's tail number and states that

¹⁰ None of the itineraries lists a Coalinga Corp. employee as passenger for the flights made by Senator Dole and his staff.

¹¹ The Audit staff notes that Mr. Keck also owns a small acrobatic airplane with tail registration N403CC.

¹² KaiserAir, Inc. of Oakland, California, which apparently operated the airplane for Mr. Keck, is a privately owned aircraft management and service company. In addition to overseeing all phases of airplane management, KaiserAir offers a charter option for clients who wish to offset operating expenses by chartering their aircraft.

it had "...no way of knowing that plane was not a corporate aircraft" and that others, including members of congress have used this particular plane, reimbursing flights at rates provided for at 11 CFR §114.9(e). From this it is concluded that DFP paid the appropriate rate for the aircraft. DFP goes on to argue that even if Mr. Keck's aircraft is individually owned, payment of a charter rate for flights to cities with commercial service is not appropriate. The response cites 11 CFR §114.9(e) and §9004.7(b)(5)(i).

DFP acknowledges that the aircraft was owned personally by Mr. Keck. Section 114.9(e) applies only to aircraft owned or leased by a corporation or labor organization. Since no evidence of any lease agreement between Mr. Keck and Coalinga Corporation has been presented, 11 CFR §114.9(e) does not apply to the use of this aircraft. Though it is understandable that DFP may have been unaware that this aircraft was not owned or leased by a corporation, it does not change the application of the regulation. As for 11 CFR §9004.7(b)(5)(i), it deals with the use of government aircraft by campaigns and is clearly not applicable. As noted earlier the "Financial Control and Compliance Manual" explains that the use of an aircraft owned by an individual is valued at the usual and normal charge for the service provided. It goes on to explain that the usual and normal charge will generally be the equivalent charter rate for the service actually used and not the commercial rate for the same trips.

DFP then argues that, if the charter rate is the correct valuation method, the auditors had used an erroneous charter rate of \$4,500 per hour and that, according to Mr. Keck, the correct "inside" rate for known and repeat passengers was actually \$3,100. An additional error in the auditor's calculations, according to DFP, was the inclusion of charges for positioning flights or "dead-head time." DFP stated "It is not the customary practice of charter airlines to charge for such 'dead-head' time." The response goes on to explain that a charter customer would not generally use an aircraft that is based 3,000 miles away and incur significant dead-head charges. Finally, DFP states that although DFP did not receive an in-kind contribution from Mr. Keck, if it is determined that one was made, it could not exceed \$28,895 (15.2 flight hours @ \$3,100 per hour less \$17,225 already paid and \$1,000 contribution allowance).

Other than Mr. Keck's statement, no supporting documentation has been provided to establish the existence, availability, or amount of an inside charter rate. The rate used in the Memorandum is an advertised rate for the same model of aircraft operated from the same location by the same company that manages Mr. Keck's aircraft. With respect to dead-head flights DFP offers no support for the statement that air charter companies do not generally charge for such flights. On the contrary, DFP was billed and paid for all such flights that were flown by both charter companies that provided DFP with its campaign planes. It is agreed that under normal circumstances a campaign would not select a charter aircraft that was based 3,000 miles away. However, in this case that is precisely what DFP did. Thus, the calculation of the in-kind contribution from Mr. Keck contained in the Memorandum remains unchanged (\$100,125 (\$118,350 less the already paid \$17,225 and a contribution allowance of \$1,000)).

Finally, DFP comments that this is a matter for consideration by the Office of General Counsel and does not involve the repayment of public funds since none were involved. As noted in the background section above, any of the matters in this report may be pursued in a compliance action. As for a repayment, this transaction is treated as both a contribution and a disbursement as are all in-kind contributions. The disbursement transaction is applicable to the spending limitation, and the contribution is part of the mixed pool of private and public resources that were available to the campaign. The relative amounts of private and public resources in that mixed pool determines the repayment ratio prescribed at 11 CFR §9038.2(b)(2)(iii).

The Commission approved the Audit staff and the Office of General Counsel's (hereafter Staff) analysis that as a result of the flights on Mr. Keck's plane, DFP had received an in-kind contribution in the amount of \$100,125. Therefore, this in-kind contribution was included in DFP's total expenditures subject to the spending limitation and in the calculation of the repayment ratio [see footnote 17 at page 19].

C. MISSTATEMENT OF FINANCIAL ACTIVITY

Sections 434(b)(1), (2) and (4) of Title 2 of the United States Code state, in part, that a political committee shall disclose the amount of cash on hand at the beginning of the reporting period and the total amount of all receipts and all disbursements for the reporting period and the calendar year.

The Audit staff's reconciliation of reported financial activity to bank records for the calendar year 1997 revealed the following misstatements:

1. Beginning Cash on Hand

The Committee's beginning cash on hand was overstated by \$257,125, the result of reporting discrepancies in prior periods.¹³ The correct reportable cash on hand was \$2,149,139.

2. Receipts

The Committee's reported receipts were understated by \$62,077. The components of the misstatement are as follows:

¹³ The overstatement of beginning cash is the net effect of reporting errors in receipts and disbursements in 1996 and 1995. These discrepancies were not material, owing to the magnitude of bank activity for those periods. The Audit staff has identified receipts and disbursements in 1996 which account for approximately \$190,000 of the overstated cash and has provided a schedule of these corrections to DFP.

Reported Receipts		\$404,001
Interest Not Reported	\$13,058	
Transfers from GELAC not reported	\$11,486	
Transfers from DK not reported	\$30,162	
Vendor refund not reported	\$ 2,662	
Payroll offset not reported	\$ 551	
Press Reimbursements not reported	\$ 4,688	
Reconciling Item	\$ (530)	\$ 62,077
Correct Reportable Receipts		<u>\$466,078</u>

3. Disbursements

The Committee's reported disbursements were understated by \$281,226. The components of the misstatement are as follows:

Reported Disbursements		\$2,152,876
Transfer to GELAC Not Reported	\$ 45,088	
Transfers to DK Not Reported	\$186,773	
Arithmetic Discrepancies within Total		
Disbursements Reported	\$ 46,930	
Cleared check reported as void	\$ 772	
Reconciling Item	\$ 1,663	\$ 282,388
Correct Reportable Disbursements		<u>\$2,434,102</u>

4. Ending Cash On Hand

The reported ending cash on hand at December 31, 1997 was overstated by \$476,273, resulting from the misstatements detailed above. The correct ending cash on hand was \$181,115.

The Memorandum recommended that DFP file a comprehensive amended report for calendar year 1997 correcting the misstatements noted above and amend its most recently filed report to correct the ending cash on hand.

In response to the Memorandum, DFP states that it has complied with the Audit staff's suggestions and is filing amended summary pages for 1997, and that the appropriate supporting schedules will be filed shortly.

The summary schedules included in DFP's response did not include any entries but receipts and disbursement totals for the detailed summary page. Although DFP promises that a subsequent filing of supporting schedules will be made, as of November 10, 1998, DFP has yet to file complete amended reports for 1997.

The Commissioners voted to receive this finding without any determination on the merits of the analysis of the facts or the interpretation on the law contained therein.

III. AUDIT FINDINGS AND RECOMMENDATIONS - PAYMENTS TO THE U.S. TREASURY

A. EXPENSES PAID BY THE RNC

1. Background

This section discussed DFP's position with respect to the overall spending limitation at the time Senator Dole became the Republican Party's presumptive nominee and enumerated four categories of expenses paid by the RNC. Each category is noted below¹⁴.

2. DFP Expenses Paid As Coordinated Expenditures

Section 441a(d)(2) of the United States Code permits the national committee of a political party to make limited expenditures in connection with the general election campaign of its candidate for President of the United States. The Staff questioned whether certain expenditures claimed by the RNC to have been made under this provision were instead in-kind contributions to DFP, and attributable to DFP's spending limitation¹⁵.

The Staff recommended that the Commission determine that the RNC had made in-kind contributions to DFP in the amount of \$813,857 and that \$774,252 (\$813,857 less a compliance exemption) was attributable to DFP's spending limitation.

The Commission made two determinations with respect to the expenses discussed above. By a motion adopted on a 5-1 vote regarding non-media expenses, the Commission accepted DFP's claims that the amount of \$936,245 constituted coordinated expenditures. In doing so, the Commission rejected the Staff recommendation that these expenses represent in-kind contributions to DFP and are attributable to DFP's spending limitation. By a second motion approved 6-0, the Commission determined that expenditures by the RNC for advertising before and during the nominating convention (\$32,527) featuring the Party's presumptive nominee, and which were claimed and reported as coordinated expenditures, would be accepted as

¹⁴ For the full presentation and discussion of this issue see Agenda Documents 98-87 and 99-49, Finding III.A. and the audio tapes of the Commission's Open Session meetings on the following dates: December 3rd, 9th, and 10th 1998, January 14th and 28th, February 3rd and 25th, March 4th, and April 29, 1999.

¹⁵ Ibid.

claimed. The Total amount of \$968,772 would then be counted against the RNC's 2 U.S.C. §441a(d) limitation.

3. Payroll

A number of DFP staff members left DFP payroll in March and April of 1996, and were employed by the RNC. Records indicated that in many cases the duties of the employees were similar in both positions. The Staff questioned whether the salary payments and expense reimbursements made by the RNC for those employees characterized as "advance staff" were in-kind contributions to DFP by the RNC¹⁶.

The Staff recommended that the Commission determine that salary and expense reimbursement payments totaling \$135,743 were in-kind contributions by the RNC to DFP, and that \$117,550 (\$135,743 less a compliance exemption) be attributed to DFP's spending limitation.

During the Commission's deliberations concerning this matter, a motion was offered to approve the Staff recommendation. That motion failed to garner sufficient votes to pass.

4. Media

The RNC sponsored a television advertising program in the spring and summer of 1996. It was argued by DFP and the RNC that the ads featuring Senator Dole and/or President Clinton were alleged "issue ads"¹⁷.

The Staff recommended the Commission determine that the cost of producing and broadcasting the ads be allocated between DK and DFP and that the portion attributed to DFP, \$5,588,900, represented a contribution in-kind from the RNC to DFP. It was also recommended that it be determined this in-kind contribution was attributable to DFP's spending limitation.

In considering the Staff recommendation, the Commission took the following actions:

It disagreed with the allocation of the expenditures between DFP and DK. The Commission's action caused all of the media expenses to be attributed to DFP. Accordingly, the total amount spent by the RNC for media that the Staff concluded represented a contribution to DFP was increased to \$18,553,619. See Section III.A. of Report of the Audit Division on Dole/Kemp '96, Inc. and Dole/Kemp '96 Compliance Committee, Inc.

¹⁶ Ibid.

¹⁷ Ibid.

A motion that the Commission determine in general that it will make no repayment determinations based on alleged overall excessive spending by candidates receiving presidential matching funds, failed by a vote of 3 to 2, with 1 abstention.

By a motion adopted on a 6-0 vote, the Commission rejected the Staff recommendation for a matching fund repayment related to the \$18,553,619 in the media expenses. The repayment would have resulted from the media expenses being added to expenditures subject to the spending limitation, and the exceeding of that limitation.

By a motion adopted on a 6-0 vote, the Commission directed the Audit Division to revise the portion of the report relating to party ads to clarify that the Commission has not reached any conclusion regarding the Staff's in-kind contribution analysis and to indicate that Commissioners may submit statements for the record.

The Commission directed that the media expenses discussed above not be considered when the matching fund repayment ratio was determined.

5. Polling Expenses

The RNC incurred expenses for public opinion polling in the spring and summer of 1996 which the Staff concluded were, in part, in-kind contributions to DFP¹⁸.

The Staff recommended that pursuant to 11 CFR §106.4, the Commission determine that polling expenses incurred by the RNC in the amount of \$463,844 were in-kind contributions to DFP and attributable to its spending limitation.

A motion to approve the Staff recommendation failed on a vote of 3-3.

B. PRIMARY EXPENSES PAID BY RELATED COMMITTEES

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 100.7(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that the term contribution includes a gift, subscription, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office. The term anything of value includes all in-kind contributions.

¹⁸ Ibid.

Unless specifically exempted under 11 CFR §100.7(b), the provision of any goods or services without charge or at a charge which is less than the usual and normal charge for such goods or services is a contribution. Examples of such goods or services include, but are not limited to: Securities, facilities, equipment, supplies, personnel, advertising services, membership lists, and mailing lists.

Section 100.7(b)(16) of Title 11 of the Code of Federal Regulations states, in part, that the payment by a candidate for any public office (including State or local office), or by such candidate's authorized committee, of the costs of that candidate's campaign materials which include information on or any reference to a candidate for Federal office and which are used in connection with volunteer activities (such as pins, bumper stickers, handbills, brochures, posters, and yard signs) is not a contribution to such candidate for Federal office, provided that the payment is not for the use of broadcasting, newspapers, magazines, billboards, direct mail or similar types of general public communication or political advertising. The payment of the portion of the cost of such materials allocable to Federal candidates shall be made from contributions subject to the limitations and prohibitions of the Act.

Section 9003.4(a) of Title 11 of the Code of Federal Regulations states, in part, that a candidate may incur expenditures before the beginning of the expenditure report period if such expenditures are for property, services or facilities which are to be used in connection with his general election campaign and which are for use during the expenditure report period.

Section 9002.12(a) of Title 11 of the Code of Federal Regulations states, in part, that *expenditure report period* means, with respect to any Presidential election, the period of time which begins on the date on which the major party's presidential nominee is chosen and ends 30 days after the Presidential election.

Sections 9034.4(e) of Title 11 of the Code of Federal Regulations discusses the attribution of expenditures between the primary and general election spending limitations. Subsection (e)(1) sets forth the general rule that expenditures for goods and services to be used exclusively in the primary campaign shall be attributed to the primary spending limitation, and expenditures for goods and services to be used exclusively in the general election campaign shall be attributed to that spending limitation. Subsections (e)(3), (4), (6), and (7) provide guidance with respect to specific categories of expenditures as described below:

- Expenses for the usage of offices or work performed on or before the date of the candidate's nomination shall be attributed to the primary election, except for periods when the office is used *only* by persons working *exclusively* on general election campaign preparations.

ATTACHMENT 1
Page 17 of 54

- Expenditures for campaign materials that are purchased by the primary election campaign committee and later transferred to the general election committee shall be attributed to the general election limits. Materials transferred to but not used by the general election committee shall be attributed to the primary election limits.
- Costs of a solicitation shall be attributed to the primary election or to the GELAC, depending on the purpose of the solicitation. If a candidate solicits funds for both the primary election and for the GELAC in a single communication, 50% of the cost of the solicitation shall be attributed to the primary election, and 50% to the GELAC.
- Expenditures for campaign-related transportation, food and lodging of any individual, including the candidate, occurring prior to the date of the candidate's nomination shall be attributed according to when the travel takes place. If the travel takes place on or before the date of the candidate's nomination, the cost is a primary election expense. Travel to and from the convention shall be attributed to the primary election. Travel by a person who is working *exclusively* on the general election campaign preparations shall be considered a general election expense even if the travel occurs before the candidate's nomination. (emphasis added)

Prior to the 1996 election cycle, substantial effort was dedicated to determining whether expenditures made in the late primary period had a primary or general election purpose. In the 1992 election cycle, a number of expenditures made in the primary period by both major party candidates were questioned as possible general expenses. Both the Bush and Clinton committees argued convincingly in response to their respective preliminary audit findings that most disbursements made prior to their candidate's date of nomination were necessarily made on behalf of the primary campaign.

In 1995, the Commission formulated new regulations found at 11 CFR §9034.4(e) which codified the position adopted when the 1992 audit determinations were made. For 1996, the major factor considered when reviewing expenditures and making a determination to which election they relate [primary or general] is when the expenditure was incurred. The key date is the date that the party nominates its candidate. Expenses incurred before that date are presumed to be for the primary campaign, while expenses incurred after that date are presumed to be for the general election campaign. Limited exceptions are provided, but such exceptions require a definite showing of exclusive use for the election other than that indicated by the date. Allowing exceptions to be granted easily would have the effect of invalidating the rule.

As previously noted, by March 31, 1996, DFP reported having only \$2 million in spending limitation remaining, but was four and one half months from the end of the primary campaign period. Given this situation, the Audit staff, using the newly

formulated regulations as guidance. performed a detailed review of expenses incurred by the Dole for President Compliance Committee, Inc., Dole/Kemp '96, Inc. and Kemp for Vice President before the Candidate's August 14, 1996 date of ineligibility. The results of those reviews are presented below.

1. Primary Expenses Paid by the GELAC

The Dole for President Compliance Committee, Inc. (GELAC) registered with the Federal Election Commission on February 15, 1995. Between registration and DOI, the GELAC spent \$1,405,245 and shared staff and offices with DFP. For the first eleven months, the GELAC accepted only contributions that were redesignations of contributions initially made to DFP and incurred little in the way of expenses. In January 1996, GELAC began paying salaries to staff formerly paid solely from DFP fund-raising accounts, and began soliciting direct contributions. These solicitations were frequently done jointly with DFP. An initial review of the GELAC disbursements made prior to DOI, identified expenditures of approximately \$950,000 that were correctly attributed to the GELAC in the primary period. However, expenditures of \$454,404 attributable DFP were also identified.

Of the \$454,404 in DFP disbursements, salaries accounted for \$210,262 and overhead \$115,302. Overhead expenses included office supplies, computer hardware and software, telephone costs, and charges for other office equipment. Under 11 CFR §9034.4(e)(3) these salary and overhead expenses were viewed as primary campaign expenses unless it could be demonstrated that they related to periods devoted exclusively to the general election effort. No such showing was made. The balance of the primary disbursements, \$128,839, were for travel, including some expenses related to attending the Republican National Convention, and the primary share of joint solicitation costs. Approximately \$93,000 of the \$128,839 was spent on two fund-raising projects.

On April 11 and 12, the campaign held a series of fund-raising events in Memphis, Tennessee, and Dallas, San Antonio and Houston, Texas, described as a compliance trip. All associated costs, including advance travel costs, air charter expense, plane catering, ground transportation, press filing center costs and solicitation costs, were paid by the GELAC. An invitation for the Memphis event contained a joint solicitation for DFP and for the GELAC. This, along with the fact that over seventy percent of the contributions received and attributed to these fund-raisers was deposited to primary accounts, establish that the events were joint solicitations. As a result, travel costs of \$57,267, are primary expenses pursuant to 11 §CFR 9034.4(e)(7). Additionally, half of all solicitation costs related to the fund-raisers, \$32,603 are DFP expenses pursuant to 11 CFR §9034.4(e)(6).

The second instance of a joint solicitation funded by the GELAC was a "Lawyers for Dole" event held in Chicago on July 19, 1996. A solicitation device for this event requested contributions for both the DFP and the GELAC. This time 45%

of the receipts attributed to this event. \$58,675. were deposited in the primary accounts. The GELAC paid \$2,887 of the primary share of the solicitation costs.

At the close of fieldwork, DFP was provided a schedule of GELAC expenditures identified as having been made on behalf of DFP. DFP provided documentation in response, and where appropriate, adjustments were made to the total presented here.

In the Memorandum, it was recommended that DFP provide documentation which demonstrates that disbursements in the amount of \$454,404 made by the GELAC were not DFP expenses pursuant to 11 CFR §9034.4(e). Absent such a demonstration, the Audit staff stated that it would recommend that the Commission determine that these expenses are attributable to the DFP spending limitation and that the amount is due to the GELAC.

DFP responded to the Memorandum as follows:

"The attached documents establish that payments made by the Compliance Committee were for expenditures for overhead and salaries incurred exclusively for the benefit of the Compliance Committee. See Exhibit 7. Indeed the Audit Staff focuses on costs incurred for facilities and expanded work space that would be used by the Compliance Committee exclusively in the general election campaign. This rebuts the presumption that expenditures incurred prior to the date of a candidate's nomination should be allocated to the primary election. 11 C.F.R § 9304.4(e);[sic] Financial Control Compliance Manual for Presidential Primary Candidates Receiving Public Financing Chapter 1, Section C(2)(c).

"With respect to the fundraisers in Texas and Tennessee referenced by the Audit Staff, DFP has pro-rated between the Committees the costs of the fundraisers and travel thereto in accordance with the Commission's regulations at 11 C.F.R. 9034.4. Indeed, when travel costs were related to a dual fundraising purpose, the Primary Committee diligently followed the Commission's procedure for allocating such expenditures between the Primary Committee and the Compliance Committee. See 11 C.F.R. 9034.7.

"Thus, only \$35,317 is owed to the Compliance Committee. Also, only \$35,317 should be added to DFP's expenditures subject to the spending limit and \$10,860 is repayable to the U.S. Treasury."

Exhibit 7 to DFP's response consists of copies of documents such as invoices, check requests and tissue copies of the checks that were reviewed during the audit field work. These documents do not show that expenditures made by the GELAC

were exclusively for general election purposes. The only evidence of exclusive GELAC activity is DFP's statement to that effect. During the period in question the GELAC was principally engaged in fundraising. In point of fact, most of the fund-raising was done jointly between GELAC and DFP. This fact seems to refute any claim of exclusivity.¹⁹ As noted in the Memorandum, of the disbursements reclassified, salaries accounted for \$210,262 and overhead \$115,302. The balance, \$128,839, were for travel, including some expenses related to attending the Republican National Convention, and the primary share of joint solicitation costs. The reclassified expenditures were not as DFP suggests in their response predominately "costs incurred for facilities and expanded work space."

DFP concedes that some of the costs associated the fund-raisers²⁰ in Texas and Tennessee should have been allocated, including a portion of the related travel expense. For the allocation of travel expenses DFP cited 11 CFR §9034.7. However that section deals primarily with the allocation of travel costs between campaign and non-campaign purposes and the use of government conveyance. Neither subject is relevant to the matters at hand. All campaign travel in the primary period, if it cannot be exclusively attributed to the general campaign, is an expense of the primary campaign as outlined at 11 CFR §9034.4(e)(7). Section 9034.4(e)(6) of Title 11 of the Code of Federal Regulations states that the cost of communications that solicit contributions for both the GELAC and the primary campaign will be allocated equally between the two. Given these rules, the allocation of the fundraising and travel costs in the Memorandum is correct. The solicitation (event) costs are allocated equally between DFP and the GELAC and the travel costs are attributed to DFP.

Since DFP has not provided documentation demonstrating that GELAC was exclusively engaged in activity related to the general election, the conclusion remains that GELAC made substantial disbursements in the primary period on behalf of DFP. However, in a review of the documentation provided by DFP, an offset to expenses paid for the Texas fund-raisers was identified. One half of this offset \$521 ($\$1,042 \div 2$) was netted against the amount attributed to GELAC primary expenditures. Further, it was determined that the salaries of fundraising personnel could be included among the cost of the joint solicitations. The amount of those salaries is \$153,394 with 50%, or \$76,697, being attributable to the GELAC. Therefore, the contribution is \$377,186 (\$454,404 from the Memorandum-\$521 refund-\$76,697 in fundraising salaries)

¹⁹ While it is DFP's intention to apply the general rule found at 11 CFR 9034.4(e)(1), it fails to establish the exclusivity of purpose required for its application. Instead DFP simply says that GELAC is exclusively occupied with GELAC matters despite the fact that GELAC is mailing joint solicitations and engaging in joint events for both the GELAC and DFP. Under such circumstances, the brightline regulations at 11 CFR 9034.4(e)(3), (4), (6) and (7) apply.

²⁰ DFP does not address the Lawyers for Dole fund raiser.

Recommendation

The Audit staff recommended that the Commission determine that pursuant to 11 CFR §9034.4(e), disbursements in the amount of \$377,186 made by the GELAC are attributable to DFP's spending limitation and that this amount is payable to the GELAC by DFP.

The Commission approved the Staff recommendation.

2. Primary Expenses Paid by Dole-Kemp '96

Dole/Kemp '96, Inc. registered with the Federal Election Commission on May 3, 1996. As noted in the citations above, 11 CFR §9003.4 permits a general election campaign to incur expenses prior to the beginning of the expenditure report period, if those expenses are for property, services, and facilities to be used in the general election campaign. Examples of such expenditures include expenses for establishing accounting systems and for organizational planning. This regulation must be read in conjunction with 11 CFR §9034.4(e) which requires that expenses incurred by the general election campaign before the beginning of the expenditure report period be exclusively for the general election. Therefore, the campaign must be able to demonstrate that any expenditure incurred by DK prior to the candidate's date of nomination, is exclusively for the general election. Absent that demonstration the expenditure will be attributed to the primary campaign.

Between June 17, 1996 and August 14, 1996, the beginning of the expenditure report period, DK spent approximately \$416,000. Of this amount, \$278,562 was identified as having been for goods, facilities and services used in the primary period, and for which the campaign has not demonstrated an exclusive general election purpose. Included is \$71,184 paid for rent and related expenses that is addressed in Finding III. D. Headquarters Rent and Security Deposits. The balance of the pre-expenditure report period DK disbursements include:

- \$58,786 for telephone service, installation, and equipment;
- \$80,288 for office furniture and equipment;
- \$36,173 for utilities;
- \$6,588 for collateral materials;
- \$11,552 for HQ security;
- \$8,550 for supplies;

- \$4,186 for convention related expenses, and:
- \$1,255 for miscellaneous expenses.

Accordingly, for the purposes of this finding, DK made primary disbursements of \$207,378 (\$278,562 - \$71,184) chargeable to the DFP spending limitation.

At the close of fieldwork, DFP was provided a schedule of DK expenditures identified as having been made on behalf of DFP. DFP provided documentation in response, and where appropriate, adjustments were made to the total presented above.

In the Memorandum, the Audit staff recommended that DFP provide documentation which would demonstrate that disbursements made by DK were not primary related. For office and overhead expenses, the information submitted was to demonstrate that the facilities were being used by persons working exclusively on the general election (11 CFR §9034.4(e)(3)). For all other expenses, the material submitted was to establish that the goods and services were used in the Expenditure Report Period. Absent such a showing, the Audit staff stated that it would recommend that the Commission determine that \$207,378 paid by DK represent primary expenses, are attributable to the DFP spending limitation, and an equal amount is due to DK.

DFP responded to the Memorandum as follows:

"Expenditures made prior to the date of the Republican party convention are allocated to the general election if those expenditures were made exclusively for general election purposes. 11 C.F.R. § 9304.4(e);[sic] Financial Control and Compliance Manual For Presidential Primary Candidates Receiving Public Financing Chapter 1, Section C(2)(c). The attached documents make clear that the expenditures singled out by the Audit Staff were for facilities, including furniture, supplies, and equipment and the build-out of the office space necessary to accommodate the larger campaign staff, obtained for the general election. See Exhibit 8. As Andrea Mack, the campaign's Deputy Director for Administration, explains in the attached statement, the general election committee had to begin preparation for the general prior to the date of Senator Dole's nomination so that the Committee staff would have facilities and equipment with which to work once the general election campaign began. See Exhibit 9. Thus, given the exclusive general election purpose for which almost all of the pre-convention expenditures were made, they must be attributed to the general election.

"Upon review of the items in question, the Committee has determined that \$1,543.16 should have been paid by Dole for President. The remaining \$262,054.65 is not owed to Dole/Kemp. Also, this amount should not be added to DFP's expenditures subject to the spending limit and \$80,581.80 is not subject to repayment to the U.S. Treasury."

The documentation provided at Exhibit 8 consists of copies of invoices with the associated check requests and tissue check copies. It is the same documentation that was originally reviewed to ascertain that DK had made disbursements on behalf of DFP. To paraphrase DFP, the attached documents not only single out expenditures made for facilities, including furniture, supplies, and equipment and the build-out of the office space necessary to accommodate the larger general election campaign staff, they, more to the point, single out disbursements made within the primary period where exclusive general election use has not been demonstrated. Andrea Mack's statement at exhibit 9 explains that the campaign was in the process of gearing up for the general election. Implicit in Ms. Mack's memo is Senator Dole's status as the presumptive nominee.

There can be no doubt that the campaign was engaged in preparations for the general election during July and August of 1996. Given the Senator's travel schedule and the necessary preparations for the convention, there is also no doubt that the primary campaign was continuing. It is important to note that the 11 CFR §9034.4(e), as previously discussed, was instituted to simplify the allocation of expenses between the campaigns for both the Commission and the campaigns. According to that regulation, unless the campaign can establish and document that a discrete group of employees occupying a discrete portion of campaign headquarters were engaged exclusively in general election preparation, all salary and overhead expenses up to the date of nomination are primary expenses. Although DFP argues that the various expenses enumerated above were exclusively for the general election, it must be noted that none of the campaign staff was paid by DK prior to Senator Dole's nomination and that DFP allocated the tenth floor renovations, which it maintains were exclusively general, equally between itself and DK. DFP's share was paid by the RNC as a coordinated expenditure. Available documentation does not support DFP's contention.

With respect to campaign materials that were purchased before the date of nomination, they should have been purchased by DFP and any amounts that were on hand could have been sold to DK at cost. (See 11 CFR §9034.4(e)(4)). The "Financial Control and Compliance Manual for Presidential Primary Candidates Receiving Public Financing," suggests that an inventory be prepared to support the transfer. A similar procedure could be used for office supplies and materials. No evidence of any such procedure has been provided.

In the audit report presented to the Commission, the Staff concluded that, having failed to establish that the expenses enumerated above related

exclusively to the general election, overhead expense of \$207,378, paid by DK in the primary period, were correctly attributed to DFP.

Recommendation

The Audit staff recommended that the Commission determine that, pursuant to 11 CFR §9034.4(e), disbursements in the amount of \$207,378 made by DK were attributable to DFP's spending limitation and that that amount is payable to DK by DFP.

A subsequent analysis of DK's expenditures questioned in this finding identified disbursements in the amount of \$114,391 for assets that, if they had been properly acquired by DFP, would have been transferable to DK after the convention. At the time of the transfer, DK would have reimbursed DFP 60% of the original cost of the assets. Total disbursements made by DK on behalf of DFP is therefore reduced by \$68,635 [$\$114,391 \times 60\%$] to \$138,743.

The Commission determined that, pursuant to 11 CFR §9034.4(e), disbursements in the amount of \$138,743 made by DK are attributable to DFP's spending limitation and that that amount is payable to DK by DFP.

3. **In-Kind Contribution - Kemp for Vice President**

Expenditures by KVP for campaign materials promoting the Dole/Kemp '96 ticket, and their distribution at the Republican National Convention, were questioned as possible in-kind contributions to DFP²¹.

The Staff recommended that the Commission determine that DFP received an in-kind contribution from KVP of \$77,237 and that amount was attributable to DFP's spending limitation.

The Commission rejected the Staff recommendation.

C. TELEPHONE EQUIPMENT LEASES AND PURCHASES

DFP obtained a number of telephone systems from NTFC Capital Corporation (NTFC). The Staff questioned the payment of some of the charges related to these telephone systems by DK, the GELAC, and the RNC. Further, the handling of a telephone system that was stolen, and the sale and repurchase of the telephone systems

²¹ For the full presentation and discussion of this issue see Agenda Documents 98-87 and 99-49, Finding III.B.3. and the audio tapes of the Commission's Open Session meetings on the following dates: December 3rd, 9th, and 10th 1998, January 14th and 28th, February 3rd and 25th, March 4th, and April 29, 1999.

between DFP and DK was questioned. Finally, amounts still due to NTFC were questioned as contributions by NTFC²².

The Staff recommended that the Commission determine that:

- The RNC made an in-kind contribution to DFP in the amount of \$38,608 representing two installments on DFP's telephone system lease.
- DFP must pay DK \$18,628 related to the sale, repurchase, and valuation of two of the telephone systems discussed above.
- DFP must pay the GELAC \$2,123 for expenses that it paid on DFP's behalf.
- DFP understated expenditures subject to the spending limitation by \$248,778 as a result of the transactions explained above.

After adjusting for the Commission's acceptance of the RNC's payment of two installments on Lease #48972 as coordinated. [2 U.S.C. §411a(d)] expenses, the Commission concluded that:

- A contribution had been received from NTFC and that \$35,214 is outstanding:
- DFP owes DK \$39,118 as a result of the various transactions related to the telephone systems;
- DFP owes the GELAC \$2,123 as a result of the various transactions related to the telephone systems; and.
- As a result of these conclusions and of the improper recording of other transactions related to the telephone systems, DFP is required to add \$233,943 to its expenditures subject to its spending limitation.

D. HEADQUARTERS RENT AND SECURITY DEPOSITS

DFP leased office space from Union Center Plaza Associates Washington, D.C. for its national headquarters. DFP's rent between March 1, 1995 and May 31, 1996

²² For the full presentation and discussion of this issue see Agenda Documents 98-87 and 99-49, Finding III.C. and the audio tapes of the Commission's Open Session meetings on the following dates: December 3rd, 9th, and 10th 1998, January 14th and 28th, February 3rd and 25th, March 4th, and April 29, 1999.

was \$28,382 per month. DFP expanded the office space it occupied in June 1996 and again in July. The rent owed by DFP rose to \$48,677 for June 1996 and to \$96,275 for July and August.²³ In the review of the headquarters rent, three areas of concern were identified. Rent due from DFP was partially paid by others. Construction work and miscellaneous headquarters expenses incurred prior to the date of ineligibility were not paid by DFP. Security deposits paid by DFP were not correctly reimbursed and assigned²⁴.

The Staff recommended that the Commission determine that

- DFP received an in-kind contribution from the RNC for rent and related costs in the amount of \$116,307.
- DFP should transfer \$32,773 to DK, the net result of the amounts shown on the chart above and that the transfer should be reported by both committees.
- the GELAC transfer \$15,201 to DFP representing the net result of the amounts shown on the chart presented above and that the transfer be reported by both committees.
- as a result of the transactions described above, expenditures subject to the spending limitation were understated by \$89,766 and that DFP should amend its disclosure reports to reflect the additional amount.

As noted in the previous finding, the Commission accepted the RNC's designation of certain coordinated [2 U.S.C. §441a(d)] expenses. Included among these expenses were occupancy related expenditures of \$116,307 made on behalf of DFP. In accepting the RNC's claim, the Commission rejected that portion of the Staff recommendation that DFP received an in-kind contribution from the RNC for rent and related costs.

By removing the occupancy related expenditures of \$116,307, the adjustment to the spending limitation is reduced by \$95,229 ($\$116,307 \times (1 - .181234)$) to -\$5,462.

When the Commission considered the Staff recommendation with respect to this matter, the revised adjustment to the spending limitation had been calculated. The Commission approved the balance of the Staff recommendation.

²³ The August rent actually owed by DFP was prorated at approximately 45% $[(14 + 31) \times 100\%]$.

²⁴ For the full presentation and discussion of this issue see Agenda Documents 98-87 and 99-49, Finding III.D. and the audio tapes of the Commission's Open Session meetings on the following dates: December 3rd, 9th, and 10th 1998, January 14th and 28th, February 3rd and 25th, March 4th, and April 29, 1999.

E. EXPENDITURES SUBJECT TO THE SPENDING LIMITATION

Sections 441a(b)(1)(A) and (c) of Title 2 of the United States Code state, in part, that no candidate for the office of President of the United States who is eligible under section 9033 to receive payments from the Secretary of the Treasury may make expenditures in excess of \$10,000,000 in the campaign for nomination for election to such office as adjusted by the Consumer Price Index published each year by the Bureau of Labor Statistics of the Department of Labor.

Section 9035(a) of Title 26 of the United States Code states, in part, that no candidate shall knowingly incur qualified campaign expenses in excess of the expenditure limitation applicable under section 441a(b)(1)(A) of Title 2.

Section 9032.9(a) of Title 11 of the Code of Federal Regulations states, in part, that a qualified campaign expense is one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his campaign for nomination; and neither the incurrence nor the payment of which constitutes a violation of any law of the United States or the State in which the expense is incurred or paid.

Sections 9033.11(a) and (b)(1)(i) of Title 11 of the Code of Federal Regulations state, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his authorized committee are qualified campaign expenses as defined in 11 CFR §9032.9. For disbursements in excess of \$200 to a payee, the candidate shall present a canceled check negotiated by the payee and either a bill, an invoice or voucher from the payee stating the purpose of the disbursement.

Sections 9034.4(e)(5) of Title 11 of the Code of Federal Regulations states, in relevant part, that the production costs for media communications that are broadcast both before and after the date of the candidate's nomination shall be attributed 50% to the primary limitation and 50% to the general election limitation.

Sections 9038.2(b)(2)(i)(A) and (ii)(A) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for purposes other than to defray qualified campaign expenses. Further, an example of a Commission repayment determination under paragraph (b)(2) includes determinations that a candidate, a candidate's authorized committee(s) or agents have made expenditures in excess of the limitations set forth in 11 CFR §9035.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that 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 the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

Section 9038.2(b)(2)(v) of Title 11 of the Code of Federal Regulations states, in part, that if a candidate or candidate's authorized committee(s) exceeds both the overall expenditure limitation and one or more State expenditure limitations, the repayment determination under 11 CFR §9038.2(b)(2)(ii)(A) shall be based on only the larger of either the amount exceeding the State expenditure limitations(s) or the amount exceeding the overall expenditure limitation.

1. Calculation of DFP's Expenditures Subject to the Spending Limitation.

Generally, all qualified campaign expenses incurred by a candidate receiving federal funds under 11 CFR §9035 are subject to the overall spending limitation. There are, however, two categories of expenditures which are, within specific guidelines, not included in the calculation of the total expenditures. They are exempt fund-raising and exempt legal and accounting compliance expenses. All fund-raising expenses, not to exceed twenty percent of the overall spending limitation, are exempt. An amount equal to ten percent of all payroll, payroll taxes and overhead expenses may be considered exempt legal and accounting compliance expense. A alternate allocation method is available to committees which generally allows a larger exemption for legal and accounting compliance expenses. After exempt compliance and fund-raising expenses are deducted, a primary committee receiving matching funds for the 1996 election was permitted to incur expenditures of \$30,910,000.

When audit fieldwork began, DFP, on its Post General 1996 disclosure report, reported expenditures in excess of the spending limitation. At the entrance conference, on January 15, 1997, all work papers pertaining to the calculation of the reported totals were requested. On June 6, 1997 allocation spreadsheets, the first of two sets to be provided, were made available for review. When deficiencies were pointed out to DFP representatives, their response was to provide more detailed allocation spreadsheets on August 14, 1997. The timing of the receipt of the later spreadsheets coincided with DFP's filing of amended disclosure reports for all report periods.

It was apparent from the allocation spreadsheets that DFP intended to use the alternate method to calculate exempt compliance expense. But DFP provided no documentation to support their claim of a 13% compliance exemption for headquarters office overhead. It was not until August 28, 1997, that DFP made available an internal memo from July 1995 which suggested that the legal and accounting share of headquarters office overhead were 4% and 9% respectively. This estimate was based on relative square footage of office space, but never accounted for the expansion of headquarters floor space which occurred beginning in May of 1996.

In addition to the application of the 13% compliance share of the overhead for headquarters, DFP direct charged a portion of office supplies and equipment as compliance expenses. It is presumed that already included in the compliance

percentage of all headquarters overhead are those charges which DFP also direct charged to the same category. It was concluded that these direct charges to overhead constituted a double count of some compliance overhead.

Because of the deficiencies outlined above, it was decided to recalculate exempt compliance expenses for DFP. The legal and accounting compliance share of headquarters office overhead was calculated to be 18.1234% based on the headquarters office payroll. The disbursements database provided by DFP was reconciled to bank records and to the latest DFP reports. Specific categories of disbursements were drawn from the database and the exempt compliance disbursements for 1995 and 1996 were calculated to be \$1,870,544 and \$1,694,081 respectively. The maximum fundraising exemption of \$6,182,000 was applied. The total disbursements were adjusted for reconciling items such as offsets to expenditures, contribution refunds, loan repayments and transfers to other affiliated committees. At August 14, 1996, the Audit staff determined that DFP had made expenditures of \$32,120,870 subject to the overall spending limitation.

2. Additions to Expenditures Subject to the Limitation from Other Findings

The following amounts were discussed above and involve additions and subtractions to expenditure subject to the overall spending limitation.

- \$100,125 resulting from the improper reimbursement for the use of a privately owned aircraft:[see Finding II.B.]
- \$377,186 resulting from primary expenditures made on DFP's behalf by the GELAC:[see Finding III.B.1.]
- \$138,743 resulting from primary expenditures made on DFP's behalf by DK:[see Finding III.B.2.]
- \$233,943 resulting from the payment by DK, GELAC, RNC of portions of DFP's obligation on the telephone system and the transfer of same to DK:[see Finding III.C.]
- (\$5,462) resulting from the payment by DK and GELAC of portions of DFP's rent and related obligations:[see Finding III.D.]

The amounts shown above have been revised to reflect Commission action on each of the findings and recommendations discussed earlier in this report.

3. Additions Resulting from Asset Transfers to DK and GELAC

a. Dole Supporter List:

DFP transferred supporter lists to DK in exchange for \$324,817 on May 31, 1996. This represented DFP's calculation of half of the list development costs. An additional \$53,957 was wired on July 2, 1996 to DFP from DK. A recalculation of the list value accounted for this transfer. In the documentation accompanying the second payment, DFP and DK value the lists at 60% of the cost of 828,227 names at \$.40 per name and 60% of estimated development costs of \$300,000. From this, the Audit staff concluded that DFP and DK regarded the lists as capital assets and are transferring them as such under the provisions of 11 CFR 9034.5(c)(1). However, DK neither reports a subsequent sale of the supporter list nor includes them as an asset on DK's statement of Net Outstanding Qualified Campaign Expenses. Historically, campaign lists have not been included among capital assets because there is a reluctance on the part of the Commission to require their sale in order to settle campaign debt.

Using DFP's costs, their valuation of the supporter list is approximately \$.76 per name or \$760 per thousand names. It should also be noted that DFP representatives have maintained that the supporter list is not the DFP donor list. Generally, a donor list is more valuable than a supporter list. One directory of mailing lists offers political supporter lists for \$55.00 per thousand. Clinton-Gore '96 contracted with Names in the News/California, Inc., a list management company, to manage and offer for public use the campaign's active donor list. The price charged was \$80.00 per thousand names, substantially less than \$760 per thousand. Further, at the time the memorandum was prepared DFP, despite numerous requests, had not provided any documentation which establishes the number of names contained on the supporter list or documented its cost calculation.

For these reasons, the Audit staff has not considered the supporter lists to be capital assets. Therefore the proper valuation of the lists is fair market value. Information gathered suggests that \$760 per thousand names is many times the fair market value. However, because the number of names had not been established, at the time the Memorandum was prepared there was no way to attach even a reduced valuation to the lists. As a result, the entire amount was considered to be due from DK and no offset to expenditures subject to the limitation was allowed.

In the Memorandum it was recommended that DFP provide documentation which demonstrates the number of names included on the supporter lists, and provide evidence of the lists' fair market value. Absent such a demonstration, the Audit staff intended to recommend that the Commission determine that DFP received an in-kind contribution from DK and that DFP repay \$378,774 to DK and add \$378,774 to its spending limitation.

DFP responded to the Memorandum as follows:

"As DFP explained in its previous response, it is standard industry practice to establish a price per supporter name by dividing the total cost of a supporter program by the total number of names generated by such program. See statement attached at Exhibit 13. As the Audit Staff requested, DFP has attached records documenting that the total number of names generated by the Dole Supporter program was 876,087. *Id.* Thus at \$0.40 per name, these documents establish that the \$350,435 was the fair market value of the list.

"Thus only \$28,340 should be added to DFP's spending limitation and \$8,714.55 must be repaid to the U.S. Treasury."

DFP cites the memo [Exhibit 13] from Campaign Tel Ltd (CTL) which notes that "the .40 cent pricing of the 1996 records" is a "price as any other industry 'price per record' is based on the following formula: Total cost of program dollar amount divided by the number of favorables generated." CTL goes on to state that this, referring to the derivation of the unit cost, is an industry standard. DFP citing this industry standard, reverses the derivative process by multiplying the number of names on the lists by the "industry standard" .40 cents and arrives at the cost of the list and then, in a non sequitur, equates this unit cost with the fair market value. At no point in its memo does CTL address fair market value let alone suggest that a cost of .40 cents per name is a reflection of fair market value.

Fair market value of a list is not determined by the cost but rather by what someone is willing to pay for the use of the list. The SRDS Direct Marketing List Source, June 1998, Volume 32 Number 3, a catalog of thousands of available lists, was consulted to make a determination of the valuation of lists comparable to the Dole supporter lists. Donor lists, which the Dole supporter list is not, were first considered.²⁵ The "Republican-Solid GOP Donors" list is currently available for \$100.00 per thousand names [\$0.10 per name]. The Dole Donors (\$5 to \$500) list is currently valued at \$125.00 per thousand [\$0.125 per name]. The "Dole Signature Series Donors" list, comprised of donors to various conservative and government reform, veterans and charitable appeals, signed and endorsed by Senator Dole, is available for \$85.00 per thousand [\$0.085 per name]. In the category of support lists, there is a "Run Pat Run!" list of supporters of Pat Buchanan which is available for \$100.00 per thousand. Based on this and the market value of the Clinton campaign's donor lists as discussed above, the Dole supporter lists cannot be reasonably valued at more than \$100 per thousand names. As requested in the Memorandum, DFP included in its response documentation from

²⁵ It should be noted that donor lists are generally perceived to be more valuable than supporter lists.

CTL which listed the total number of names on the list as 876,087.²⁶ Accordingly, the estimated fair market value at which the list may have been transferred to DK is not more than \$87,609 (876,087 names multiplied by \$100.00 per thousand names).

Recommendation

The Audit staff recommended that the Commission determine that DFP received a contribution from DK of \$291,165 (\$378,774 - \$87,609), that DFP be required to repay \$291,165 to DK, and add \$291,165 to DFP's spending limitation.

The Commission adopted the Staff recommendation with the following stipulation. They directed that the valuation assigned to the lists be equal to half of the list cost documented, \$150,000 (\$300,000 x 50%). Thus, DFP received an in-kind contribution in the amount of \$228,774 (\$378,774 - \$150,000), DFP is required to repay \$228,774 to DK, and must add \$228,774 to DFP's spending limitation.

b. Film Footage:

DFP transferred film footage to DK on May 31, 1996 for \$266,086. The valuation of the transfer was later reduced to \$189,081 and an appropriate amount was refunded. The amount paid represented one half of the production costs as calculated by DFP, \$155,942, and one half of associated focus group costs equal to \$33,139, for 14 of DFP's commercials that were also used by DK.

Documentation provided shows that fourteen primary commercials were transferred to DK. Records also establish that each was broadcast at least once in the general election period. Examples of placements were "Historic Reforms" shown once at 6:18 A.M. on September 18, 1996, in Bismarck, North Dakota and "American Hero" shown once at 7:35 A.M. on September 16, 1996, in Sioux City, Iowa. For an expenditure of only \$455, DK ran all fourteen commercials and met the requirement for primary and general cost sharing.

The documentation failed to establish a connection between the commercials and some of the production costs. The Audit staff could only associate \$54,193 of the production costs with the commercials used by DK. Similarly, \$28,684 of the focus group costs were associated with the commercials. Thus, DFP transferred \$101,749 (\$155,942 - \$54,193) in production costs and \$4,455 (\$33,139 - \$28,684) in

²⁶ The number of names attributed to the list by DFP has not been a constant. Each time the lists were valued, the number has changed. When the lists were transferred on May 27, 1996 to DK, transfer documentation stated that the lists contained 874,085 names. When the transfer was adjusted on July 2, 1996, the supporting calculation indicated that there were 828,227 names on the lists.

focus costs more than supported. In this transaction, DFP received \$106,204 (\$101,749 - \$4,455) in excess of the asset value transferred to DK.

Based on the documentation made available at the time the Memorandum was prepared, DFP owed DK \$106,204 and an equal amount needed to be added to DFP's expenditures subject to the spending limitation.

In the Memorandum it was recommended that DFP provide documentation which would show the connection between the remaining production and focus group costs and a specific commercial. Absent such a demonstration, the Audit staff intended to recommend that the Commission determine that DFP received an in-kind contribution from DK, that DFP must repay \$106,204 to DK, and add \$106,204 to its spending limitation.

DFP responded to the Memorandum as follows:

"DFP has attached invoices that demonstrate that twelve of the fourteen advertisements whose production costs were assessed to Dole/Kemp were aired during the general election. See Exhibit 14. There has been some confusion generated by the remaining two ads because the production code numbers assigned to those ads changed after the ads were edited by the primary committee, but the original pre-edit code numbers were used when the ads were transferred to the general committee. DFP has attached contemporaneous memoranda that establish that the remaining two ads transferred to Dole/Kemp whose production costs were charged to Dole/Kemp were also aired by during the general election. Id. Thus, \$106,204 should not be added to DFP's spending limit, nor must DFP repay \$32,657.73 to the U.S. Treasury."

It is not clear to what confusion DFP is alluding in its response. Earlier, during fieldwork, a question had been raised about three commercials that were not identified on the television station invoices. The answer provided at the time was essentially the same as in the response. The Memorandum acknowledged that all 14 commercials had been run by DK.

DFP did not address the underlying problem in its response to the Memorandum, that is the lack of documentation which would establish a direct connection between the film production costs and the commercials run. Of the \$311,883 in total production costs, only nine of thirty-four invoices in amounts totaling \$108,384 had been specifically identified with any of the fourteen commercials in question. It appears that a portion of DFP's library of film footage is being attributed to these commercials as well. The cost of establishing a library of film footage is not part of the cost of producing these particular commercials. To permit such a calculation would require a recalculation of the cost of a particular commercial each time a portion of that

"DFP has no additional documentation at this time, leaving \$28,546 payable to Dole-Kemp '96, \$24,055 payable to the GELAC and \$52,601 added to the spending limit.."

Recommendation

The Audit Staff recommended that the Commission determine that DFP is required to repay \$28,546 to DK and \$24,055 to the GELAC, and that an additional \$52,601 is applicable DFP's spending limitation.

The Commission approved the Staff recommendation.

4. Miscellaneous Adjustments to Expenditures Subject to the Spending Limitations:

a. DFP received five offsets totaling \$684,616 from either DK or GELAC for the transfer of assets, for which 18.1234% of the original cost has been excluded from expenditures subject to the spending limitation as a compliance related expenses. The offsets should be applied to expenditures subject to the limitation in the same ratio as the original expenditures. DFP offset expenditures subject to the limitation for the full amount. The offset total must be reduced by \$169,200, the amount paid for the headquarters telephone system because it was adjusted for in calculations found at Finding III.C. Accordingly, 18.1234% or \$93,411 $((\$684,616 - \$169,200) \times 18.1234\%)$ should be added to expenditures subject to the limitation.

b. During the expenditure report period, GELAC paid USAir for a DFP obligation in the amount of \$5,073 and reimbursed DFP \$16,967 for primary expenses. These must also be added back to expenditures subject to the limitation.

c. Offsets received after Senator Dole's nomination totaling \$597,154 by DFP and \$6,145, received by DK for expenses originally paid by DFP, may be subtracted from expenditures subject to the spending limitation.

d. A payment by DFP, after Senator Dole's nomination, for air charter services of \$6,350 which were applicable to DK should also be subtracted from expenditures subject to the spending limitation.

5. Summary of Amounts Chargeable to the Spending Limitation

The effect of the adjustments to the DFP spending limitation are as shown below. The amounts on the chart have been adjusted to reflect Commission action on findings appearing earlier in this report.

footage was used by either the primary or the general election campaign. No documentation was provided that would warrant an increase in the amount of the production costs to be transferred to DK. Similarly, DFP identified focus group costs of \$66,281 which it maintains were related to the production of the commercials. Of this amount, \$57,369 of the costs could be identified with the fourteen commercials from the description on the documentation provided. Again, no new documentation was provided which would indicate that the balance spent for the focus group work was connected with these commercials. Accordingly, no increase in the value of the focus group work to be reimbursed by DK is indicated.

Recommendation

The Audit staff recommended that the Commission determine that \$101,749 (\$155,942 - \$54,193) in production costs and \$4,455 (\$33,139 - \$28,684) in focus group costs were improperly reimbursed to DFP by DK. It was further recommended that DFP be required to return the amounts to DK and that an equal amount be added to DFP's expenditures subject to the spending limitation.

The Commission approved the Staff recommendation.

c. **Improperly Valued Assets:**

A review of the asset transfers by DFP to DK and the GELAC identified assets reportedly transferred by DFP, for which no documentation of DFP's acquisition could be found and in one instance where the transfer value exceeded the documented value by \$20,000.

On July 31, 1996, DK paid DFP \$8,546 for these assets. In addition DK over paid DFP for a copier by \$20,000. On August 22, 1996, the GELAC paid DFP \$24,055 for undocumented assets.

At the close of fieldwork, DFP was provided with a schedule of the specific assets for which documentation could not be found or were over valued according to the available documentation. DFP responded that it had paid for every asset it had used or transferred, but did not supply any additional documentation.

In the Memorandum it was recommended that DFP provide documentation which would demonstrate its acquisition of these assets and their cost. Absent such a demonstration, it was stated that the Audit staff would recommend that the Commission determine that DFP was required to repay \$28,546 to DK, \$24,055 to the GELAC, and that \$52,601 be added to DFP's spending limitation.

DFP responded to the Memorandum as follows:

Expenses subject to the limitation through DOI, August 14, 1996:	\$32,120,870
ADD:	
In-Kind use of Air Plane (p.7)	100,125
RNC 441a(d) in-kind contribution	0
RNC Salary/Reimbursement in-kind contribution	0
RNC Media	0
RNC Polling	0
GELAC 1996 primary expenditures (p. 17)	377,186
DK primary expenditures (p. 20)	138,743
Kemp for Vice-President	0
NTFC adjustment to spending limit (p. 24)	233,943
Occupancy adjustment to limit (p. 25)	(5,462)
Dole/Kemp - Lists (p. 29)	228,774
Dole/Kemp- File Footage (p. 32)	101,749
Dole/Kemp- Focus Groups (p.32)	4,455
Transfer of incorrectly valued Assets (p. 34)	52,601
Asset Transfer Adjustment (p. 34)	93,411
GELAC paid DFP USAir expense (p. 35)	5,073
GELAC reimbursed Primary Expense (p. 35)	16,967
LESS:	
Operating Offsets Post Date of Nomination (p. 35)	(597,154)
Offsets Paid DK, but Owed to DFP (p. 35)	(6,145)
DK Air charter Expense paid by DFP (p. 35)	(6,350)
	<hr/>
Expenditures subject to the primary spending limitation:	<u>\$32,858,786</u>
Subtract Adjusted Primary Spending Limit	<u>(\$30,910,000)</u>
Expenditures in Excess of the Spending Limitation:	<u>\$1,948,786</u>

In the Memorandum it was recommended that DFP demonstrate that it had not exceeded the spending limitation at 2 U.S.C. §441a (b)(1)(A). Absent such a demonstration the Audit staff intended to recommend that the Commission determine that DFP exceeded the limitation and that DFP be required to make a repayment to the United States Treasury.

In addition to the responses to specific categories of expenses discussed elsewhere in this report, DFP responded to the Memorandum as follows:

“To the extent that the Committee may have exceeded the spending limit, that amount, according to the Committee’s calculations, would be not more than approximately \$1.5 million.”

While DFP has acknowledged that it exceeded the spending limit by approximately \$1,500,000, it provided no documentation which would detail and explain the its calculation of this amount.

Recommendation

The Audit staff recommended that the Commission determine that DFP exceeded the overall spending limitation at 2 U.S.C. 441a (b)(1)(A) by \$9,372,323 and that \$2,474,953 was repayable to the United States Treasury.

After accounting for the various Commission determinations noted above, the Staff recommended that the Commission determine that DFP exceeded the overall spending limitation at 2 U.S.C. 441a (b)(1)(A) by \$1,948,786 and that \$588,956²⁷ was payable to the United States Treasury.

The Commission voted on three separate motions that were relevant to this recommendation. First, as noted at Section III.A.4., supra, a motion was made that, in part, stated the Commission would make no repayment determinations based on alleged overall excessive spending by candidates receiving presidential primary matching funds. That motion failed to receive sufficient votes to be approved (3-2, with one abstention). Second, a motion was made to adopt the Staff recommendation including the repayment determination. That motion also failed to receive sufficient votes to be adopted on a 3-3 vote. Finally, a motion was adopted on a 6-0 vote to determine that DFP had exceeded the spending limitation by \$1,948,786, but without a repayment determination.²⁸

F. ALLOCATION OF STATE EXPENDITURES

Section 9035(a) of Title 26 of the United States Code states, in part, that no candidate shall knowingly incur qualified campaign expenses in excess of the expenditure limitation applicable under section 441a(b)(1)(A) of Title 2.

Sections 9038.2(b)(2)(i)(A) and (ii)(A) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for the purposes other than to defray qualified campaign expenses. Further, an example of a

²⁷ According to 11 CFR §9038.2(b)(2)(v), should a candidate be determined to have exceeded both the overall and the state expenditure limitations, only the greater of the two amounts would be subject to repayment.

²⁸ For the full presentation and discussion of this issue see Agenda Documents 98-87 and 99-49, Finding III.A. to III.E. and the audio tapes of the Commission's Open Session meetings on the following dates: December 3rd, 9th, and 10th 1998, January 14th and 28th, February 3rd and 25th, March 4th, and April 29, 1999.

Commission repayment determination under paragraph (b)(2) includes determinations that a candidate, a candidate's authorized committee(s) or agents have made expenditures in excess of the limitations set forth in 11 CFR §9035.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that 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 the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

Section 9038.2(b)(2)(v) of Title 11 of the Code of Federal Regulations states, in part, that if a candidate or candidate's authorized committee(s) exceeds both the overall expenditure limitation and one or more State expenditure limitations, the repayment determination under 11 CFR §9038.2(b)(2)(ii)(A) shall be based on only the larger of either the amount exceeding the State expenditure limitations(s) or the amount exceeding the overall expenditure limitation.

Sections 441a(b)(1)(A) and 441a(c) of Title 2 of the United States Code state, in part, that no candidate for the office of President of the United States who is eligible under Section 9033 of Title 26 to receive payments from the Secretary of the Treasury may make expenditures in any one state aggregating in excess of the greater of 16 cents multiplied by the voting age population of the state, or \$200,000 as adjusted by the Consumer Price Index.

Section 106.2(a)(1) of Title 2 of the Code of Federal Regulations states, in relevant part, that for Presidential primary candidates receiving federal matching funds pursuant to 11 CFR parts 9031 *et seq.* expenditures described in 11 CFR §106.2(b)(2) shall be allocated to a particular State if incurred by a candidate's authorized committee(s) for the purpose of influencing the nomination of that candidate for the office of President with respect to that State. An expenditure shall not necessarily be allocated to that state in which the expenditure is incurred or paid. In the event that the Commission disputes the candidate's allocation or claim of exemption for a particular expense, the candidate shall demonstrate, with supporting documentation, that his or her proposed method of allocating or claim of exemption was reasonable.

Section 106.2(b)(1) of Title 2 of the Code of Federal Regulations states, in part, that unless otherwise specified under 11 CFR §106.2(b)(2), an expenditure described in 11 CFR §106.2(b)(2) and incurred by a candidate's authorized committee(s) for the purpose of influencing the nomination of that candidate in more than one State shall be allocated to each State on a reasonable and uniformly applied basis.

Sections 106.2(b)(2)(i), (ii), (iii), (iv) and (v) of Title 2 of the Code of Federal Regulations state, in relevant part, that media costs, mass mailing costs, overhead costs less a 10% compliance exemption, special telephone program costs and polling costs are allocable to state spending limitations.

Section 110.8(c)(2) of Title 2 of the Code of Federal Regulations states, in part, that the candidate may treat an amount that does not exceed 50% of the candidate's total expenditures allocable to a particular State under 11 CFR §106.2 as exempt fundraising expenses, and may exclude this amount from the candidate's total expenditures attributable to the expenditure limitations for that state. The candidate may treat 100% of the cost of mass mailings as exempt fundraising expenses, unless the mass mailings were mailed within 28 days before the state's primary or caucus. The total of all amounts excluded for exempt fundraising expenses shall not exceed 20% of the overall expenditure limitation.

For the 1996 election cycle, the state spending limitation for Iowa was \$1,046,984 (16 cents multiplied by the Iowa voting age population of 2,117,000 and adjusted for the cost of living by a factor of 3.091). DFP reported expenditures allocable to Iowa of \$1,040,306.²⁹ The Audit staff reviewed and verified the accuracy of a sample of disbursements appearing on a detailed schedule of Iowa allocable expenditures provided by DFP. That schedule supported the amount reported by DFP as allocable to the Iowa spending limitation. The schedule proved to be reliable and therefore the Audit staff accepted the reported amount as accurate for the items contained on the schedule. A subsequent review of vendors from the allocation schedule and other vendors receiving Iowa related disbursements, identified additional allocable expenses of \$142,366.³⁰

The additional allocable disbursements were made to 19 vendors, 18 of whom had received other allocable payments and, were listed on DFP's Iowa expense schedule. Almost all the individual disbursements comprising the \$142,366 were identified as allocable to Iowa on either the DFP's accounting system or on the supporting documentation culled from the vendor files.

The purpose or characterization of the additional allocable expenditures are as follows.³¹ Assorted Iowa overhead expenditures made to fifteen vendors for such things as office supplies, event expenses, office utilities and printing totaled \$85,638. Allocable Iowa polling expenses totaled \$41,742. Expenditures of \$15,369 were made for phone programs and related development costs.

²⁹ On an amended report filed July 15, 1997, the DFP adjusted this figure by \$1,147, reducing the allocable Iowa disbursements to \$1,039,159. Because no documentary support has been provided to identify the disbursement or disbursements adjusted, the Audit staff continues to recognize the earlier reported figure.

³⁰ At the close of field work, the Audit staff provided the information as outlined in this finding to DFP. This finding included preliminary calculation of additional allocable expenditures made by DFP and subject to the Iowa spending limitation. As a result of material subsequently provided by DFP, the figure for additional allocable expenses was reduced.

³¹ A mass mailing credit of \$383 was identified and netted against the total additional allocable expenses for Iowa.

No apparent pattern was found to the DFP's failure to include these expenses in its reported Iowa expenditures subject to the spending limitation. The Audit staff noted that DFP also omitted allocable expenses from its New Hampshire limitation calculation. Additional allocable expenses for New Hampshire of approximately \$267,000 were identified. In a manner very similar to the Iowa allocations, the majority of the vendors to whom additional allocable disbursements were made, had been itemized on DFP's New Hampshire schedule for other allocable expenses. And again, as had occurred in Iowa, the additional allocable expenses were generally identified in either the DFP accounting system or on the supporting vendor documentation as expenses allocable to New Hampshire. Only an over allocation of \$270,591 for New Hampshire media expenses, identified by the Audit staff, prevented DFP from exceeding the spending limitation for New Hampshire.

The deficiency in the allocable amount reported by DFP for Iowa was not the direct result of a failure of DFP's accounting system. As already noted, most of the additional allocable expenses were clearly identified as such on either the supporting documentation and in the general ledger. DFP accounting personnel demonstrated a clear understanding of what constituted an allocable expense. Because no work papers accompanied the schedule of expenses allocated to Iowa, the Audit staff was not able to evaluate the procedure used to aggregate the appropriate expenses and therefore cannot explain why the DFP failed to properly include these disbursements.

An over allocation of media expenses for Iowa, though much smaller than the one found to have occurred in New Hampshire, was also identified by the Audit staff. This amount, \$14,257, was subtracted from the additional allocable amount. The actual additional amount subject to the Iowa spending limitation after applying the 10% overhead exclusion and then the 50% fundraising exemption was \$59,772. Using the accepted reported figure as the baseline, the Audit staff concluded DFP made expenditures chargeable to Iowa spending limitation of \$1,100,078 (\$1,040,306 + \$59,772). Thus, DFP spent \$53,094 in excess of the Iowa spending limitation (\$1,100,078 - \$1,046,984).

In the Memorandum, it was recommended that DFP provide documentation which clearly demonstrates that disbursements subject to the Iowa spending limitation did not exceed the limitation. It was explained that absent such a demonstration, should the amount by which DFP's spending exceeded the state limitation for Iowa be greater than the amount that its spending exceeded the overall spending limitation, the Audit staff would recommend that the Commission determine that the DFP be required to repay the U.S. Treasury \$16,454 [\$53,094 multiplied by the repayment ratio as then calculated].

DFP responded as follows:

"The FEC auditors erroneously counted indirect polling expenditures toward DFP's Iowa expenditure limit. These indirect costs were related to

activities that were analytical and strategic in nature and had overarching implications for the campaign in all fifty states and not only in Iowa. See attached statement of Bob Ward who was head of polling for the campaign (Exhibit 2). Thus they are not allocable to the Iowa limit. Indeed, per instructions from DFP, polling vendors broke down their bills according to whether their services were directly related to Iowa or were indirect as described above. See *id.* For example, invoices from Public Opinion Strategies specified such indirect costs as "overhead." See attached statement from Bob McInturff (Exhibit 3). The vendors provided these overarching indirect services with the intent that they would provide polling services to DFP throughout its entire national campaign."

DFP concluded that the audit inclusion in the calculation of expenses allocable to Iowa of indirect polling costs of \$21,083, pager rentals of \$1,054, database preparation charges of \$21,693 for phone numbers to be used in Iowa polling and telemarketing, and travel costs of \$10,609 incurred by a production company which was responsible for putting on Dole events in Iowa was incorrect.

With respect to the issue of "indirect polling costs," DFP's intention is to divide the cost invoiced for specific state polls into the basic cost of conducting the poll and indirect costs [charges for services of a strategic and analytic nature] with the consequence being that only the former expense is allocable while the latter is not. The regulations at 11 CFR §106.2(b)(2)(v) note that expenditures incurred for the taking of a public opinion poll covering only one state shall be allocated to that state and included in the costs to be allocated are the consultant's fees, travel costs, and other expenses associated with the design and conduct of the poll. Clearly, the allocable cost attributed to the cost of conducting a poll would include strategic and analytic services connected with the design of that poll. DFP has provided no documentation which suggests the charges invoiced for these Iowa polls were charges for anything other than the consultant's fee, travel costs or other expenses associated with the design of or the conducting of those polls.

Perhaps, had DFP received no other such strategic and analytic services from either of the two vendors in question, a case might be made for breaking out a portion of these polling costs as representing such a service. But in fact, one vendor, under contract to DFP, was receiving a monthly consulting fee in exchange for "general and technical consulting services, advice and counsel on campaign strategies, election techniques, scheduling, media events, and advertising." The other vendor received \$146,737 for services [not allocated] which presumably included work of a strategic and analytic nature which had "overarching implications for the campaign in all fifty states." While there is no doubt that DFP paid for and received strategic and analytical services from these vendors which were not state specific and therefore not allocable, nothing on the invoices for the Iowa polls indicates that the charges were for anything other than the design and implementation of the poll which must, according to the regulations, be allocated to the Iowa state spending limit.

All rental fees for pagers leased in Iowa were included in the audit calculation of expenses allocated to Iowa. Invoices for the pagers indicate that they were leased and used in Iowa. Although DFP allocated a portion of the pager rental fees, they did not allocate the rent for the pagers used by the advance staff on the grounds that the advance staff used the pagers in states other than Iowa. In its response, DFP provided no documentation which indicates that these pagers functioned outside of Iowa, let alone were in fact used by the advance staff outside of Iowa. Thus all of the pager rental expense incurred in Iowa remains allocable to the Iowa state expenditure limitation.

DFP states that the database work provided by Strategic Planning is not allocable to Iowa. The allocable expenses identified by the Audit staff included only invoiced charges for the development of Iowa phone lists. All costs related to the design and implementation of a telephone program are allocable to the state in which the program is to be conducted. It would seem that the costs of the compilation of lists of phone numbers are costs related to the design of a telephone program and thus are allocable to the particular state. Because DFP provided no documentation which indicated that the development of Iowa phone lists as described on the various invoices was not a part of an Iowa state phone program, the expenditure must be included in amounts allocable to the Iowa state expenditure limitation.

DFP wishes to exclude from allocation the travel expense of TKO Productions, a vendor who provided support services for numerous Iowa campaign events. This vendor is not an employee of the campaign and therefore any transportation expense it incurs is a cost of their doing business. As a cost of doing business and providing a service, it is naturally included in the total cost of the services provided and logically included in the event overhead cost. As an event overhead expense in a particular state, it must be allocated to expenditures subject to the spending limitation for that state.

DFP's response provides no reason to modify the original finding that DFP spent \$53,094 in excess of the Iowa spending limitation (\$1,100,078 - \$1,046,984).

Recommendation

The Audit staff recommended that the Commission determine that DFP exceeded the state spending limitation at 2 U.S.C. §441a (b)(1)(A) and §441a(c) by \$53,094 and that \$14,087 was repayable to the United States Treasury.

The Commission approved the Staff recommendation that it find that DFP exceeded the state expenditure limit for Iowa by \$53,094. However, as noted in the

previous finding, the Commission declined to determine that any repayment was due as a result of excessive spending.³²

G. DETERMINATION OF NET OUTSTANDING CAMPAIGN OBLIGATIONS - SURPLUS

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 days of the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which contains, among other things, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs. Subsection (b) of this section states, in part, that the total outstanding campaign obligations shall not include any accounts payable for non-qualified campaign expenses.

Section 9038.2(b)(4) of Title 11 of the Code of Federal Regulations states, in part, that the Commission may determine that the candidate's net outstanding campaign obligations, as defined in 11 CFR §9034.5, reflect a surplus.

Senator Dole's date of ineligibility was August 14, 1996. The DFP filed a Statement of Net Outstanding Campaign Obligations (NOCO) which reflected a \$24,623 surplus at August 14, 1996. The Audit staff reviewed DFP's financial activity through July 31, 1998, analyzed estimates of winding down costs prepared by DFP and developed the figures shown below. Also, Commission determinations with respect to findings discussed in previous sections of this report are reflected in the NOCO Statement. Those adjustments had been made when the Commission considered the Staff recommendation relative to surplus funds.

³² According to 11 CFR §9038.2(b)(2)(v), should a candidate be determined to have exceeded both the overall and the state expenditure limitations, only the greater of the two amounts would be subject to repayment.

Dole For President Committee, Inc.
Statement of Net Outstanding Campaign Obligations
as of August 14, 1996 as determined July 31, 1998

ASSETS

Adjusted Cash in Bank		\$2,782,131
Accounts Receivable		
Interest		10,072
Press		420,867
Secret Service		164,816
Vendor Refunds		303,842
Due From DK	(b)	664,429
Due From GELAC	(c)	1,360,056
Due from Multi Media		<u>66,165</u>
Total Accounts Receivable		<u>2,990,247</u>
Total Assets		5,772,378

OBLIGATIONS

Accounts Payable for Qualified Campaign Expenses	(d)	(1,193,444)
Due To DK	(e)	(574,158)
Due To GELAC	(f)	<u>(426,280)</u>
Total Accounts Payable		(2,193,882)
Wind down Costs:		
Actual 12/6/96-7/31/98	(g)	(2,161,132)
Estimated Wind down After 7/31/98	(h)	<u>(275,000)</u>
Total Wind down		(2,436,132)
Due to the U.S. Treasury-State Dated Checks		<u>(225,536)</u>
Total Obligations		<u>(4,855,550)</u>
Net Outstanding Campaign Obligations - Surplus		<u>\$ 916,828</u>

(a) Outstanding checks issued prior to the date of ineligibility and determined to be stale-dated have been added back to the cash in bank figure.

(b) Due From DK for

Bell Atlantic Refund of Deposit	20,000
Bell Atlantic & Ameritech Refunds	6,145
Sale Non Capital Assets - post doi	55,049
Sale Capital Assets - post doi	121,900
Repurchase of CD's Redeemed By DK	201,756
Asset Repurchase on 7/27/97 of equipment from DK was not recognized. The total was \$166,427.	
The remainder is included in the amount due to DK for telephone costs. That amount is a net of several adjustments. [See finding III.C.]	
DK Travel Exp Paid by DFP	58,355
Av Atlantic Overpayment	3,688
DK expense paid during wind down	80,316
DK Air Charter Expense Paid by DFP	10,870
	<u>6,350</u>
	664,429

(c) Due From GELAC for:

GELAC Share of Wind down. DFP paid all wind down costs post December 5, 1996. One half of the wind down expense should be paid by DK or GELAC.	1,070,301
GELAC paid the 11/30/96 and the 12/13/96 payrolls and was incorrectly reimbursed by DFP. Included in this adjustment is the entire 11/30/96 payroll, and half of the 12/13/96 payroll. The remainder of the 12/13/96 payroll is wind down and is addressed as a part of wind down expense above.	186,978
DFP Deposit Refunds Rec. by GELAC	15,201
Sale Non-Capital Assets to GELAC - post DOI	42,600
Sale Capital Assets to GELAC - post DOI	<u>44,476</u>
	1,360,056

(d) The expenditures addressed in Finding III.H.1.a. were paid after the date of ineligibility. Therefore they have been excluded from Accounts Payable for Qualified Campaign Expenses.

(e) Due To DK for:

Pre DOI Expenses Paid By DK See Finding III.B.2.	(138,743)
Telephone Expenses See Finding III.C.	(39,118)
Focus Group Expenses See Finding III.E.3.b.	(4,455)
Film Footage See Finding III.E.3.b.	(101,749)
Supporter Lists See Finding III.E.3.a.	(228,774)
Undocumented Asset transfer of 7/31/96 & 8/22/96 to DK. See Finding III.E.3.c.	(28,546)
Rent Expenses See Finding III.D.	<u>(32,773)</u>
	(574,158)

(f) Due To GELAC for:

Primary Expenses See Finding III.B.1	(377,186)
DFP Expenses Reimbursed By GELAC See Finding III.E.4.b	(16,967)
U.S. Air Expense See Finding III.E.4.b.	(5,073)
GELAC Phone	(2,123)
D&B fees paid by GELAC in Wind down period	(876)
Undocumented Asset transfer of 7/31/96 & 8/22/96 to GELAC See Finding III.E.c.	<u>(24,055)</u>
	(426,280)

(g) This represents the wind down cost paid by the Primary Committee.

(h) Consistent with the position taken by the Audit staff at Finding III.G.1.b. that DFP was responsible only for winding down expenses related to it, the winding down estimate of \$550,000 provided for both DFP and DK was halved and entered as \$275,000.

Section 9038.3(c)(1) of Title 11 of the Code of Federal Regulations states, in part, that if on the last day of candidate eligibility the candidate's net outstanding campaign obligations reflect a surplus, the candidate shall within 30 days of the ineligibility date repay to the Secretary an amount which represents the amount of matching funds contained in the candidate's surplus. The amount shall be an amount equal to that portion of the surplus which bears the same ratio to the total surplus that the total amount received by the candidate from the matching payment account bears to the total deposits made to the candidate's accounts.

The Audit staff's calculation of DFP's Net Outstanding Campaign Obligations as of August 14, 1996, as revised to reflect the Commission's actions with respect to other findings in this report, shows it to have been in a surplus position in the amount of \$916,828 and that, \$283,481 ($\$916,828 \times .309198$ ³³) is repayable to the U.S. Treasury.

In the Memorandum it was recommended that DFP provide evidence that its Statement of Net Outstanding Campaign Obligations did not reflect a surplus or that the surplus was a lessor amount. At the time the Memorandum was prepared the amount of the surplus was calculated to be \$243,248. Absent the presentation such evidence, the Audit staff stated that it would recommend that the Commission determine that an proportional amount of the surplus is repayable to the United States Treasury pursuant to 11 CFR §9038.3(c)(1).

DFP responded to the Memorandum as follows:

"DFP has reviewed its statement of net campaign obligations and has found no surplus. Indeed, total monies available to DFP are addressed in the conclusion."

The principal reason for the increase in the amount of the surplus between the the Memorandum and the calculation shown above, has to do with the estimate of remaining winding down costs. In the Memorandum calculation the entire estimate was included on the DFP NOCO Statement. It has been learned that, consistent with DFP's position on other wind down costs, the estimate covered both DFP and DK. Consistent with the calculation of other wind down costs discussed below, the amount has been reduced to one half of the total to reflect the DK share of the costs [See Finding III.H.1.b. below].

Other than insisting in its response to Finding III.H.1.b that it was properly funding all wind down expenses from primary funds, DFP provided no documentation to support its contention that it has found no surplus. Of course, if DFP was permitted to

³³ This figure (.309198) represents the Committee's repayment ratio as calculated pursuant to 11 CFR §9038.3(c)(1). [see explanation at footnote #17]

fund all of wind down, including DK's obligations, there would be no surplus funds. But because DFP may only pay wind down attributable to the primary campaign, it is in a surplus position.

Contrary to DFP's claim, "total monies available to DFP" is not addressed in the conclusion of its response. Indeed, the conclusion merely states that "...to the extent the Committee may have exceeded the spending limit, that amount, according to the Committee's calculations, would be no more than approximately \$1.5 million." It is unclear what DFP meant to communicate by its inclusion of a reference to "total monies available" or what effect this might have on its claim that net outstanding campaign obligations do not indicate a surplus.

Recommendation

The Audit staff recommended that the Commission determine DFP's Statement of Net Outstanding Campaign Obligations reflects a surplus of \$916,828 and that, \$283,481 ($\$916,828 \times .309198^{34}$) is repayable to the United States Treasury pursuant to 11 CFR §9038.3(c)(1)³⁵.

The Commission adopted the Staff recommendation.

³⁴ The repayment ratio is calculated as shown in the table below. The Commissioners adopted motions on December 10, 1998, and January 28, 1999, which rejected Staff recommendations that they determine DFP had received in-kind contributions from the RNC for media, polling and 441a(d) expenditures and from Kemp for Vice-President, Inc. for miscellaneous pre date of ineligibility expenditures. Accordingly, these in-kind contributions are not included in the following calculation. The numerator is equal to the net matching funds received by DFP and the denominator is equal to all contributions (including in-kind contributions), matching funds and interest.

Repayment Ratio =	.309198
Ratio Calculation =	\$13,524,771 \$43,741,518
Total for Numerator / Net Matching Funds Received:	\$13,524,771
Total Deposits [all contributions & matching funds]:	43,574,394
Interest:	46,884
1995 - 1996 Other In-kinds:	20,115
In-kind from Keck:	100,125
Total for denominator:	\$43,741,518

³⁵ The figures in this recommendation have been revised to reflect Commission action on other findings in the report. The revised amounts were available at the time of the Commission's vote on this recommendation.

H. OTHER REPAYMENTS

1. Non-qualified Expenditures

Section 9004.4(a)(4)(iii) of Title 11 of the Code of Federal Regulations states, in part, that 100% of salary, overhead and computer expenses incurred after the end of the expenditure report period may be paid from a legal and accounting compliance fund established pursuant to 11 CFR §9003.3 and will be presumed to be solely to insure compliance with 2 U.S.C. §431 *et seq.* and 26 U.S.C. §9001 *et seq.*

Section 9032.9(a) of Title 11 of the Code of Federal Regulations states, in part, that a qualified campaign expense is one incurred by or on behalf of the candidate from the date the individual became a candidate through the last day of the candidate's eligibility; made in connection with his campaign for nomination; and neither the incurrence nor the payment of which constitutes a violation of any law of the United States or 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 committee(s) are qualified campaign expenses.

Section 9034.4(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that all contributions received by an individual from the date he becomes a candidate and all matching payments received by the candidate shall be used only to defray qualified campaign expenses or to repay loans or otherwise restore funds (other than contributions which were received and expended to defray qualified campaign expenses) which were used to defray qualified expenses.

Sections 9038.2(b)(2)(i)(A) and (ii)(B) of Title 11 of the Code of Federal Regulations state, in part, that the Commission may determine that amount(s) of any payments made to a candidate from the matching payment account were used for the purposes other than to defray qualified campaign expenses. Further, an example of a Commission repayment determination under paragraph (b)(2) includes determinations that a candidate, a candidate's authorized committee(s) or agents have made expenditures for expenses resulting from a violation of State or Federal law, such as the payment of fines or penalties.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that 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 the candidate's total deposits, as of 90 days after the candidate's date of ineligibility.

a. Incurred Prior to the Expenditure Report Period

In the course of reviewing DFP's disbursements, items were identified which, on their face, do not appear to be qualified campaign expenditures. The expenditures in question were presented to DFP at the close of fieldwork. DFP was able to show that some of these expenses were qualified campaign expenses.

At the time the Memorandum was prepared, eleven expenditures for \$20,231 had not been addressed by DFP and were regarded as non-qualified. The categories of non-qualified campaign expenses were as follows: a \$4000 refund of an NSF contribution, \$6,465 in tax penalties paid to local jurisdictions, \$1,703 in duplicate payments to two vendors and \$8,063 in expenditures not campaign related. Of the expenditures which were not campaign related, \$5,054 was paid for personal travel by committee staff and billed to the campaign, and the remaining \$3,009 was paid for the preparation of a U.S. Senate financial disclosure statement.

In the Memorandum it was recommended that DFP provide documentation which demonstrated that the above disbursements were qualified campaign expenses. Absent such a demonstration, the Audit staff intended to recommend that the Commission determine that the DFP is required to make a repayment to the U.S. Treasury.

DFP responded that it "does not dispute the Audit Staff's assessment of these items."

Recommendation

The Audit staff recommended that the Commission determine that DFP is required to repay the U.S. Treasury \$6,255 [$\$20,231 \times .309198$].³⁶

The Commission approved the Staff recommendation.

b. Incurred in the Post Expenditure Period

Winding Down expenses of \$1,961,138 for both the primary and general committees were incurred between December 5, 1996 and March 5, 1998. DFP paid all of these costs. The Memorandum concluded that the cost should have been allocated between the two committees. Absent a better allocation technique, an equal allocation was used. Half of this amount, \$980,569, was therefore shown as a receivable of DFP from DK. Further, this amount is a non qualified winding down expense for DFP.

³⁶ The figures in this recommendation have been revised to reflect Commission action on other findings in the report. The revised amounts were available at the time of the Commission's vote on this matter.

In the Memorandum it was recommended that the DFP provide documentation which demonstrated that DK either paid its share of wind down expenses or that DFP received reimbursement from DK for DK's share of wind down expenses. Absent such a demonstration, the Audit staff stated that it would recommend that the Commission determine that the DFP be required to make a repayment to the U.S. Treasury.

DFP responded to the Memorandum as follows:

"The Audit Staff erroneously imposed a pro-rata rule of the payment of wind down costs. Indeed, nothing in the Commission's regulation[sic] requires that the primary and the general committees split these costs. In the absence of such a directive, DFP is entitled to pay the entire costs of the wind down process.

"Also, the Primary Committee is explicitly entitled to pay for its wind down costs after the date of the nomination. 11 C.F.R. 9034.4(a)(3). DFP's audit has been going on since the presidential campaign came to an end. Also, there has been no distinction between DFP's audit and Dole/Kemp's audit. Thus, DFP is explicitly entitled to pay for the wind down costs under 11 C.F.R. §034.4(a)(3)."

DFP correctly notes that guidance for primary wind down expense is found at 11 CFR §9034.4(a)(3). To pay wind down expenses from a mixed pool of public and private funds, the wind down expense must meet the definition of a qualified primary wind down expense. Qualified primary wind down expenses, as outlined at 11 CFR §9034.4(a)(3), are costs associated with the termination of primary campaign political activity. These include 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. To reiterate the point, 11 CFR §9034.4(a)(3) identifies only primary wind down expenses as being permissible expenses of the primary committee. Thus, wind down expenses of another committee are not and can not be qualified expenses of the primary committee.³⁷

There is no prohibition against the sharing of space and staff by two campaigns. In the interest of economy, this is what DFP and DK did. While the regulations do not require that the wind down costs be split, the regulations require

³⁷ Similar guidance for the general wind down expenses can be found at 11 CFR §9004.4(a)(4). A general committee may pay only qualified wind down costs with public funds. Qualified general wind down expenses, as outlined at 11 CFR §9004.4(a)(4), are costs associated with the termination of the political activity. These are 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.

that the primary, if it is using funds containing public moneys, pay only wind down expenses attributable to the primary. Therefore; given that the wind down activity both of the primary and general election campaigns' has occurred simultaneously in shared facilities with a shared staff, and that the DFP may not pay for more than its share of the wind down costs, and lacking a more precise allocation method, the costs should be equally attributed to the primary and general campaigns.

A review of additional wind down expenses through July 31, 1998 revealed that DFP had continued to pay the wind down expense for DK and itself. Accordingly, half of the additional expense, \$90,252 was added to the wind down receivable due DFP from DK.

Recommendation

The Audit staff recommended that the Commission determine DFP made wind down disbursements totaling \$1,070,801 on behalf of DK and that amount is due from GELAC. Further the amount due from GELAC is an asset to be reflected on DFP's NOCO statement.

The Commission approved the Staff recommendation.

2. Stale-Dated Checks

Section 9038.6 of Title 11 of the Code of Federal Regulations states, in part, that if the committee has checks outstanding to creditors or contributors that have not been cashed, the committee shall notify the Commission of its efforts to locate the payees, if such efforts are 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 reviewed the DFP's bank activity through February 1998 for outstanding checks. The results of the review were presented to DFP at the close of fieldwork. DFP was able to demonstrate that a portion of those initially identified were not unpaid obligations. When the Memorandum was prepared 522 checks totaling \$244,239 remained outstanding. Of these, 429 in the amount of \$190,418 were contribution refunds.

In the Memorandum it was recommended that DFP provide evidence that the checks were either not outstanding or that they were void and no obligation existed. If the checks were not outstanding the evidence provided was to include copies of the front and back of the negotiated checks or negotiated replacement checks. If the checks were void the evidence presented was to include statements from the vendors acknowledging that they have been paid in full, or account reconciliation's showing that all billings have been paid. Absent the submission of such evidence, the

Audit staff intended to recommend that the Commission determine that stale-dated checks, totaling \$244,239, are payable to the United States Treasury.

In its response to the Memorandum, DFP identified four categories of payments related to stale dated checks totaling \$33,367, which it concluded do not represent obligations on its part. First, it notes that there are five checks in the amount of \$4,837 which were written in error. Secondly, six checks, totaling \$3,650, are identified as having been negotiated. Personal services that DFP contends may be provided to a committee and result in no obligation to that committee are determined to account for payments to nine individuals totaling \$7,046. Finally, four vendors, to whom stale dated checks totaled \$17,834, and with whom DFP had a long history of transactions, who may have required security deposits prior to providing service, and from whom refunds have been received are eliminated as creditors because they have not re-billed or otherwise requested payment of these amounts.

In its response, DFP provided no documentation in support of its challenge to stale dated checks. With respect to the checks identified as written in error, no verification was provided from the vendors confirming that either no obligation existed or that the obligation had been satisfied. No copies of canceled checks were provided to support the claim that six checks had been negotiated and therefore were no longer outstanding.³⁸ While individuals may donate personal services to and assume travel costs on behalf of a campaign with no contribution to or obligation on the part of the campaign, these special circumstances must be documented to demonstrate the individual's intent, particularly in instances where the individuals had been previously paid as committee employees. DFP did not provide evidence of such arrangements, or that it had contacted or attempted to contact these individuals to obtain a statement acknowledging that no obligation on the part of the DFP exists. Two travel reimbursements which had been included in this category were voided, reissued and negotiated. DFP may be correct in that it no longer owes the last category of vendors for services provided, but they did not provide documentation that they had obtained, or sought to obtain, written confirmation from these vendors acknowledging that their accounts were paid in full. Further, DFP did not provide a detailed reconciliation for the accounts in question. Accordingly, except as noted, DFP's reductions to the stale dated check total were not accepted.

A post fieldwork review of DFP's wind down expenses indicated that checks totaling \$18,703,³⁹ the majority reissued in March 1998, had cleared the bank. Accordingly, the stale dated check total was reduced to \$225,536 [\$244,239 - \$18,703].

³⁸ The negotiation of four of the six checks was verified during the post field work review.

³⁹ Of the \$33,367 challenged by DFP, checks totaling \$6,517 were included in the amount of reissued and negotiated checks.

In their 1998 third quarter disclosure report, DFP reported voiding operating expenditure checks in the amount of \$20,442 and contribution refund checks in the amount of \$190,599. The total voided, \$211,041, was the same amount as that which DFP acknowledged in its response to the Memorandum to be stale dated and repayable to the U.S. Treasury. Implicit in DFP's acknowledgment was the fact that the contribution refunds represented impermissible funds and as such were not available for use by DFP. Section 103.3(b)(4) of Title 11 of the Code of Federal Regulations requires committees to maintain sufficient funds to make all such refunds. In the same report, DFP also reported that ending cash on hand was \$48,265. Thus, some of the funds, acknowledged to be impermissible, have evidently been expended.

Recommendation

The Audit staff recommended that the Commission determine DFP had stale dated outstanding checks totaling \$225,536 and that DFP be required to pay this amount to the United States Treasury.

The Commission adopted the Staff recommendation.

I. SUMMARY OF AMOUNTS DUE TO THE U.S. TREASURY

Finding No.	Finding Title	Amount
III.G.	Determination of Net Outstanding Campaign Obligations-Surplus	\$ 283,481
III.H.	Other Repayments	
	1. Non-qualified Expenditures	
	a. Incurred Prior to the Expenditure Report Period	6,255
	2. Stale-Dated Checks	<u>225,536</u>
Total Amount Due to the U.S. Treasury		<u>\$ 515,272</u>

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

SKADDEN, ARPS, SLATE, MEAGHER & FLOM-LLP

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

1440 NEW YORK AVENUE, N.W.
WASHINGTON, D.C. 20005-2111
TEL (202) 371-7000
FAX (202) 393-5760

AUG 31 11 53 AM '99

AUG 30 5 00 PM '99

FORM/AFFILIATE OFFICES
BOSTON
CHICAGO
HOUSTON
LOS ANGELES
NEWARK
NEW YORK
PALO ALTO
SAN FRANCISCO
WILMINGTON
BEIJING
BRUSSELS
FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
SINGAPORE
SYDNEY
TOKYO
TORONTO

DIRECT DIAL
(202) 371-7007
DIRECT FAX
(202) 371-7956

August 30, 1999

Via Hand Delivery

Lawrence M. Noble, Esq.
General Counsel
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: Response to the Report of the Audit Division on
Dole for President, Inc.

Dear Mr. Noble:

This is in response to the Audit Division report which was approved by the Commission on June 3, 1999, regarding Dole for President, Inc. ("DFP"). In particular, the Commission made a determination in the report that there should be a repayment of \$515,272, in connection with DFP, made to the U.S. Treasury. This repayment figure is excessive and unfounded. This response contests the repayment determination and also addresses the non-repayment issues. Pursuant to 11 C.F.R. § 9038.2(c)(2)(ii), we request an opportunity to address the Commission in an oral hearing during which we can present these arguments. In addition to the arguments contained herein, DFP preserves all constitutional, procedural and jurisdictional claims that may be available to it.

I. Apparent Surplus

In calculating the net outstanding campaign obligations as of August 14, 1996, the Audit Division took the total of DFP's adjusted cash in the bank and alleged accounts receivable and then netted out DFP's obligations. The Audit Division concluded from this calculation that DFP had a surplus of \$916,828 and, as a result, \$283,481 (i.e., \$916,828 x 0.309198) should be repaid to the U.S. Treasury.

ATTACHMENT 2
Page 1 of 11

Lawrence M. Noble, Esq.

August 30, 1999

Page 2

Treating the \$916,828 amount as a surplus mischaracterizes the financial condition of DFP in that DFP at this point has a bank balance of only \$21,676, and indeed will have a \$0 balance after the transfer, per the Dole/Kemp '96, Inc. ("Dole/Kemp") audit report, to Dole/Kemp as described in the Dole/Kemp Response. Indeed, this alleged surplus is a fiction. The entire amount of the surplus is attributable to an alleged \$1,070,801 in wind down payments made by DFP which the Audit Division erroneously claims should have been paid by the Dole/Kemp '96 Compliance Committee, Inc. ("GELAC"). As a result, the Audit Division treats this \$1,070,801 amount as a receivable from GELAC for purposes of calculating DFP's net outstanding campaign obligations ("NOCO") figure which in turn is used to determine the alleged surplus. Treating this fictional figure as a repayable surplus is counter to the purpose of the repayment provisions of the Federal Election Campaign Act of 1971, as amended, ("FECA") which is to prevent the misuse by a campaign of appropriated public funds. Requiring repayment based on a surplus that does not actually exist defeats this purpose and makes the repayment provisions punitive in nature.

In calculating this surplus, the Audit Division relies on 11 C.F.R. § 9038.2 (b)(4), which states that "[t]he Commission may determine that the candidate's net outstanding campaign obligations . . . reflect a surplus." Please note, however, that this provision does not require the Commission to use the net outstanding obligations to determine surplus, especially if that figure does not accurately reflect an actual surplus. Also, the provision goes on to state that "[t]he Commission may determine that the net income derived from an investment or other use of surplus public funds after the candidate's date of ineligibility . . . shall be paid to the Treasury." It does not mention making repayments on the entire amount of the alleged surplus.

Lawrence M. Noble, Esq.
August 30, 1999
Page 3

Also note that even if the Audit Division had properly used the NOCO figure to determine the alleged surplus, it was erroneous in claiming that GELAC should have paid \$1,070,801 of the wind down costs (i.e., one-half of the total wind down costs). There is nothing in 11 C.F.R. § 9034.4(a)(3), i.e., the provision that governs the wind down costs that DFP may pay, which limits such payments to wind down costs of DFP. Rather, the provision states that DFP may pay the

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 of winding down the campaign.

The term "campaign" is not defined. Indeed, given the difficulty of attributing portions of wind down costs to the primary and the general, it makes sense to permit the primary campaign to pay the entire amount of such costs.

Thus, the repayment figure should be reduced by \$283,481.

II. Apparent Non-Qualified Campaign Expenditures

A. Refund of a Contribution

The Audit Staff claims that there should be a \$1,237 (\$4,000 x 0.309198) repayment in connection with an alleged non-qualified campaign expenditure of \$4,000 which DFP made to refund a portion of a contribution from Skilled Healthcare PAC. In particular, DFP received a \$5,000 contribution check from Skilled Healthcare PAC. After realizing that the PAC had not qualified as a multi-candidate PAC, DFP refunded the PAC \$4,000 to stay within the contribution limit for non-multi-candidate PACs. However, the bank could not honor the original \$5,000 contribution check from Skilled Healthcare PAC due to insufficient funds.

ATTACHMENT 2
Page 3 of 11

Lawrence M. Noble, Esq.
August 30, 1999
Page 4

Despite repeated efforts, DFP was unable to get back the \$4,000 refund it made to the PAC. Indeed, we understand that the PAC no longer exists. Given that this \$4,000 refund was made in an effort to comply with FECA's limits and that DFP took all reasonable steps to get back this amount, the Commission should not consider this refund as a non-qualified campaign expenditure. Indeed, it is inherently unfair to penalize DFP for a second time with a repayment when DFP has already suffered a \$4,000 loss by making the refund that it was unable to collect.

Thus, the repayment figure should be reduced by \$1,237.

B. Payment for Services to Prepare Financial Statements

The Audit Division claims that DFP made \$3,009 in non-qualified campaign expenditures by paying for the preparation of a U.S. financial disclosure statement. Given the conclusory nature of this allegation, without a specific description of the basis for the allegation, it is difficult for DFP to respond. However, Senator Dole was required to file a financial disclosure statement both as a presidential candidate and as a Senator. There is much overlap between these reporting requirements. Thus, it was appropriate for DFP to pay its portion of gathering and reporting this financial information, since the same information is used to prepare the presidential and the Senate disclosure statements.

The repayment figure should be reduced by \$930 ($\$3,009 \times 0.309198$).

III. Stale-Dated Checks

The Audit Division claims that DFP has \$225,536 in stale-dated checks. Relying on 11 C.F.R. § 9038.6, the Audit Division further claims that DFP must repay the entire amount of such stale-dated checks. However, the repayment provision or the Tax Code does not mention the repayment of stale-dated checks, and to the extent that such checks may come within that provision, the repayment would

Lawrence M. Noble, Esq.
August 30, 1999
Page 5

only be applicable to the portion that is attributable to "the payments made to a candidate from matching funds." 26 U.S.C. 9038(b). Indeed, in Reagan for President Com. v. FEC, the court stated that

repayment orders [must] be limited to the amount of federal funds that the Commission reasonably determines were spent by the Committee for unqualified purposes. The Commission's regulations establish an unreasonable presumption that all unqualified expenditures are paid entirely out of federal funds.

Reagan for President Com. v. FEC, 734 F.2d 1569, 1570 (D.C.Cir. 1984) (citing Kennedy for President Com. v. FEC, 734 F.2d 1558 (D.C.Cir. 1984))(emphasis added).

In this case, the stale-dated checks were based on funds in DFP's bank account which consist of private and public funds. Thus, instead of requiring repayment on a dollar-for-dollar basis on the \$225,536 amount, repayment should be calculated by determining the public funds portion of this amount (i.e., \$225,536 x 0.309198) which is \$69,735.

Regardless, DFP is still in the process of ensuring that these checks are actually outstanding and attempting to locate the payees to encourage them to deposit or cash the checks or to re-issue them new checks. We request that the Commission permit DFP the option of having the payees deposit or cash the checks or to reissue them new checks without triggering a repayment.

Lawrence M. Noble, Esq.
August 30, 1999
Page 6

IV. Non-Repayment Issues

A. Loan to DFP

The Audit Staff identified a series of three transfers between Dole/Kemp and DFP, totaling \$2,000,000, and concluded that the transactions represent a loan from DFP to Dole/Kemp, thus resulting in a contribution from DFP to Dole/Kemp. However, DFP has demonstrated in prior submissions that the transfers to Dole/Kemp were made in error and promptly corrected in less than a month.

Indeed, as we indicated in DFP's Response to the Exit Conference Memorandum, the initial transfers at issue between DFP and Dole/Kemp accounts in October and November, 1996, were made in error as the committees began to consolidate accounts and banking activity prior to the election. Funds were mistakenly transferred between the committees, instead of internally between accounts of the same committee, resulting in transfers which were not reported with the fourth quarter activity.

The transfers were not intended to be loans nor did they amount to loans. Rather, these transactions reflect errors made by the campaign — errors that were discovered and corrected in less than a month after they occurred — and not an attempt to secure a loan. DFP has filed amended disclosure reports to disclose fully the transfer that was made in error as well as the transfer made to correct that error.

The Audit Staff requests bank documentation to prove that the transfers were made in error. The only such documentation is the record of the initial and correcting transfers. These were not bank errors in which the wrong account was credited with a transfer, and for which bank records may show an error. These were errors by DFP staff for which no further documentation is available.

Lawrence M. Noble, Esq.
August 30, 1999
Page 7

Thus, no contribution in the form of a loan was made by DFP to Dole/Kemp.

B. Apparent Excessive In-Kind Contribution

The Audit Staff claims that the candidate's use of a private aircraft from May 28 through June 2, 1995 resulted in an excessive in-kind contribution. Indeed, although DFP paid first class airfare for the use of that plane pursuant to 11 C.F.R. § 114.9(e), the Audit Division alleges that those payments were insufficient because the plane, despite that it was operated as a corporate aircraft, was technically owned by an individual.

DFP properly paid first class airfare as provided for in 11 C.F.R. § 114.9(e). Indeed, the aircraft served in all respects as a corporate aircraft for Coalinga Corporation. It was maintained for the use of the corporation and carries the initials of the company on its tail. The company's representative, Patrick Templeton, in a statement submitted to the Audit Staff and quoted in the Audit Report, states: "The aircraft functioned as the corporate jet for Coalinga Corp., a subchapter S corporation which is a diversified holding company wholly-owned by Mr. [William] Keck." See Attachment 1. Given the overwhelming corporate nature of the aircraft, it was reasonable for DFP to believe, at the time, that it was a corporate aircraft and to pay first class airfare.

In addition, even though the aircraft may have been owned by an individual, a campaign should be permitted to pay first class airfare as long as it is being operated by a corporation. Indeed, the Commission's Finance Control and Compliance Manual states that "[t]o varying degrees campaigns make use of aircraft for campaign travel which are owned or operated by . . . corporations not licensed to offer commercial services. When such aircraft are used, the rate of reimbursement is controlled by Section 114.9 of the Commission's regulations." Commission, Finance Control and Compliance Manual 161 (emphasis added).

Lawrence M. Noble, Esq.
August 30, 1999
Page 8

Moreover, even if the Coalinga plane is treated as other than a corporate aircraft, payment of a charter rate for air travel to cities with regularly-scheduled service is only appropriate when the aircraft is used for commercial purposes. The Commission's regulations firmly establish that first class airfare is the appropriate rate for a non-commercially used plane. See 11 C.F.R. § 114.9(e); see also 11 C.F.R. § 9004.7(b)(5)(i).

Finally, even if the Commission concludes that the use of the aircraft was not reimbursable under 11 C.F.R. § 114.9(e), we believe the Audit Staff's estimate of the charter rate is incorrect. According to Mr. Keck, the charter rate for comparable planes for known and repeat passengers (the "inside rate") at that time was \$3,100 per hour, not that \$4,500 per hour figure cited by the Audit Staff. Furthermore, in their estimate, the Audit Staff includes the "dead-head" time during which the aircraft was flown to Washington, D.C. to pick up Senator Dole and the other passengers. This expense should not be included in an estimate of the cost of a comparable plane, for a charter company would not lease a plane 3,000 miles away from its embarkation point. The Audit Staff attempts to dismiss this argument by noting that selecting an aircraft 3,000 miles away was precisely what DFP did. This misrepresents DFP's intention in arranging for the use of the Coalinga plane. DFP did not elect to charter a plane that was thousands of miles away. Rather, DFP accepted the offer of a company to utilize the company's corporate plane, recognizing that it could pay first class airfare rate under Commission rules and guidance.

C. Misstatement of Financial Activity

The Audit Staff claims that DFP made financial misstatements regarding the amount of beginning and ending cash-on-hands due to apparent reporting errors regarding receipts and disbursements in 1995 and 1996. The Audit Staff also claims that there were other errors in reporting receipts and disbursements.

DFP has filed amendments to address these issues on July 28, 1998.

ATTACHMENT 2
Page 8 of 11

Lawrence M. Noble, Esq.
August 30, 1999
Page 9

V. Conclusion

We request that the Commission adjust the repayment figure and conform its determinations regarding the non-repayment issues as described above.

Respectfully submitted,



Kenneth A. Gross

Skadden, Arps, Slate, Meagher & Flom
LLP



Ki P. Hong

Skadden, Arps, Slate, Meagher & Flom
LLP

Attorneys for Dole for President, Inc.

Attachment

cc: The Commissioners
The Audit Division

ATTACHMENT 1

Statement of Coalinga Corp.

STATEMENT OF COALINGA CORP.

Senator Dole's campaign travel on an aircraft registered in the name of William Keck is properly reimbursable at first class rates. The aircraft functioned as the corporate jet for Coalinga Corp., a sub-chapter S corporation which is a diversified holding company wholly owned by Mr. Keck. The aircraft was registered in Mr. Keck's name rather than in the name of Coalinga Corp., dictated by tax law considerations. If Mr. Keck, as a Coalinga employee, or any other Coalinga employee, needed a jet for corporate business, they used the aircraft in question. Also, Coalinga's Washington representative traveled on the aircraft every time Senator Dole or any other public official traveled on the plane (except in one instance). The tail numbers of the plane ended with "CC" (N404CC) for Coalinga Corp. and has other markings in the cabin that make reference to Coalinga Corp.

This aircraft was not provided to the Dole campaign on a commercial basis. The normal and usual charge for the use of this aircraft when provided to political campaigns was first class airfare on an advance payment basis. That normal and usual charge had been established over several years as many federal candidates of both parties have used this aircraft on that basis. When the aircraft was used for Coalinga Corp. business, there was no charge to the corporation.

April 1, 1998
Date

Patrick Templeton
Patrick Templeton
Washington Representative
Coalinga Corp.

ATTACHMENT 2
Page 11 of 11



FEDERAL ELECTION COMMISSION
Washington, DC 20463

October 7, 1999

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

THROUGH: JAMES A. PEHRKON
STAFF DIRECTOR

FROM: ROBERT J. COSTA
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

NOT RECORDED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
OCT 8 1 22 PM '99

SUBJECT: AUDIT STAFF ANALYSIS OF DOLE FOR PRESIDENT INC.'S
RESPONSE TO THE REPORT OF THE AUDIT DIVISION ON DOLE
FOR PRESIDENT, INC.

This memorandum offers the Audit Division's comments on the Dole for President Committee's (DFP) response to the Commission's audit report. Much of the information and many of the arguments are the same as those offered in response to the ECM. The conclusion is that no change in the Commission's repayment determinations are warranted. The analysis is presented in the same order as the DFP response.

I. Apparent Surplus

DFP's response to the Exit Conference Memorandum (ECM) suggested, that, because it was nearly out of funds and its cash in the bank near zero, there was no way that it could be considered to be in a surplus position. At the time the Audit Report was prepared, DFP's argument failed to persuade the Audit staff that the surplus was not real or that it could not exist. Now, DFP, responding to the Report of the Audit Division on Dole for President, Inc. (the report) embellishes and revisits its previous arguments.

DFP's concludes that no surplus repayment is required based on a three part argument. First, it argues that it has no surplus since it's bank balance is only \$21,676 and that will soon be expended; second, the amount receivable from Dole/Kemp

ATTACHMENT 3
Page 1 of 11

'96 Compliance Committee, Inc. ¹(GELAC) for wind down expenses is not a legitimate receivable since DFP is permitted to pay Dole/Kemp '96, Inc.'s (DK) wind down expenses; and, third, 11 CFR §9038.2(b)(4) does not require the Commission to base a surplus determination on a NOCO calculation and that no mention is made of a repayment based on the amount of the surplus, only the income generated from the surplus. Each argument is discussed below.

DFP begins by noting that:

"In calculating the net outstanding campaign obligations as of August 14, 1996, the Audit Division took the total of DFP's adjusted cash in the bank and alleged accounts receivable and then netted out DFP's obligations. The Audit Division concluded from this calculation that DFP had a surplus of \$916,828 and, as a result, \$283,481 (i.e., \$916,828 x 0.309198) should be repaid to the U.S. Treasury."

Except for DFP's contention that the accounts receivable are not genuine, DFP accurately summarizes the effect of the NOCO calculation. [For an explanation of the NOCO calculation, please refer to finding III.G. beginning on page 43 of the report.]

DFP next states the following:

"Treating the \$916,828 amount as surplus mischaracterizes the financial condition of DFP in that DFP at this point has a bank balance of only \$21,676, and indeed will have a \$0 balance after the transfer, per the Dole/Kemp '96, Inc. ("Dole/Kemp") audit report, to Dole/Kemp as described in the Dole/Kemp Response."

DFP's contention that the NOCO does not accurately reflect its financial position because it will soon have no cash on hand and thus could not have a surplus is simply wrong. As noted by DFP, the surplus is based on adjusted cash in bank and accounts receivable [a calculation that sums all of DFP's assets, both cash and non-cash], and then nets DFP's obligations [which include total DFP liabilities, including estimates of future expenses]. To base a surplus calculation on cash alone would suggest that all a campaign need do is to dispose of its liquid assets in some fashion in order to avoid a surplus determination. Such a method of determining whether a surplus existed would at best be artificial. Although DFP may well soon have a bank balance of \$0, it also has an asset of \$1,070,801, namely, the receivable owed to it by the GELAC.

Central to DFP's arguments is that the asset included in the Audit Division NOCO calculation as due from the GELAC for wind down expenses paid on DK's behalf by DFP is improper. DFP states that:

¹ The receivable is shown as due from the GELAC since it is permitted to pay all wind down expenses after the end of the expenditure report period. It is assumed that DK would prefer that approach since it has exceeded the general election spending limitation and any wind down expenses paid by DK would only exacerbate that problem.

"Indeed, this alleged surplus is a fiction. The entire amount of the surplus is attributable to an alleged \$1,070,801 in wind down payments made by DFP which the Audit Division erroneously claims should have been paid by the Dole/Kemp '96 Compliance Committee, Inc. ("GELAC"). As a result, the Audit Division treats this \$1,070,801 amount as a receivable from GELAC for purposes of calculating DFP's net outstanding campaign obligations ("NOCO") figure which in turn is used to determine the alleged surplus. Treating this fictional figure as a repayable surplus is counter to the purpose of the repayment provision of the Federal Election Campaign Act of 1971, as amended, ("FECA") which is to prevent the misuse by a campaign of appropriated public funds. Requiring repayment based on a surplus that does not actually exist defeats this purpose and makes the repayment provisions punitive in nature."

DFP goes on to argue:

"...that even if the Audit Division had properly used the NOCO figure to determine the alleged surplus, it was erroneous in claiming that GELAC should have paid \$1,070,801 of the wind down costs (i.e., one-half of the total wind down costs). There is nothing in 11 C.F.R. § 9034.4(a)(3), i.e., the provision that governs the wind down costs that DFP may pay, which limits such payments to wind down costs of DFP. Rather, the provision states that DFP may pay the

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 of winding down the campaign.

"The term "campaign" is not defined. Indeed, given the difficulty of attributing the portions of wind down costs to the primary and general, it makes sense to permit the primary campaign to pay the entire amount of such costs."

Both the Audit staff and the DFP agree that the surplus results primarily from the receivable due DFP from the GELAC for DK wind down expenses. However, DFP's justification for its position depends upon a reading of the regulations that is selective at best. A full consideration of the governing regulations leads the reader to the opposite conclusion. First, it is necessary to consider the definition of a qualified campaign expense at 11 CFR §9032.9. That section states that in order to be a qualified campaign expense the expense must be incurred by or on behalf of the candidate between the date he becomes a candidate and his date of ineligibility and must not be in violation of law. In addition, and most importantly in this situation, the expense must be "[m]ade in connection with his or her campaign for nomination." Second, 11 CFR §9034.4(a)(3), *Winding down costs and continuing to campaign*, explains that the costs associated with the termination of political activity shall be considered qualified campaign expenses. By

defining these costs as qualified campaign expenses the regulation allows such expenses to be defrayed with the campaign's mixed pool of private and public funds. These two sections must be read together since one establishes that winding down expenses are qualified campaign expenses and the other establishes that all such expenses must be in connection with the campaign for nomination.² The necessary conclusion is that the wind down expenses paid by DFP must be its own, not those of DK which are in connection with the campaign for election. The fact that the term campaign is undefined is irrelevant since qualified campaign expense is defined and the types of expenses that may be included in wind down, not at issue here, is established.

Once it is established that DK's wind down expenses are not qualified campaign expenses of DFP, one of two outcomes is dictated. The amount can be shown as a DFP asset, as was done in this case, or, the wind down expenses could be considered repayable under 11 CFR §9038.2 (b)(2). In the later case the repayment ratio would be applied to the entire \$1,070,801. The outcome chosen by the Audit staff allowed the asset to flow to the NOCO where a surplus is determined. The surplus is less than the full amount of the wind down costs at issue and results in a lesser repayment.

The Audit staff agrees with DFP that one of the responsibilities of the Audit staff is "to prevent the misuse by a campaign of appropriated public funds." In the instant case that includes preventing DFP from paying expenses that are not in connection with the campaign for nomination. However, it is also the Audit staff's responsibility to recover the government's share of unexpended funds.

With respect to the repayment being punitive, requiring a committee, which received more than \$13.5 million in public funds, to repay the Treasury a pro rata share of a surplus, when one is indicated, is not a punitive act. Rather, it is the appropriate remedy, statutorily prescribed, to address a surplus.

Next the Committee wrote:

"In calculating this surplus, the Audit Division relies on 11 C.F.R. § 9038.2 (b)(4), which states that '[t]he Commission may determine that the candidate's net outstanding campaign obligations...reflect a surplus.' Please note, however, that this provision does not require the Commission to use the net outstanding obligations to determine surplus, especially if that figure does not accurately reflect an actual surplus. Also, the provision goes on to state that '[t]he Commission may determine that the net income derived from an investment or other use of surplus public funds after the candidate's date of ineligibility ...shall be paid to the Treasury.' It does not mention making repayments on the entire amount of the alleged surplus."

² 11 CFR §9004.4(a)(4) provides guidance concerning winding down expenses of the general election committee. Only expenses incurred by general election committee are regarded as qualified winding down expenses with respect to the general committee.

First, DFP again quotes the regulations selectively. The words that DFP left out of the first regulatory cite are "as defined in 11 CFR §9034.5." That is the section of the regulations that explains the NOCO calculation. Thus if the Commission determines that a surplus exists, it will be based upon the NOCO. That being said, the Audit staff agrees with DFP that 11 CFR §9038.2(b)(4) allows the Commission to determine that the net outstanding campaign obligations indicate a surplus as they did when they voted to approve this finding on March 4, 1999. Further, the Audit staff also agrees with DFP that this particular section of the regulations does not address the repayment of the surplus. But, [as cited in the report on page 46] 11 CFR §9038.3(c)(1) does address this very matter when it states, in part, "that if on the last day of candidate eligibility the candidate's net outstanding campaign obligations reflect a surplus, the candidate shall within 30 days of the ineligibility date repay to the Secretary an amount which represents the amount of matching funds contained in the candidate's surplus. The amount shall be an amount equal to that portion of the surplus which bears the same ratio to the total surplus that the total amount received by the candidate from the matching payment account bears to the total deposits made to the candidate's accounts." Therefore, the Commission has followed the Act and the Regulations in making a determination that DFP had a surplus on the last date of Senator Dole's eligibility and had an obligation to make a pro rata repayment. Having failed to meet that obligation voluntarily, the Commission has ordered DFP to comply with the statutory provision.

Thus, the Audit staff, using the repayment ratio [for a description, see footnote 34 on page 47 of the report], calculated the repayment figure to be \$283,481 (the surplus of \$916,828 multiplied by the repayment ratio of .309198). Nothing in DFP's response justifies changing that calculation.

II. Apparent Non-Qualified Campaign Expenditures

A. Refund of a Contribution

DFP, unfortunately, made an unwarranted refund of \$4,000 to a contributor. This contributor, a non-multicandidate political committee, made a \$5,000 contribution to DFP. DFP correctly believed the contribution was excessive and it would have been, except for the fact that the check by which this contribution was made failed to clear the bank. Because DFP never received the funds, DFP did not owe \$4,000 to this contributor. Although not necessary to the conclusion, it is interesting that the contribution check was first deposited by DFP in April of 1995, re-deposited in May of 1995, and the refund not made until September of 1995. The intervening period should have been more than adequate time to determine that the contribution refund was not due. Although it is easy to sympathize with DFP's situation it was clearly an error on DFP's part and there is no reason to ask the U.S. Treasury to bear part of the cost of that error. The \$4,000 was not spent in connection with Senator Dole's campaign for nomination as required by 11 CFR §9032.9(a)(2). As a result, the Commission, in accordance with 11 CFR §9038.2(b) determined that this was a non-qualified campaign expense. Consistent with 11 CFR §9038.2(b)(2)(iii), an amount representing the proportion of federal funds,

\$1,237, was determined to be repayable to the U.S. Treasury. No change in that determination is warranted.

B. Payment for Services to Prepare Financial Statements

In consultation with DFP accounting staff, charges pertaining to the preparation of Senator Dole's financial statements, other than those related to his campaign for the Republican presidential nomination, were identified as being non-qualified expenses to DFP. Accordingly, they were included in the amounts determined by the Commission to be non-qualified expenses of DFP and, as such, repayable to U.S. Treasury. DFP's response does not provide any information that justifies any change in the calculation.

III. Stale-Dated Checks

DFP states the following regarding the stale dated check finding III.H.2.

"The Audit division claims the DFP has \$225,536 in stale-dated checks. Relying on 11 C.F.R. § 9038.6, the Audit Division further claims that DFP must repay the entire amount of such stale-dated checks. However, the repayment provision of the Tax Code does not mention the repayment of stale-dated checks, and to the extent that such checks may come within that provision, the repayment would only be applicable to the portion that is attributable to 'payments made to a candidate from matching funds.' 26 U.S.C. 9038(b). Indeed, in Reagan for President Com. v. FEC, the court stated that

repayment orders [must] be limited to the amount of federal funds that the Commission reasonably determines were spent by the Committee for unqualified purposes. The Commission's regulations establish an unreasonable presumption that all unqualified expenditures are paid entirely out of federal funds.

"Reagan for President Com. v. FEC, 734 F.2d 1569, 1570 (D.C.Cir. 1984) (citing Kennedy for President Com. v. FEC, 734 F.2d 1558 (D.C.Cir.1984)(emphasis added).

"In this case, the stale-dated checks were based on funds in DFP's bank account which consist of private and public funds. Thus, instead of requiring repayment of a dollar for dollar basis on the \$225,536 amount, repayment should be calculated by determining the public funds portion of the this amount (i.e., $\$225,536 \times 0.309198$) which is \$69,735.

"Regardless, DFP is still in the process of ensuring that these checks are actually outstanding and attempting to locate the payees to encourage them

to deposit or cash the checks or to re-issue them new checks. We request that the Commission permit DFP the option of having the payees deposit or cash the checks or to reissue them new checks without triggering a repayment.”

Before analyzing the new arguments presented in the response, we must first consider DFP's response to the ECM. In it, DFP acknowledged, on exhibit 15, that there existed a total of \$211,040.64 in stale dated checks. Of this amount, DFP stated that \$187,811.81 was owed to the U.S. Treasury. The specific checks identified with the \$187,811.81 were from the DFP contribution refund account, and represent the required refunds of impermissible contributions. Now, drawing from the response, DFP acknowledges that it currently has a bank balance of \$21,676 [see page 2, ¶1 of the response]. According to DFP's disclosure reports these outstanding refund checks were voided and the funds expended after the acknowledgment that the funds were due to the U.S. Treasury. Even if DFP no longer acknowledges that the funds are due the Treasury, it was clear from the regulation that sufficient funds had to be maintained to allow the refund checks to be paid by its bank (11 CFR 103.3(b)(4)). DFP has apparently made a conscious decision to spend the funds that it acknowledged it is not entitled to keep and the regulation requires it to hold in reserve for the completion of the refund transactions.

In the response, DFP contends that in accordance with Reagan for President Com. v. FEC, it (DFP) should be permitted to repay staled dated checks on a pro rata basis reflecting the amount of federal funds in their accounts. The court cases DFP referenced relate to repayments stemming from non-qualified campaign expenses. The cases do not address the payment to the Treasury for stale dated checks.

Although the Tax Code makes no reference to the payment of stale dated checks 11 CFR §9038.6 does. It states that if the committee has checks outstanding to creditors or contributors that have not been cashed, 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 United States Treasury. That regulation is a duly issued regulation of the Commission and, as with all of the Commission's regulations, was submitted to the Congress prior to its promulgation. The explanation and justification associated with 11 CFR §9038.6 explains that the regulation was promulgated to answer questions concerning:

“...the appropriate disposition of checks written to creditors and to contributors that remain outstanding after the campaign is over. Sometimes the payee cannot be located, other times the payee declines to cash the check. This new section makes clear that committees should bring these checks to the Commission's attention in a timely fashion.”

“If the committee has made attempts to pay the funds as intended, and has been unsuccessful, the committee must remit a check payable to the U.S. Treasury. The amount so paid will not reduce or increase the committee's

repayment obligation. Moreover, the committee may not use these funds for other purposes, such as to pay other obligations, because to do so could result in the receipt of prohibited or excessive contribution from the original payee."

Since its inclusion in the regulations in 1987, all primary campaigns have accounted for stale dated checks in this manner.

Although not noted by DFP, 11 CFR 9038.6 is not a repayment regulation. It requires a payment to be made to the U.S. Treasury, not a repayment. Therefore, similar to the disgorgement of unrefunded excessive contributions, it represents an equitable remedy for the disposition of funds that DFP may not retain. With respect to DFP's request that it be given additional time to encourage the payees to negotiate the checks, the Audit staff believes that three years should have been ample time for DFP to encourage its vendors and contributors to deposit or cash the checks in question. Further, with so little in its accounts, and that soon expected to be exhausted, there seems little point to encouraging contributors and vendors to negotiate checks that will not clear DFP's bank.

IV. Non-Repayment Issues

A. Loan to DK³

Consistent with its response to the ECM, DFP maintains that the transfers were not meant to be loans; that they were intended as transfers between DFP accounts which were deposited, in error, to DK's operating account. (see finding III.A. Loan to Dole Kemp '96.)

DFP provides the additional (new) information as follows.

"The Audit Staff requests⁴ bank documentation to prove that the transfers were made in error. The only such documentation is the record of the initial and correcting transfers. These were not bank errors in which the wrong account was credited with a transfer, and for which bank records may show an error. These were errors by DFP staff for which no further documentation is available."

³ The Audit staff notes that the loan in question was made by DFP to DK, and not to DFP as indicated by the heading on page 6 of the response.

⁴ DFP is apparently referring to two heretofore unaddressed points from the ECM recommendation which requested that DFP "...provide any other relevant information regarding the transfers between DFP and DK which would support their contention that the transfers were inadvertent and not intentional" and "... any documentation from Franklin Bank which supports DFP's contention that the transfers had been erroneously credited."

For two and a half years, DFP chose to leave the Audit staff with the impression that the transfers were the result of errors made by the banks. DFP now admits that it is unable to provide such bank documentation. This is because it now contend the errors were made by "DFP staff".⁵ DFP apparently believes, by establishing that the transfers resulted from errors (any errors), that it is relieved of any responsibility for the transfers and therefore could not have made a loan to DK.

As explained in the Audit Report these transfers were made shortly before the election when DK was already overdrawn at Franklin National Bank. They were initially recorded by DFP staff as loans and the entries subsequently revised to call them transfer errors. At the time of the transfers the DFP account that the transfers were supposedly destined for was not yet open. The loans were not repaid until after the general election and then only after additional transfers to DK by DFP. Those transfers were to repurchase Certificates of Deposit that were still being used to secure DK arrangements with various vendors and in one case had been redeemed by DK. DK is yet to repay DFP for that error. Further, although DFP notes that the error was corrected within a month, no information is provided to explain why it took that long. Given the dire straits that DK found itself in shortly before the election, an unexpected windfall of \$2,000,000 could hardly be overlooked. Yet it appears that the funds were expended by DK and the repayment left until additional funds could be infused after the election.

DFP has not divulged the nature of the staff's errors. This is significant because the level of DFP's responsibility for these transactions could vary depending upon the nature of the error. In any case, the loans occurred and they represent a contribution from DFP to DK. However if the transfers were made with full knowledge that they were to provide short term funding to the general election, DFP's liability could potentially be much greater.

B. Apparent Excessive In-Kind Contribution

DFP's response mirrors the arguments set forth in their response to the ECM. These were addressed in detail at Finding II.B. Receipt of an Excessive In-kind Contribution found at page seven of the audit report.

In the current response, DFP's makes mention of the FEC's *Financial Control and Compliance Manual for Presidential Primary Candidates Receiving Public Financing* [Compliance Manual]. DFP, unable to establish corporate ownership of the airplane in question, notes that according to the manual, first class airfare treatment as established at 11 CFR §114.9 is available to campaigns using aircraft "owned or operated by ...corporations." The Audit staff points out that 11 CFR §114.9 states that a candidate, his agent, or someone traveling on his behalf "...who uses an airplane which is owned or leased by a corporation... other than a corporation ... licensed to offer

⁵ DFP has not, but could have provided, as an alternative, documentation such as affidavits from former staff members addressing and illuminating this matter.

commercial services for travel” is entitled to treatment under this section. What is meant by “operated by” as found in the Compliance Manual is that the corporation leases the airplane for its use. DFP provides no evidence in support of Coalinga formally leasing the airplane in question. In the attached statement from Mr. Patrick Templeton, Washington Representative for Coalinga Corp., it is simply stated that “[t]he aircraft functioned as the corporate jet for Coalinga Corp.” No other documentation, such as a lease or other contract for service, was provided to support the contention that the aircraft was operated by Coalinga Corp. in such a manner as to qualify for first class airfare treatment under 11 CFR §114.9

C. Misstatement of Financial Activity

In response to the ECM, DFP stated that it had complied with the Audit staff's suggestions and was filing amended summary pages for 1997, and that the appropriate supporting schedules would be filed shortly thereafter. Although DFP promised that a subsequent filing of supporting schedules would be made, as of September 21, 1999, DFP has yet to file a comprehensive amended report for 1997.

Should you have any questions, please contact Marty Kuest or Joe Stoltz.

TRANSCRIPT OF PROCEEDINGS

IN THE MATTER OF:)
)
ORAL HEARING OF DOLE FOR)
PRESIDENT, INC., DOLE/KEMP '96.)
INC., AND SENATOR ROBERT J. DOLE.)

CORRECTED & REVISED

Pages: 1 through 124
Place: Washington, D.C.
Date: DECEMBER 15, 1999

HERITAGE REPORTING CORPORATION

Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005-4018
(202) 628-4888
hrc@concentric.net

ATTACHMENT 4
Page 1 of 125

FEDERAL ELECTION COMMISSION

IN THE MATTER OF:)
)
ORAL HEARING OF DOLE FOR)
PRESIDENT, INC., DOLE/KEMP)
'96, INC., AND SENATOR)
ROBERT J. DOLE.)

9th Floor
999 E Street, N.W.
Washington, D.C.

Wednesday,
December 15, 1999

The parties met, pursuant to the notice, at
10:04 a.m.

APPEARANCES:

For the Commission:

SCOTT E. THOMAS, Chairman
DARRYL WOLD, Vice Chairman
LEE ANN ELLIOTT, Commissioner
DAVID M. MASON, Commissioner
DANNY LEE MCDONALD, Commissioner
KARL J. SANDSTROM, Commissioner
JAMES PEHRKON, Staff Director

For the Office of General Counsel:

LAWRENCE M. NOBLE, General Counsel
LORENZO HOLLOWAY, Assistant General Counsel
PETER BLUMBERG, Attorney
TRACEY LIGON, Attorney

For the Audit Division of the FEC:

ROBERT J. COSTA, Assistant Staff Director
JOSEPH STOLTZ, Deputy Assistant Staff Director

Heritage Reporting Corporation
(202) 628-4888

APPEARANCES: (Continued)

For the Dole for President Committee:

KEN GROSS, Attorney
KI HONG, Attorney

WITNESSES:

ALLEN HAYWOOD, Comptroller
TED KOCH, Assistant Comptroller

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 3 of 125

P R O C E E D I N G S

(10:04 a.m.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CHAIRMAN THOMAS: Good morning. This special meeting of the Federal Election Committee will please come to order.

On our agenda today are oral hearings on behalf of Dole for President, Incorporated, Committee, which is the primary election committee, and Dole/Kemp '96, Incorporated, the general election committee. The committees have requested this opportunity to address the Commission in open session concerning repayment determination, which are contained in the audit reports that were approved on June 3, 1999.

Based on the Audit Report for Dole for President, Incorporated, the Commission determined that Dole for President, Incorporated has a surplus of funds, and those owes a repayment of public funds in the amount of \$283,481, and used \$6,255 of public funds to defray non-qualified campaign expenses. In total, the Commission determined that Dole for President, Incorporated must repay \$89,736 to the United States Treasury.

Based on the Audit Report on Dole/Kemp '96, Incorporated, the Commission determined that Dole/Kemp '96, Incorporated used \$574,158 of public funds to defray non-qualified campaign expenses, generated \$46,510 of earned

Heritage Reporting Corporation
(202) 628-4888

1 income from the use of public funds, and spent \$2,547,429 in
2 excess of the expenditure limitation. Thus the Commission
3 determined that Dole/Kemp '96, Incorporated must repay
4 \$3,168,097 to the United States Treasury.

5 The sole purpose of this meeting is to give the
6 committees an opportunity to address the Commission and to
7 demonstrate that no repayment, or a lesser repayment is
8 required. This is not an adversarial or trial-like hearing.
9 Each committee will be given 30 minutes to make its remarks.
10 It is not, however, required that the full 60 minutes be
11 utilized. Following the committees' presentations, each
12 Commissioner will have an opportunity to ask questions. I
13 will then ask the General Counsel and the Audit Division if
14 they have any questions.

15 After these hearings, the committees will have
16 five days in which to submit additional materials for the
17 Commission's consideration. The Commission will then make
18 repayment determinations following this administrative
19 review and issue a separate Statement of Reasons for each
20 committee in support of the determinations.

21 Both committees are represented by Mr. Ken Gross
22 and Mr. Ki Hong, and the other gentlemen will perhaps be
23 introduced when the time comes. I remind you that the
24 presentation should not exceed 30 minutes per committee and
25 must be limited to those matters raised in the committee's

Heritage Reporting Corporation
(202) 628-4888

1 respective written responses to the Commission's repayment
2 determinations.

3 Welcome. Please proceed as you see fit.

4 MR. GROSS: Thank you, Mr. Chairman, and
5 Commissioners and Staff. It's a pleasure to have the
6 opportunity to address you, and I guess it will be the
7 penultimate meeting of the Federal Election Commission
8 meeting in this millennium, and I have with me, as you had
9 mentioned, Ki Hong of my office, and to my right is Ted
10 Koch, who is the Deputy Comptroller of the Dole Campaigns;
11 prior to that with the Bush Campaign, and presently the
12 comptroller of the soon to be closed Elizabeth Dole
13 Campaign, and to my left is Allen Haywood, who was the
14 comptroller of the Bob Dole Campaign; is now the comptroller
15 of McCain's campaign, and prior to that was also the Deputy
16 Treasurer of the Bush Campaign in '92.

17 So I have asked them to join us because so much of
18 the discussion that we are going to have, I think, will be
19 related to things that happened during the campaign, and I
20 don't think there is a better way to hear it than from the
21 people who were there, and the people who were there was
22 Ted.

23 Ted was the man in the field. Allen was -- we
24 didn't let Allen outside of the office. He remained in
25 Washington approving paperwork, but Ted was in the field and

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 6 of 12

1 I think he can be helpful both in answering questions and
2 for a little color commentary as we go through some of these
3 issues, particularly regarding the press, which is the big
4 one.

5 What I would like to do actually is talk about the
6 general first, if that's possible.

7 CHAIRMAN THOMAS: That's fine. I'm being asked to
8 make sure that everyone speaks directly into the microphone.

9 MR. GROSS: We may have a logistical problem, but
10 we will move people around to make sure she gets that. Sure.

11 CHAIRMAN THOMAS: Thank you.

12 MR. GROSS: I can be heard and everybody else can
13 be heard.

14 Let me first start out with what's really a legal
15 procedural argument that I will just hit quickly so we can
16 get into the facts. But you might note in our responses
17 that we preserved our procedural and due process defenses,
18 and we are preserving or making the argument herein that the
19 notices for repayment are not timely at this point because
20 we don't believe that the notices that had been provided to
21 us in the form of the exit conference memorandum is
22 sufficient to fulfill the three-year requirement under the
23 statute.

24 That was not ripe at the time of our response to
25 the exit conference memorandum because we responded in

Heritage Reporting Corporation
(202) 628-4888

1 August. The three-year period ran in November after that at
 2 that time, but we did preserve that right for both the
 3 committees, and again, not to get involved in a legal
 4 argument here because I think this is more to make a case
 5 about the factual disputes that we have, I want to put that
 6 on the record.

7 In the audit report, the first item that I think
 8 that we should be discussing here because it's the biggest
 9 has to do with press. A lot of time was spent at the
 10 Commission meeting looking at that issue, and we certainly
 11 want to respond to the allegations that were made, or at
 12 least the points that were raised in the audit report.

13 It appears to us from the response that we have
 14 already submitted based on the written response that the
 15 Audit Division has credited a certain number of the
 16 expenditures. They cite a number of 300 some odd thousand
 17 dollars, and there is another \$540,000 in transfers that
 18 were made between the primary campaign and to the general
 19 campaign, which had the effect of a dollar-for-dollar
 20 repayment.

21 So between those two items, before we start today
 22 it appears that the repayment has already been reduced
 23 \$941,000.

24 Taking on the issues that remain in dispute, and
 25 they relate firstly to the use of the aircraft and the

Heritage Reporting Corporation
 (202) 628-4888

1 press. There were actually four planes. One of them
2 doesn't really come into the picture. That was Elizabeth
3 Dole's Campaign plane and it's not really subject of any
4 dispute or audit.

5 There is the Kemp plane and there is two Dole
6 planes. There is the Dole-Dole plane and then there is the
7 Dole press plane. The Dole press plane was almost all
8 press. You know, 80 - 90 percent press. The Dole plane
9 where the candidate traveled on was about 50 percent press.

10 And the Commission spent a lot of time on this
11 issue of fixed and variable cost and I, frankly, found it
12 somewhat difficult to follow, and I'm still not sure of all
13 the methods of computation that were used. Some of the
14 difficulty was caused by the fact that Senator Dole in a
15 spurt of energy in the closing days of the campaign decided
16 to spend 96 hours continuously on the campaign aircraft,
17 which was not anticipated and obviously the numbers for the
18 aircraft had to be adjusted after the campaign for that
19 unanticipated use.

20 But one of the ironies of this is that that is not
21 really what we are disputing here. Our dispute is over
22 something that was virtually not discussed at all at the
23 Commission meetings. In fact, there was a question posed to
24 the auditors as to whether they were any other disputes, any
25 other items in dispute other than this issue of the fixed

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 9 of 125

1 cost of the aircraft and how the numbers were adjusted. And
2 the answer was there was nothing substantial.

3 But the fact of the matter is that there was over
4 a million dollars of disputed items, and the auditors now
5 recognize that fact, but it was very frustrating to us since
6 the documents had been submitted in the boxes that I know
7 you are all so happy to receive in your offices for the last
8 several months, and the reason we did that was because these
9 are the very documents that had been submitted throughout
10 the audit process, and this is not a late submission, an
11 untimely submission. This was all very detailed
12 documentation of the expenditures that were billed to the
13 press.

14 And there 200, by our calculation, \$267,000 of
15 disallowed press expenses related to the use of the
16 aircraft. Twenty-nine thousand of it, approximately,
17 related to Kemp, and we got a detailed listing from the
18 auditors for the expenditures related to the use of the Kemp
19 aircraft, saying which expenses -- which expenditures were
20 disallowed of the 29,000.

21 We were able to respond to them point by point,
22 and did, and I believe they were all accepted. It's a
23 little difficult to tell, but certainly the number that has
24 been adjusted for the use of the aircraft, \$172,000, more
25 than covers the 29,000 related to the Kemp aircraft.

Heritage Reporting Corporation
(202) 628-4888

1 The remainder of it, 238,000, related to the Dole
2 planes. That's the press and the Dole, the plane that the
3 candidate, a good part of that has apparently been accepted,
4 but there is still a disagreement over \$95,000.

5 This is where we started to run into difficulty.
6 To this day we have not received a detailed list of what
7 items were disallowed regarding the Dole aircraft. We
8 received two days before our response after three requests a
9 printout off a diskette that I can still not really figure
10 out. There are a couple of items that stand out on it,
11 \$40,000 for fuel which obviously we were entitled to credit
12 for, which has now been adjusted. But it is almost
13 impossible to go through that diskette to figure out which
14 items were disallowed.

15 All we were looking for was what we got for Kemp,
16 a listing of disallowed items, because we had reams, reams
17 of documentation, receipts, expense payments related to the
18 use of the aircraft clearly identified for the press. We
19 did what we could, and we still are left with what appears
20 to be a \$95,000 discrepancy.

21 We have no idea why when the auditors at the exit
22 conference gave us their number for the airplane there
23 wasn't a big disagreement, but apparently there was an error
24 in their computation which had to be revised, and that
25 difference between what was given at the exist conference

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 11 of 125

1 and the revised number that was given a few weeks into that
2 period -- after that period is the point of contention, and
3 it's still baffling to us as to why the documentation is not
4 accepted. It is there. It is clear. It is detailed, and
5 we believe, after further examination, that it will
6 ultimately be accepted because there is really no reason for
7 it not to be.

8 We then move to ground costs. What I was talking
9 about just now was the actual cost. The variable costs in
10 running the plane: fuel, phone installation, electrical
11 work all related to the aircraft themselves.

12 The next issue is the ground costs. This is a big
13 one. This one relates to \$918,000 that was billed to the
14 press, and another \$571,000 that were legitimate press bills
15 that were not -- were not billed but still the auditors have
16 recognized that some of them we're entitled to credit to,
17 but we have a disagreement over the amount.

18 And the disagreements really relate to -- what we
19 are talking about now are the things that are items that the
20 press uses. We are talking about the use of ground
21 transportation, filing centers, catering, press risers,
22 security for the press, and for the phones, for the lighting
23 and the sound related to the press.

24 And one of the disturbing things that occurred in
25 this process is, and it's cited copiously in the document

Heritage Reporting Corporation
(202) 628-4888

1 that the auditors have prepared for this meeting, is some
2 testimony that was given by the press that we were unaware
3 of. I heard about it after the fact at the regulation
4 hearing, and I don't know. Apparently the Dole campaign
5 came up in the course of that testimony.

6 Of course, it wasn't related to anything specific;
7 it was general statements about -- as I understand it,
8 again, I wasn't there, none of us here knew about it, but
9 general statements about various campaigns, including the
10 Dole campaign. It is now being cited back to us in this
11 audit report, which I really don't understand.

12 I mean, there was nothing, not one penny billed to
13 the press of all these expenditures that was not a
14 legitimate press expenditure, except one error that was
15 corrected early on regarding some buses that were
16 mischarged. Every expenditure and a lot more could have
17 been billed.

18 Now, there is a classic tension between those with
19 the green eye shades back at the office, and those press
20 people who are in the field. If you don't provide the
21 proper lighting for the press, I'm not talking about regular
22 event stage lighting, I'm talking about what they call HMI
23 lighting, special lighting for cameras.

24 Now, if you don't provide the proper sound system,
25 Molt boxes which you can plug in various microphones for the

Heritage Reporting Corporation
(202) 628-4888

1 various press. I'm not talking about -- you know, in the
2 olden days you see these guys broadcast and there would be
3 40 microphones in front of them, or 18 microphones with all
4 the different call letters on them. Now, you have one
5 microphone and they all plug into something called the Molt
6 box, and that's why you only see one microphone but each
7 press unit can plug into that.

8 All of that, the sound system related to that, the
9 lighting system, the security, the roping off of the press
10 area, all of that, the risers for the press not for the
11 event were all detailed, documented and properly charged,
12 and some of them -- and the discretion of the campaign, as
13 most campaigns do at some point, don't even bill all of it
14 as a matter of judgment. It's not a matter of dispute. We
15 are still entitled to credit for those press expenditures if
16 needed. Frankly, we didn't think we would need those
17 additional ones because we didn't think there would be such
18 a disagreement over this.

19 And I guess the thing that is troubling to use
20 from a legal standpoint more than anything, and I think it
21 would be helpful to hear from Ted about some of the factual
22 issues related, is that there seems to be no legal standard
23 of which a campaign that it can guide its conduct by.

24 We say that the buses for the press are the press
25 business. If there is an extra bus ordered, the campaign

Heritage Reporting Corporation
(202) 628-4888

1 gets no benefit out of it. You know, it was a
2 miscalculation of a bus perhaps, or if we ordered too much
3 food or we have too much space, or too much security, and
4 I'm not taking that was done routinely. These were
5 experienced people doing this who had run other campaigns
6 before that were making the best judgments possible under
7 the pressure that the press more than anybody was putting on
8 in the field.

9 A couple of them had their laptops ripped off.
10 They want security. They don't want their stuff out there
11 where it can be accessed by other people. So it's important
12 to be responsive.

13 If they are not getting good shots of the
14 candidates, they want lights. You hear about it. Now,
15 maybe the people back at the office aren't too happy to get
16 an extra bill for it, but this stuff is not being done for -
17 - just to, you know, come up with another bill. It is all
18 very, very clear and clearly laid out and clearly
19 documented.

20 And, you know, as far as what is required, we have
21 done in a very detailed way, documents that are in the boxes
22 that you have, and we have submitted to the auditors in a
23 timely fashion laying out, clearly establishing what is
24 press and what is not press. And again, in the judgment of
25 the people who were there in the campaign, like Ted who was

Heritage Reporting Corporation
(202) 628-4888

1 in the field, every expenditure that was made was related to
2 press.

3 We are baffled, we are baffled by what appears to
4 me to be nothing more than a subjective determination after
5 the fact that too much food was ordered for an event, or too
6 many seats were ordered, or an extra bus was ordered, or a
7 port-a-john that wasn't accessible to the press or something
8 like that. It just didn't happen other than maybe in the
9 most isolated cases that I haven't heard of.

10 And Ted, maybe you can help explain some of these
11 things that I'm referring to as far as what happened with
12 the press in the field and these items.

13 CHAIRMAN THOMAS: Ted, would you do me a favor and
14 turn the microphone directly towards you. It's a
15 directional mike. Thanks.

16 MR. KOCH: Can you hear me now? Okay, great.

17 As Ken said, I was out on the field in the general
18 election. I traveled with the campaign and the press
19 throughout the general election to most of the events, and I
20 paid the bills at the events. I had the checkbook with me
21 and I paid the events -- excuse me -- and I paid the bills
22 that were presented to me.

23 One of the benefits of that was that I was there
24 on site and I was able to see what I was paying for, and at
25 any rate so I may be in a position of maybe shed some light

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 16 of 127

1 on some of the logistics and so forth out in the field that
2 may be helpful here.

3 Starting with ground transportation, let me maybe
4 say a word or two on that. As Ken had said, there was two
5 airplanes that traveled with Senator Dole; the candidate
6 plane and then also the press plane.

7 The press plane traveled about 15 minutes ahead of
8 Senator Dole's plane in the air so that it could land about
9 15 minutes before Senator Dole's plane.

10 When it landed on the ground, there were generally
11 two press buses, maybe three, that were there positioned
12 with the press plane, that the press could then get off of
13 and they would then have a choice. They could board those
14 buses and go to the event 15 minutes ahead of time to set up
15 their equipment, or they could remain at the airport and
16 capture the arrival.

17 The point that I am making here is those press
18 buses would then go to the event and they are gone. And
19 when Senator Dole's plane came in, the motorcade was then
20 positioned for the candidate, the Secret Service, the press,
21 everyone to get off into the motorcade.

22 At the end of that motorcade was an additional
23 press bus that traveled with the motorcade, so that would
24 then allow people that wanted to stay to capture the
25 arrival, then have a space to get to the -- you know, to

Heritage Reporting Corporation
(202) 628-4888

1 travel with the motorcade to the event.

2 The point that I am saying here is that there is
3 simultaneous movements. It's not that all these press buses
4 are together leaving at one time. There is actually an
5 additional press bus that was with the motorcade.

6 As a matter of course on these bills for ground
7 transportation, the audit staff on numerous occasions
8 disallowed one of the buses. And clearly, if you've got the
9 buses split up like that, then that would increase the need
10 for the capacity there. That's just one thing to add.

11 With regard to -- you know, moving on to catering
12 for the press. The advance staff had to -- you know, to
13 make the best assumption they could on the number of press
14 that would be traveling. At the most there is, I believe,
15 106 traveling press members. Generally, it was more in the
16 ballpark of 60 to 70, but still you've got to make an
17 assumption. You've got to make room when you are making an
18 order for there to be a maximum amount of people there.

19 At any rate, basically again, you know, I paid the
20 bills for that and I've got the invoices that I've reviewed
21 in front of me that the -- where the audit staff has
22 disallowed costs related to that catering saying that it's
23 excessive amounts.

24 There is one in New Mexico, one event that we are
25 here where it as catering for 80 guests. Granted, that may

Heritage Reporting Corporation
(202) 628-4888

ATTACHED 4
Page 19 125

1 be a few more than the number of press that were there, but
2 again assuming that they had to plan for, you know, the
3 maximum case possible for the press, I think that was
4 probably reasonable, but yet about 39 percent of that was
5 disallowed on that particular bill, Suite Southwest.

6 There is another one, for instance, that has been
7 mentioned in the response that we received just a few days
8 before coming here that mentions another even where there is
9 Chinese food, and it mentions that there is 120 pieces of
10 silverware, so therefore that was for 120 members of the
11 press, so it was disallowed, about 40 percent of that bill.

12 Well, if you look at the bill further, there is
13 entrees or meals for 70. There is also -- there is also "to
14 go" containers of 60. So clearly if they have 120 plastic
15 silverware, maybe it's for the -- you know, during the event
16 itself and then also to take with you if you wanted, you
17 know, a second set to take with you on the road.

18 At any rate that was still disallowed, a certain
19 amount, based on the number of -- based on 120 pieces of
20 silverware.

21 The invoices, for the most part, give a good
22 indication as to what was ordered and so forth. But I just
23 wanted to give you another example of a firsthand thing that
24 I saw out on the road, and this was a bus tour in Ohio. And
25 we were in an overnight and one of -- an Ohio city, and in

Heritage Reporting Corporation
(202) 628-4888

1 the morning there was a buffet set up for the press, and 75
2 breakfasts were ordered.

3 When I came downstairs, there was a big
4 disturbance going on, I guess, because half the press had
5 gone through the buffet and it was empty. So what we did is
6 we said we'll order, you know, another round so that
7 everyone in the press can eat at this buffet, and again in
8 this particular case, for instance, you always have a sale,
9 the bill has 150 on there, breakfasts, so we're going to
10 disallow half of that.

11 So there were some cases out in the field where
12 you have to respond at that moment out in the field that's
13 not necessarily captured on the invoices. But that being
14 said, most of the invoices did capture the correct
15 information and was still disallowed based on the -- you
16 know, based on what was perceived to be the more correct
17 number to provide service to.

18 At any rate, I just want to touch on one other
19 thing also with regard to security. That's come up. As a
20 matter of course all the security bills that were billed to
21 the press were disallowed. There is some, you know, that I
22 have right here in front of me. You can read through the
23 documentation, but let me give an example of one security
24 that was disallowed across the board.

25 And that, to use a specific example, at an event

Heritage Reporting Corporation
(202) 628-4888

1 in Buffalo, the Buffalo Hotel -- excuse me -- well, I'm
2 sorry. There it is. I'm sorry. The Hyatt Regency in
3 Buffalo right there. In the Hyatt Regency, this was right
4 after the -- right after the nomination, that was one of the
5 next days after the nomination was received and there was a
6 big event in Buffalo. That's where, you know, Jack Kemp is
7 from and that's -- we had a big event there.

8 .. In that hotel was a press filing center, it was
9 also a press luggage room. The hotel provided security
10 through the night for that luggage room and the press filing
11 center and charged obviously for it, and we paid that
12 expense.

13 The reason why -- that was disallowed. The reason
14 why I bring that up is because there is no event in the
15 hotel. There is no way that that security could be an
16 event-related. It has to be for the press and yet that was
17 disallowed. So as a matter of course, the security was
18 disallowed where it was clearly, in my view, for the press.

19 In cases where security was for an overnight site,
20 that might be for the next morning, if there were four
21 security guards and one of them was securing the press
22 filing center and one of them is staging it, and the three
23 others, the rest of the staging area, we would only charge
24 for one security guard to protect that filing center. But
25 again, the whole amount would be disallowed.

Heritage Reporting Corporation
(202) 628-4888

1 Let me just go on to, I guess, one or two more
2 because -- and I hope this is helpful to you as an
3 experience. But with regard to sound and lighting, as Ken
4 mentioned there is a difference between event sound and
5 lighting and press sound and lighting. The sound for the
6 press, as Ken said, was the Molt boxes, and the audio feeds
7 to the filing center and so forth. The speakers on the
8 stage was the event speakers.

9 With lighting, again, there was specific lighting
10 that was required just for the press, the HMI lights. Just
11 wanted to use an example to -- maybe you can get an
12 illustration of how this would work, would be like the MCI
13 Center right down the road.

14 If we have an event, if the campaign had an event
15 at the MCI center, and there were no press, obviously, well,
16 then the lighting in the MCI center would be sufficient for
17 the event. The same lights that light up the basket ball
18 court would be enough to light up the event.

19 However, if the press were there, they would
20 require us to have this press lighting in the MCI center to
21 get the appropriate pictures that they need for their
22 cameras. So, again, there is a difference there between
23 lighting that's put in for the press and then the lighting
24 that's there for an event.

25 In terms of the documentation that was submitted,

Heritage Reporting Corporation
(202) 628-4888

1 even indoor events, they -- that was even cut in half to 50
2 percent of what the actual cost was for this specific
3 lighting just in case there was any amount that would be
4 helpful to the event to be more conservative in these
5 numbers.

6 But at any rate, I hope that sheds some light on
7 the sound and lighting.

8 In going through these bills, it was tedious to
9 try to find what was disallowed, and for some of these
10 filing and ground transportation costs, the audit staff was
11 helpful in providing, you know, specific items that we were
12 able to respond to.

13 I would say some of the items, however, were
14 pretty small. For instance, and the final thing that I will
15 talk about would be, for instance, the luggage truck. When
16 you have an overnight, there is going to be a luggage truck
17 that goes up to the airplane and the luggage comes off the
18 conveyor belt in to -- or we have two luggage folks to move
19 that into the luggage truck to the overnight site.

20 Well, we prorated that by the number of people.
21 In other words, if the press were 75 percent, then we would
22 assume that 75 percent of that luggage was going to be for
23 the press. In fact, it would be more I can say with all of
24 the stuff they bring around with them.

25 But at any rate, again looking through these

Heritage Reporting Corporation
(202) 628-4888

1 invoices here, I mean, here is one for the Ryder truck, here
2 for \$192.84. We prorated it to where the campaign paid
3 \$40.50 and the press was charged \$152.34, again based on
4 their percentage being on the plane.

5 The audit staff disallowed \$55.92 on that because
6 they made it a 50/50 split, and again that's with the -- you
7 know, with the documentation that's submitted.

8 But again, I -- one final thing I guess that came
9 up on a minor note would be -- would be port-a-johns. I
10 hate to bring that up, but they were -- as a matter of
11 course, they would not be billed to the press unless there
12 were a specific, you know, port-a-john available there
13 exclusive to the press.

14 That happened on a couple of occasions, and I
15 understand that was because there were a number of
16 complaints that they didn't have access to facilities.
17 But again, they would not be billed that unless it was
18 specifically exclusive for their use.

19 The final thing that I will say is being out on
20 the road is that the press interacted with the advance
21 staff, not just on a daily basis, but on a hourly basis as
22 to what their needs were, and I don't think anyone would
23 doubt that they don't have the ability to be vocal with
24 their views. And there was a lot of interaction and the
25 campaign tried to respond to what they wanted.

Heritage Reporting Corporation
(202) 628-4888

1 So that being said, again, there was -- you know,
2 the final thing again, there was that the -- there was
3 continuous interaction every day. The one -- one last piece
4 of color, I guess, and then I will end, is we would be out
5 on the road. Although it was difficult, I ended up getting
6 a radio in my ear because I was -- so many times I almost
7 got left because I'm dealing with vendors and paying bills
8 and the motorcade is leaving. So I finally got a radio so I
9 knew when people were leaving, but also allowed me to hear
10 some things that were going on.

11 And I could tell you when the press were not
12 happy, particularly with lighting, everyone heard about it
13 during that event, and then there were numerous calls even
14 during that event to the next stop saying you've got to get
15 the lighting straight because the press is, you know, very
16 upset of this and that, and they didn't want it to happen a
17 second time.

18 The point that I am saying is, is there -- that
19 just goes to the fact that there is a lot of interaction
20 with the press and the advance staff as to what their needs
21 were and what was going to be provided.

22 VICE CHAIRMAN WOLD: I find it hard to believe
23 they would leave behind the guy with the checkbook.

24 (Laughter.)

25 MR. GROSS: Thanks, Ted.

Heritage Reporting Corporation
(202) 628-4888

1 You know, I think, just kind of summing it up in a
2 legal way, and it is very helpful, frankly, it was quite
3 helpful for me to hear it as well, is that these
4 disallowances and the auditors kind of go down the list --
5 you see disallowed, disallowed, excessive, disallowed -- are
6 not pursuant to any sustainable legal standard that I think
7 can be upheld in any kind of legal proceeding or even here
8 before the Commission as an administrative legal proceeding.
9 It's arbitrary and it's rebutted by the facts.

10 This is not a situation where there is no
11 documentation, where it's clearly not related to the press.
12 It's just, well, it's too much of that, or you know, the
13 handcart, and it sounds like minor stuff. We're talking
14 about just like that, a 900 and some odd thousand dollars in
15 expenditures and another -- and another \$571,000 that we
16 didn't bill to the press related to phone expenses, filing
17 and ground cost because we thought that there was a
18 sufficient amount to cover everything at this point.

19 The auditors under the unbilled cost section of
20 their memo, page 8 of 38, make reference to those items and
21 say that credit or part of them have been accepted as the
22 result of the responses to the audit report and the ECM, but
23 none of that is reflected in the numbers, so I cannot tell
24 what portion of the unbilled expenses have been accepted,
25 although apparently some of them have, but they are not

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 26 of 125

1 reflected in the number so I cannot tell what portion of the
2 unbilled expenses have been accepted, although apparently
3 some of them have, but they are not reflected in the
4 numbers, and it's very difficult to tell.

5 Maybe on page 13, where they summarize the
6 numbers, those numbers actually are not accurate anyhow, but
7 they don't -- they don't reflect the adjustments of the
8 number of 116,000 for press and Secret Service should be
9 182,000, but even that number doesn't reflect whatever
10 reference -- adjustments are referenced under the unbilled
11 costs. So we may have gotten some credit for that, but it
12 is not yet reflected.

13 And finally, there were refunds for the phone
14 company that we should get credit for. The \$23,156 clearly
15 labeled "related to press," stamped right on it, no credit
16 for them. I don't know how that's a meaningful process to
17 be -- it's a little like shadow boxing; you know, trying to
18 respond to rejections such as this because we don't have the
19 specific line items. All we keep doing is providing the
20 documentation and wondering why it hasn't been properly
21 credited. So that's where we are with the press.

22 As a final sort of prudential equitable argument,
23 the opposing campaign, and this is true of Bush as well, but
24 not only Clinton, they didn't have to deal with these
25 issues. All press was dealt, was billed directly from White

Heritage Reporting Corporation
(202) 628-4888

1 House Press directly to the press. These weren't even part
 2 of the campaign expenditures. If there were any disputes or
 3 whatever, there wasn't any question of dollar-for-dollar
 4 repayments, you know, which is what we are talking about
 5 here, a dollar-for-dollar repayment of every handcart that
 6 wasn't given credit for. It simply was worked out between
 7 White House Press and the independent press. White House --
 8 yeah, the White House Press Office and the press itself.

9 The next issue on the agenda relates to the
 10 transfers between the two campaigns and Ki will address the
 11 next few issues before we move on to the primary.

12 MR. HONG: As Ken mentioned, I'll just quickly go
 13 over the remaining issues after that regaling of the facts
 14 of the campaign, these numbers will seem a little boring,
 15 but I wanted to go over them with you anyway.

16 There are really three repayment issues remaining
 17 on the general campaign. The first has to do with the
 18 alleged non-qualified campaign expenditures adding up to
 19 about \$574,000. Secondly, there is an issue as to the NOCO
 20 statements, the net outstanding campaign obligations which
 21 we believe are overstated by \$124,000. And thirdly, the
 22 allegation that GELAC overpaid for their share of overhead
 23 expenses of the campaign.

24 Now, first the non-qualified campaign expenditures
 25 adding up to 574,000, the auditors claim that the general

Heritage Reporting Corporation
 (202) 628-4888

1 paid for various -- that the -- sorry, that the primary has
2 paid for various general related expenditures, such as media
3 and office expenses and phone systems, adding up to 574,000.

4 And as instructed by the audit report, we have
5 transferred that amount, 574,000, from the primary to the
6 general, which as confirmed again in the latest response by
7 the auditors, should result in a dollar-for-dollar reduction
8 of the repayment figure.

9 Now, that money, that money that was transferred
10 from the primary to the general came primarily from two
11 sources. First, it came from -- there was a payment of
12 approximately \$264,000 in 441(a)(d) coordinated money from
13 the RNC to DFP.

14 Under the FEC rules, it states that you can use
15 441(a)(d) money for any expenditures or any payments in
16 connection with the general election campaign, and these
17 were clearly made to pay for the obligations that the --
18 according to the auditors -- that the -- for obligations
19 that the general had to the DFP.

20 In addition, prior to making this coordinated
21 payment and having the RNC pay this 441(a)(d) money to the
22 primary, we cleared this with the Audit Division after
23 discussing with the audit staff. They came back to us a day
24 later and said that we could do that, and that it would be
25 okay.

Heritage Reporting Corporation
(202) 628-4888

1 The second source of this transfer comes from a
2 transfer which we made from the Dole Senate Campaign to DFP
3 in the tune of about, or of \$287,000. Now, under the FEC
4 rules, it allows transfers between affiliated committees,
5 and indeed since the eighties, starting with the Kennedy
6 Campaign, the FEC has routinely permitted Senate campaigns
7 to transfer their monies to affiliated presidential
8 campaigns. So we followed that model and transferred the
9 Senate money accordingly.

10 The next issue I want to get to is an
11 overstatement of the net outstanding campaign obligations.
12 The auditors, going off of our NOCO statement, alleges that
13 we have about \$830,000 outstanding debt to vendors. After
14 getting that -- after being informed of that in the audit
15 report, we again went and went to try and confirm all those
16 outstanding obligations because, to tell you the truth, we
17 didn't know, we didn't know that we would have an
18 expenditure limitation problem that we are finding out or
19 that we are being informed of here.

20 So we went back and communicated with all the
21 vendors, and confirmed that actually the outstanding
22 obligation is overstated by approximately \$124,000. So that
23 should be reduced and not be counted toward the expenditure
24 limitation.

25 Allen Haywood is the one who made all the calls,

Heritage Reporting Corporation
(202) 628-4888

1 and I'm going to ask him to quickly talk about how this
2 confirmation process went on these outstanding obligations.

3 MR. GROSS: And these were not debt settlements.
4 They were misstated or restated indebtedness.

5 MR. HAYWOOD: Yes, I can speak to that briefly
6 here. Most of these vendors at this point were telephone
7 companies where we had multiple accounts in multiple states
8 with lots of deposits and credits and granted, a very
9 confusing set of transactions for either us or the auditors
10 to go back and look through several years after the fact.

11 What I did was simply was just go back and call
12 each of these vendors, every contact, and say what amount do
13 you currently show outstanding? Can you send me a bill?
14 What's outstanding?

15 And with the result from sometimes credits from
16 one account hadn't been applied to another account.
17 Deposits from one area haven't been applied to another phone
18 accounts. They gave me updated bills and there was either a
19 zero balance or this is what the current balance is, so it's
20 a very complicated series of facts that led to that, but a
21 very simple outcome.

22 I just called them and said, you know, what is
23 currently outstanding, and based a revised set of numbers on
24 those discussion.

25 MR. HONG: And as Ken mentioned, the idea that

Heritage Reporting Corporation
(202) 628-4888

1 the -- the auditors introduced this idea that we are
2 claiming this is a debt settlement, this 124 adjustment. We
3 are not claiming that at all. All we are saying is that the
4 NOCO statement is overstated by 124,000. It's that simple.
5 It's a factual issue.

6 The final issue I want to get to is this -- is
7 \$564,000 which the auditors after going through an -- an
8 .. after-the-fact allocation methodology decided that GELAC
9 overpaid on overhead expenses.

10 Now, the campaign took painstaking efforts to
11 allocate the amount of overhead that should be paid by
12 GELAC. It took into considerations what was going on with
13 the campaign, payroll, footage, square footage, and
14 everything that was going on in the campaign, the realities
15 of the campaign that were going on.

16 And on the field they made monthly adjustments as
17 to, as to the -- as to the amount of the expenditures that
18 should be attributable to GELAC. And you know, that number
19 is correct because that number is based on reality. It's
20 based on what happened at the campaign and what was going on
21 during the campaign. And I'll have Allen discuss even
22 further how that allocation was done during the campaign.

23 But we also -- even if we were to do this after
24 the fact here, and take an arbitrary or take an artificial
25 line as to a reasonable methodology after the fact, we have

Heritage Reporting Corporation
(202) 628-4888

1 found that -- and even using an alternative after-the-fact
2 methodology that the overpayment at most would be \$174,000.
3 But that would be not be not the -- that would not be the
4 most accurate allocation because the most accurate
5 allocation would be the one that was done contemporaneously
6 during the -- during the conduct of the campaign.

7 I'm going to have Allen talk about first how that
8 allocation went during the campaign and this alternative
9 allocation after the fact. Granted, a less accurate one, in
10 our view, given that we are looking at it post hoc. He is
11 going to describe that in further detail.

12 MR. HAYWOOD: I can speak briefly to that here.
13 The standards which are suggested, square footage, payroll
14 dollars, number of personnel, in most organizations those
15 are fixed things, your square footage, your office space,
16 well, you can understand that a bit here. You're in a
17 transition here. But no two payrolls are never the same.
18 The number of bodies, the number of dollars. It's just
19 every single payroll for the duration of the campaign, so
20 it's a little bit tricky along the way to make your best
21 allocation based on these moving targets. But updating and
22 adjusting, it constantly as the space shifts or as the staff
23 changes, that's what you get at the time.

24 However, looking back at it now to pick at this
25 point from hindsight a fixed point, if you look at the final

Heritage Reporting Corporation
(202) 628-4888

1 payroll, which is probably the most representative one,
2 there were 255 people at headquarters, of which seven were
3 legal and 55 were accounting staff. The legal office,
4 interestingly, whether you base it on the number of bodies
5 or say on payroll, it's about the same percentage or square
6 footage too for that matter.

7 Accounting made up about just under 15 percent of
8 the payroll dollars but about 21.5 percent of the number of
9 people which tells you, unfortunately, I guess, we seem to
10 be underpaid. We'll try to address that going forward.

11 But if you base it on final numbers of people at
12 headquarters, proportionate it by department, you would come
13 to say a 21.5 percent allocation for accounting, 2.75
14 percent for legal, and another piece which may have been
15 overlooked was the accounting/compliance presence on the
16 campaign airplanes, the four planes. We had several people
17 that were out in the field during most of the campaign
18 either dealing with payments or dealing with press billing
19 information and issues.

20 In factoring in their proportionate presence and
21 expense on each of the four planes is not an insignificant
22 matter either. In fact, in gross dollars it's about
23 \$263,000 which needs to be plugged into the totals for which
24 percentages are applied.

25 Using these numbers in hindsight, going back to

Heritage Reporting Corporation
(202) 628-4888

1 look at it, you would come, as Ki mentioned, to a total
 2 overpayment by compliance of about \$175,000. There were
 3 transfers made in both directions contemporaneously trying
 4 to keep us in balance as we monitor these different moving
 5 targets but looking at it on these terms in hindsight, there
 6 would be on this basis about \$175,000 rather than \$570,000
 7 in overpayment by compliance.

8 MR. GROSS: Moving on to the primary campaign --
 9 and because of time constraints is really the problems and
 10 perhaps are a result of sort of after-the-fact
 11 recomputation, in our view, second guessing without a
 12 standard that we could have possibly been aware of or guided
 13 our contact by during the campaign.

14 And except for the transfer issues, which Ki
 15 mentioned, which I actually don't think there is much of a
 16 disagreement over, in fact, I've more or less computed that
 17 in my mind as we have already gotten credit for that based
 18 on the written memorandum of the Audit Division.

19 The primary campaign, Dole for President, again we
 20 will preserve our three-year notification argument there as
 21 was referenced in our written response. ~~Going to the~~
 22 ~~specific factual issues, one that I guess we find~~
 23 particularly vexing is this \$916,000 surplus that we have in
 24 the primary campaign.

25 Well, there is no surplus in the primary campaign.

Heritage Reporting Corporation
 (202) 628-4888

ATTACHMENT 4
 Page 35 of 123

1 I wish there was a surplus in the primary campaign but we
2 are now being not only told that there is a \$916,000 surplus
3 that doesn't exist, but that there was in fact \$21,000 of it
4 in there, \$21,000, which was transferred to the general
5 campaign to satisfy obligations that the primary campaign
6 had to to the general campaign along with the other money
7 that Ki talked about the 441(a)(d) money and the Senate
8 money.

9 But that is now triggering a phantom repayment of
10 \$283,000, which is 30 percent of this phantom surplus of
11 916,000.

12 The reason the auditors have put this number on
13 the campaign relates to the fact that ~~the primary campaign~~
14 ~~did pay winding down expenses for the primary campaign and~~
15 ~~for GELAC because it had some excess funds that it was able~~
16 ~~to use in the payment of GELAC.~~ We have a legal response in
17 there because it says that you can use this money to pay
18 wind-down for the campaign.

19 This is not money to help get the senator elected
20 or the candidate elected. It says ~~you can pay wind-down of~~
21 ~~the campaign.~~ The word "campaign" is not defined in the
22 regulations. It doesn't differentiate primary/general. It
23 says "the campaign."

24 In addition, this was -- in a sense you might look
25 at it as an in-kind contribution if you want to look at it

Heritage Reporting Corporation
(202) 628-4888

1 that way, if you do want to separate the obligations of the
2 primary campaign and GELAC, and just because the primary
3 campaign makes an expenditure on behalf of GELAC does not
4 create a surplus or an indebtedness from the GELAC back to
5 the primary that makes it subject to a repayment.

6 I don't know how you can assess a repayment on
7 something that really isn't a legal obligation from one
8 campaign to the other. It is not a legal obligation, and
9 there is no way, of course, to make a repayment when there
10 actually is from no funds.

11 If there was \$916,000 in our primary account
12 surplus, we would, of course, make this \$280,000 repayment,
13 but it is not there and we don't think any legal obligation
14 arises as a result of these arguments.

15 If we have anymore time there is a couple of small
16 ticket items. I'm not sure it's really worthy of taking
17 time. The next one has just been sort of a personal pet
18 peeve of mine. The campaign got a \$5,000 contribution from
19 a PAC, and by the way, this campaign, it was not cited for,
20 receiving any excessive or corporate contributions. All of
21 them were returned in a timely fashion or, you know, there
22 was a screening process to make sure that no corporate funds
23 were held for an untimely period of -- you know, beyond
24 permissible time frame in any material way, and had good
25 systems to monitor that.

Heritage Reporting Corporation
(202) 628-4888

1 This one, a \$5,000 check comes in, it was
2 recognized as not being from a multi-candidate committee, so
3 the campaign returns \$4,000, and it turns out that the check
4 that was originally written, the donation bounces. So we
5 are out the \$4,000, and I made about 15 phone calls to this
6 PAC that no longer exists, trying to get my money back and
7 was unable to, so we lost the \$4,000. We refunded \$4,000 of
8 a contribution we never received, and now we are being hit
9 up as a non-qualified campaign expense and have to pay
10 another \$4,000 or I guess a fraction of that -- I don't know
11 how it was computed -- to the government so, you know, that
12 one kind of just bugs me, but it's not really worth spending
13 more time on it. Not that the \$1.5 million doesn't bug me
14 too.

15 (Laughter.)

16 MR. HONG: We do have one last big issue actually
17 which has to do -- in the primary, and it has to deal with -
18 - it has to do with stale-dated checks.

19 The auditors claim in their report that we should
20 pay back dollar for dollar \$225,000 in stale-dated checks.

21 Now, this procedure is clearly defined, this audit
22 procedure is clearly limited under Section 9038 of the Tax
23 Code to only apply to matched funds.

24 I mean, this procedure, this audit procedure is
25 limited to only getting back public money back from the

Heritage Reporting Corporation
(202) 628-4888

1 campaigns. And, in fact, you know, this was clearly again
2 confirmed by the D.C. Circuit Courts in the Reagan and
3 Kennedy cases in '84.

4 We do not -- we understand the regulatory basis
5 from which the auditors are coming, but we do not agree with
6 the statutory basis. We do not believe that stale-dated
7 checks should be paid back dollar for dollar, but we should
8 only get -- that this repayment should only apply for the
9 public money portion of it, and therefore be subject to this
10 30 percent calculation.

11 Now, in the auditor's memo, they make a -- you
12 know, they play with this -- the auditors talk about the
13 fact that is is a payment and I'm not -- and not a
14 repayment. To a certain extent, that doesn't matter. The
15 statutory basis for this proceeding is limited to matched
16 funds, and we believe that this stale-dated check repayment
17 or payment should be limited to only those matched funds.

18 MR. GROSS: Thank you for this opportunity. We
19 feel really that, other than our written response submitted
20 in the end of August, that this is really our first
21 opportunity directly address the Commission, and we'll be
22 happy to answer any questions you think is appropriate.

23 CHAIRMAN THOMAS: Thank you. Could you do me one
24 favor? Having now seen the Audit Division's follow up
25 memorandum, it attempts to summarize on page 13 in the last

Heritage Reporting Corporation
(202) 628-4888

SEARCHED 4
SERIAL 39 125

1 paragraph, I think, the excessive spending issue.

2 Do you see where I am? This is the Audit
3 Division's -- we are looking Agenda Document 99-139A.

4 MR. GROSS: Yes, 13 of 38, and the separate memo.

5 CHAIRMAN THOMAS: Yes, page 13 of 38.

6 MR. GROSS: Yes.

7 CHAIRMAN THOMAS: And Attachment 1.

8 Could you just help me, because you at the outset
9 tried to give your "summary of where you think the audit
10 staff has given you some credit and slack.

11 MR. GROSS: Yes.

12 CHAIRMAN THOMAS: How does that correspond with
13 what we are seeing here?

14 MR. GROSS: Well, there are problems actually with
15 this paragraph, which I'm sure the auditors will recognize.
16 There is \$185,000, it says in the third sentence, "This
17 reduction resulted," well, they talk about a \$368,000 number
18 in the second sentence, a reduction of \$368,000 -- 368,318.
19 That number appears to be correct based on the computations
20 that the auditors have made. We are not agreeing with it
21 but under the theme of their memo.

22 That number is comprised of 185,000, which is the
23 first number in parentheses a few lines down, which accounts
24 for the 441(a)(d), a portion of the 441(a)(d) money that
25 went from DFP that was in satisfaction of an obligation

Heritage Reporting Corporation
(202) 628-4888

1 there.

2 And the second number in parentheses is 116,000
3 for press and Secret Service. That number should be
4 182,594. It's just a typographical error in the audit
5 report. I think it results back to an error on the top of
6 page 9 where it refers to the total amount that DK had
7 received and reimbursements from press and Secret Service at
8 1,153,000. That number only represents press, not Secret
9 Service.

10 So if you plug 182,594 instead of 116,740, you'll
11 get the right number there. And of that amount, that
12 relates to the adjustments to the use -- 172,000 of that
13 relates to adjustments for the use of press and the
14 aircraft, the very first issue that I had discussed. And
15 there is an additional \$9,000 that comes from press,
16 adjustments we don't know what or how, but it's in there
17 somehow, and we believe, of course, we are entitled to lot
18 more than that.

19 And then there are references earlier on page 8 to
20 other adjustments that were made in response to the audit
21 report and the ECM. Well, if they were made in response to
22 the ECM, they already would be in the numbers. But if they
23 were made in response to the audit report, they should be
24 reflected somewhere, but they are not found in this, so I
25 can't explain that. But I think that's the explanation, and

Heritage Reporting Corporation
(202) 628-4888

1 correct me if I'm wrong, Ki, how you got to the 368,316.

2 MR. HONG: The other part of that \$900,000 figure
3 that Ken was mentioning at the very beginning had to do with
4 something that wasn't part of the numerical calculation of
5 the auditors in this memorandum. But if you look at page 9,
6 Section 2 --

7 MR. GROSS: Of?

8 MR. HONG: Of the auditor memorandum, it talks
9 about -- the auditor's essentially agree that if DFP
10 transferred up to this \$574,000 for these alleged non-
11 qualified campaign expenditures, that that would result in a
12 dollar-for-dollar repayment.

13 MR. GROSS: Which we did, and we assume because it
14 says, "If the actions followed, it would result in the
15 adjustment which the action has taken place." They haven't
16 been reported yet, but that did occur, and that's why I am
17 believing there is no dispute over that. It was the first
18 issue that Ki covered, which gets us up to around that
19 \$900,000 number.

20 CHAIRMAN THOMAS: Okay, thank you.

21 I had just one other technical question.

22 Mr. Haywood, you had referenced a revised
23 calculation on this issue of GELAC allocations. Has that
24 been incorporated in the record anywhere, that revised
25 calculation?

1 MR. HAYWOOD: At this point, no.

2 CHAIRMAN THOMAS: Okay. Hint, hint.

3 MR. HONG: But we would be glad to -- we do have a
4 five-day window, and we would be glad to submit that new
5 calculation. You know, to a certain extent, as you may be
6 able to understand, there is no campaign technically. We
7 don't have staffers running around, able to make these
8 calculations, and this latest calculation, you know, was
9 actually just done over the last day or so, so we would be
10 more glad -- more than glad to submit this new post hoc
11 calculation.

12 MR. GROSS: I mean, it's not that the
13 documentation was not there, you know. It's again we're
14 further responding to things that the auditors are finding
15 and the process to say this is how that number was reached,
16 not creating documentation here.

17 CHAIRMAN THOMAS: Thank you.

18 Commissioner Sandstrom?

19 COMMISSIONER SANDSTROM: First, let me note that
20 it is the holiday season and it's maybe a gift. I will
21 consider very sympathetically your refund of the
22 contribution argument with respect to the primary.

23 (Laughter.)

24 MR. GROSS: Did you have your Christmas party
25 already?

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 43 of 125

1 (Laughter.)

2 COMMISSIONER SANDSTROM: Since you raise a legal
3 argument with respect to the winding down costs, let me
4 explain why I have a little difficulty with your legal
5 argument.

6 Let me read first from 9034.4 about winding down
7 costs. It says, "Costs associated with the termination of
8 political activity activities such as the costs of complying
9 with the post-election requirements of the Act and other
10 necessary administrative costs associated with winding down
11 the campaign, including office space, rental, staff salaries
12 and office supplies, shall be considered qualified campaign,
13 expenses."

14 And that's where we then go to the use of the word
15 "campaign" there.

16 MR. GROSS: Yes.

17 COMMISSIONER SANDSTROM: If I go to what is a
18 qualified campaign expense, earlier in this 9032.9 it says,
19 "A qualified campaign expense means a purchase, payment,
20 distribution, loan advanced, deposited or gift of money, or
21 anything of value." And Part 2 made a connection with his
22 or her campaign for nomination.

23 So that seems to refer to the primary.

24 MR. GROSS: Well, in that -- you still get back to
25 sort of a tautology because it still uses the word

Heritage Reporting Corporation
(202) 628-4888

1 "campaign" in a generic reference in the first part of it,
2 and you don't necessarily incorporate by reference the
3 qualified campaign expense part of that.

4 COMMISSIONER SANDSTROM: I guess I am not the
5 prisoner of your tautology because I don't see it. I mean,
6 it says here clearly campaign for nomination, which should
7 usually be read that's what the campaign is referring to
8 here, and since it's repeated as a qualified campaign
9 expense. I do give you credit for the effort, but so far
10 it's not convincing to me.

11 MR. GROSS: Well, first of all, we're talking
12 about wind-down expense and we're talking about after-the-
13 fact expenses, not expenses used for nomination to get the
14 candidate nominated or elected.

15 And I think that in that sense the word -- go
16 ahead.

17 COMMISSIONER SANDSTROM: We are still governed by
18 the definition of qualified campaign expense.

19 MR. GROSS: Well, you know, I don't think that the
20 reasoning -- that the definitions of campaign necessarily
21 are restricted by that in the wind-down. I guess we are
22 just sort of disagreeing on that point.

23 COMMISSIONER SANDSTROM: Yes, I understand it
24 completely.

25 MR. GROSS: The other point that we make, and it's

Heritage Reporting Corporation
(202) 628-4888

1 not simply the legal argument and probably the more
2 important one as far as we are concerned is that in order to
3 create a surplus, there has to be an obligation owed to that
4 entity. We're talking about a surplus that is created as a
5 result of an expenditure.

6 So first, if you disagree with the legal analysis,
7 then you get to the second question that if they are two
8 separate entities, the primary and GELAC, and each has to
9 share its own costs for wind-down, then what occurred is
10 that the primary essentially made an in-kind contribution to
11 GELAC when it made expenditures on behalf of GELAC for wind-
12 down legal expense, legal and accounting expenses, which is,
13 what happened.

14 That does not in my mind trigger a legal
15 obligation of GELAC back to the primary, creating a surplus
16 of funds that was subjected to a 30 percent ratio repayment.
17 That's as much -- that is as troubling as -- you know, as
18 any of the arguments that we are making, I suppose --

19 COMMISSIONER SANDSTROM: Yes, I understand that --

20 CHAIRMAN THOMAS: Yes.

21 COMMISSIONER SANDSTROM: - is a separate and
22 distinct argument.

23 MR. GROSS: Okay. All right.

24 COMMISSIONER SANDSTROM: And I'm not searching to
25 debate that, but with respect to my quibble with the

Heritage Reporting Corporation
(202) 628-4888

1 analysis, and I understand your analysis.

2 With respect to stale-dated checks in the primary,
3 now most of these represented excess of contributions.

4 MR. GROSS: They represent refunds of excessive,
5 yes.

6 COMMISSIONER SANDSTROM: And you would have an
7 obligation to disgorge those in any case, wouldn't you?

8 MR. GROSS: We have an obligation to refund them.

9 COMMISSIONER SANDSTROM: And if -- yeah, to
10 disgorge them. If you can't give them to the contributor,
11 don't you have to give them to the Treasury?

12 MR. GROSS: Well, I think if you make your best
13 efforts to refund it, that you've done your -- you've
14 satisfied your obligation.

15 MR. HONG: But also, we're taking about a
16 procedural issue here.

17 COMMISSIONER SANDSTROM: I understand that.

18 MR. HONG: We're talking about -- I mean, if you
19 want -- if it should be repaid back to the Treasury, this
20 audit procedure is not the procedure to do it. That's what
21 we are saying.

22 COMMISSIONER SANDSTROM: We're talking about -- it
23 actually may be preferable from the committee's perspective
24 to do it that way because you don't necessarily want another
25 track because once you determine that you have these amounts

Heritage Reporting Corporation
(202) 628-4888

1 of money, you wouldn't want necessarily it to be considered
2 another track, so I'm not sure what we are asking of you --
3 you might want to consider unduly burdensome because it may
4 free you up having to fulfill that obligation in another
5 manner.

6 So again, I appreciate. I have a number of
7 questions with respect to the general, but those are my
8 questions with respect to primary. I don't want to dominate
9 so I will yield to "another --

10 CHAIRMAN THOMAS: That's fine. Why don't we do
11 sort of a round robin, and then we can do a second round in
12 a little bit.

13 Anyone else want to jump in? Commissioner
14 Elliott?

15 COMMISSIONER ELLIOTT: Did you have any complaints
16 from the press for too much food or too much transportation
17 or any excessive that you did?

18 MR. GROSS: I think Ted would be in a better
19 position to answer that than me.

20 MR. KOCH: I was asked one time that I recall if
21 during an extended period of time down in Florida when -- in
22 the filing center or at the hotel that the press were
23 staying at that there was breakfast provided to them, if
24 that was going to be billed, and it was. I said yes.

25 But other than that, myself was not -- you know,

Heritage Reporting Corporation
(202) 628-4888

1 asked about that. I mean, I am --

2 MR. GROSS: The question was, was there a
3 complaint that there was too much food?

4 MR. KOCH: People -- they did not complain to me.
5 I imagine that if there was a complaint, that it would be
6 through the advance staff that are going to order it the
7 next time around.

8 COMMISSIONER ELLIOTT: Well, if I were a press
9 person and I knew I was picking up the tab for my share of
10 this, and things were done excessively, I think I would
11 complain because I knew the tab would be high, and I want to
12 know whether anybody said, "Look, you're spending too much.
13 We don't need this" anywhere along the line.

14 Has that occurred?

15 MR. KOCH: There were not complaints to me
16 directly.

17 COMMISSIONER ELLIOTT: Okay. Now, why were press
18 costs not billed?

19 MR. GROSS: In every campaign at some point you
20 decide not to bill certain expenses, as I understand it,
21 every other campaign I have talked to about this. They just
22 cut off certain expenses to the press. They bill -- they
23 make substantial billings to the press. There are
24 additional items for categories of expenditures that come in
25 late, bills come in late and you don't want to -- the

Heritage Reporting Corporation
(202) 628-4888

1 general election campaign is a 10 or 11-week period. It
2 goes very quickly, and you are making adjustments for bills
3 that are coming in all along the way. Some of these bills
4 come in late and they are large categories of expenses such
5 as the HMI lighting. There is just no question that it's
6 press lighting, but you make a judgment not to bill it.

7 I don't know if I have a better answer to that or
8 whether either of you have a better answer.

9 MR. HAYWOOD: I'd like to address a couple of you
10 questions also, Commissioner Elliott.

11 Starting with your first one just briefly, did the
12 press complain. I didn't get specific complaints either
13 like Ted but I can say it would certainly be easy to find
14 press people, individual press people say they were unhappy
15 with this or they thought that was too much.

16 The point I would make though that this wasn't an
17 a la carte type situation where you could say, "I need a
18 platform but I'm not going to use the filing center."
19 You know, "My wife packed a lunch. I'm not going to eat
20 today."

21 If you sign on board, you get the whole thing, the
22 full range of services. If you are a camera guy, you also
23 have access to a filing center which you're not going to
24 use. If you are the AP reporter, well, you also have a
25 press platform that was for someone else's benefit. There

Heritage Reporting Corporation
(202) 628-4888

1 is food on the plane. There is food in the filing center.
2 These things go 20 hours a day, particularly towards the
3 end, almost nonstop, and that's often the only chance you
4 have to eat is on the fly, on the plane, and at the filing
5 center and at the event.

6 So yes, certain press could say, "I didn't eat at
7 this stop. I didn't use this filing center," but we provide
8 a blanket set of services for everyone.

9 Another point to make just briefly there too there
10 was a reliance on the schedule. If the schedule didn't say
11 "filing center," then there wasn't a filing center according
12 to the audit review. If the schedule say press bus one,
13 press bus two, and there was a bill for a third press bus,
14 then it didn't exist, you know, even if stories were filed
15 from the filing center, even if press were on the bus.

16 If Ted were there and wrote the check, you know,
17 and saw -- you know, and I can appreciate the need to rely
18 on paper, but the schedules were revised constantly right up
19 to the time of the event but weren't revised after the fact
20 to make them more accurate of everything that happened.

21 COMMISSIONER ELLIOTT: Okay, thank you.

22 But the real answer is that when the press
23 expenses got too big, you had to stop billing them.

24 MR. HAYWOOD: And a point there too, almost all of
25 these items were billed on estimates. There were some

Heritage Reporting Corporation
(202) 628-4888

1 actual bills that Ted would have on the road, but in one
2 particular case where the phone expenses where we were
3 estimating at the time, we wanted to turn the bills around
4 as quickly as we could based on the best information we had
5 then. But you know, phone companies have for the most part
6 monthly billing cycles. You have an event October the 12th,
7 you know, you can figure out as well as I when you will get
8 your bill for that. The same thing for your events on
9 October 13, 14, 15,"all the way through.

10 So based on estimates at the time on many
11 different pieces, particularly the telephones, when the
12 actual bills did come in for a lot of these, we had already,
13 finished, you know, sending out all the bills we were going
14 to and we got the rest of our bills and they turned out
15 being higher than we had expected. That's the simple answer
16 on that piece.

17 COMMISSIONER ELLIOTT: Thank you. Thank you, Mr.
18 Chairman.

19 MR. GROSS: And I don't believe there is any
20 dispute about whether we are entitled to the unbilled press.
21 It's just a judgment that was made.

22 CHAIRMAN THOMAS: Commissioner Mason?

23 COMMISSIONER MASON: Thank you. I want to address
24 the Philadelphia event first. As several of you know, I am
25 the father of six children, and Chinese take-out is a big

Heritage Reporting Corporation
(202) 628-4888

1 treat around my house. But I can tell you that if I showed
2 up at home with seven egg rolls for the eight of us, there
3 would be a big problem, and I'm the one who come out on the
4 short end.

5 And I notice at this event there were 60 egg rolls
6 for 64 press, and I'm just wondering whether you got
7 complaints about that?

8 (Laughter.)

9 COMMISSIONER MASON: You don't have to respond but
10 I --

11 MR. GROSS: There must have been at least four on
12 the Atkin's Diet, and they couldn't have them.

13 (Laughter.)

14 COMMISSIONER MASON: Having looked at that, I have
15 some sympathy for the position that I know the advance
16 people were in. I have been in the position myself of
17 having ordered more food than ended up being needed for
18 receptions and paid for empty buses for events that I ran
19 and so on like that, and so I will look carefully at that.

20 I did, however, want to address a couple of areas
21 of costs which the auditors had problems with that I still
22 don't -- I'm still not quite where you are.

23 One is as to the variable cost of the airplane,
24 and you are aware from the discussion in the audit and so on
25 that there was a big increase at one point in the campaign

Heritage Reporting Corporation
(202) 628-4888

1 for the variable costs. And as I read your response, it's a
2 little bit perhaps like the GELAC Division, and that is,
3 well, yes, in retrospect, you know, going back and taking a
4 look, maybe we overestimated those variable costs a little
5 too much. It was the best job we could do at the time. And
6 if you give us credit for all these unbilled expenses, that
7 washes out the difference.

8 .. But fundamentally you are not disputing that as to
9 those variable cost there was an overbilling to the press?

10 MR. HAYWOOD: The big jump that was referred to
11 and it was classified as variable expenses. I think at one
12 point, maybe it was September 26th or October 13, when it
13 really shot up. What that really should be characterized as
14 rather than a change in the variable cost, Sandy Pack, who
15 was billing these, call it "catch-up factor," which is
16 exactly what it was.

17 The short story there if you start out with a
18 million plane thinking you're going to bill 100 hours, it's
19 \$10,000 an hour. If you get 20 hours into your campaign and
20 realize you need to adjust that down from 100 hours to 80,
21 instead of having 80 hours left to make up \$800,000, you
22 have now got 60 hours left to make up \$800,000, meaning that
23 not only does your rate change, but you need to change it by
24 yet more to account for the fact -- for the hours that have
25 already been billed at the lower rate.

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 54 of 125

1 The further you get along in a campaign, still
2 changing your estimate, the bigger the adjustment necessary
3 to account for what's already been billed, we started out
4 based on the best information we have from our advance and
5 schedule folks thinking we would be using more than 300
6 hours on the airplane. As time went by and we had some bus
7 trips, some debate prep, things like that, in a short cycle
8 they can mention maybe 75 days. If you are down three days
9 for a bus tour, if you have an extra day of debate planning,
10 those hours rack up very quickly, and they have a huge
11 impact on your hourly billing rate. Based on the way our
12 contract was structured; our hourly estimate dropped at one,
13 point below 200 hours, cutting it almost in half, which had
14 the huge --

15 COMMISSIONER MASON: Could I -- what you are
16 saying seems to me to get to the fixed cost, and that I
17 understand. We saw that. But I don't quite understand how
18 that explains the variable cost which would have been fuel
19 and catering principally for the plane. Those should have
20 gone up or down, depending on whether you were actually
21 using the plane.

22 MR. HAYWOOD: Right, I will characterize that as
23 fixed cost as well. I think the way it was characterized in
24 some of the documents during the audit process -- I'm
25 looking at three columns here which you don't have in front

Heritage Reporting Corporation
(202) 628-4888

1 of you. One is fixed, one is variable and one is catch-up.
2 You can enter add the catch-up to the variable or to the
3 fixed. I think, to get the numbers that have been referred
4 to, you would be adding the catch-up to the variable total.
5 That's why it jumps up so much.

6 The other piece to add there is that the variable
7 costs did go up over time. There were fuel increases and
8 that was a big component. We had a threshold fuel price of,
9 I think, 72 cents a gallon, and if the fuel, aviation fuel
10 went above that point, we would have to pay surcharges,
11 which we did.

12 And reference has been made to the shortness of
13 the cycle, 10 - 11 weeks. When you get a few weeks in and
14 you're starting to get some actual bills and you realize at
15 that point that your variable -- your true variable costs
16 are indeed going to be higher than you had expected, so that
17 the true variable costs did go up, but the big jump is
18 because this catch-up factor has been added in too what I
19 would call variable cost rather than fixed cost to come to
20 the numbers that were referred to.

21 CHAIRMAN THOMAS: Could you just clarify what
22 chart you are reading from?

23 MR. HAYWOOD: What charge?

24 CHAIRMAN THOMAS: What chart?

25 MR. HAYWOOD: Oh, chart.

Heritage Reporting Corporation
(202) 628-4888

1 MR. GROSS: It wasn't part of the record. What
2 you are looking at is -- I mean, we have reams and reams of
3 information related to the billing of these aircraft. It
4 was done very meticulously. I think the auditors have a
5 hard time believing that, but the Sandy Pack, she's the CPA,
6 she's doing the Bush aircraft as we speak. She is in
7 Austin. She is terrific. And it is the most difficult part
8 of the formulation. It is the one thing that you cannot
9 estimate with any high degree of accuracy unless you are
10 just lucky.

11 And as I mentioned, this '96-hour tour at the end
12 really threw everything off after the numbers were adjusted,
13 downward. I had the same question you did. I said how
14 could the adjustments be invariable. It should be in fixed,
15 and it didn't make sense to me either. And the truth of the
16 matter is. is what Allen just said is that a lot of the
17 catch-up fixed was expressed as a variable number.

18 I still today, I have to say I am somewhat
19 skeptical of the amount that we're sort of not contesting on
20 the fixed variable on the aircraft, but there is so many of
21 these other bills which are so clearly documented that it's
22 not worth trying to recompute the most complex thing that I
23 had tremendous difficulty following during the Commission
24 discussion of it, and even trying to go through the
25 documents now.

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 57 of 125

1 But I understand the basis of your question
2 because I had the same question. How could the variable be
3 so adjusted? And that is why. It was really put into
4 variable, the catch-up number.

5 COMMISSIONER MASON: Well, to the extent you can
6 provide anything additional on that, it's useful. The one
7 thing that gives me pause about that explanation is that the
8 fixed costs were also varying at the same time, and I spent
9 a lot of time with the auditors going through, and the
10 fixed-costs actually act exactly the way Allen is describing
11 it.

12 That is to say, as you look at the number of hours
13 that were apparently estimated and then actually flown and,
14 you know, you make an adjustment toward the middle of the
15 campaign and then you run into this problem at the end of
16 the campaign. The fixed costs that are reported, they
17 actually track that pretty well.

18 And so it doesn't -- in the absence of something
19 else, the answer that, gee, some of that was also in
20 variable doesn't make sense.

21 MR. HAYWOOD: Right, I think I can also in this
22 next five days give a little more clarification there, and
23 again it's the catch-up piece. It's not just looking at the
24 new rate based on the new hours, but the catch-up factor
25 which I think explains that because these worksheets do

Heritage Reporting Corporation
(202) 628-4888

1 support this dramatic change in the total billing rate at
2 those couple of different increments that were mentioned.

3 MR. GROSS: Not to be a big dispute item, but I
4 understand your desire to want to clarify, and it would have
5 been great if Sandy could be here doing it, but we did the
6 best we could with those numbers since they are not really
7 in contention, but Allen will provide it.

8 COMMISSIONER MASON: Okay, thanks.

9 The other item in this area that I wanted to ask
10 about was lighting costs, and in the audit analysis of your
11 response, which we referred to a couple of times, the 38-
12 page document, on page 8 of 38.

13 MR. GROSS: Yes.

14 COMMISSIONER MASON: Under "unbilled costs," the
15 second paragraph there talks about \$340,000 in event
16 lighting.

17 MR. GROSS: Right.

18 COMMISSIONER MASON: And it says, "As a general
19 rule, Dole/Kemp claims that press lighting -- press should
20 be billed for one-half of the event lighting costs for
21 indoor and non-daytime outdoor," and essentially 100
22 percent for the outdoor.

23 Now, you have referred a couple of times to the
24 HMI lighting.

25 MR. GROSS: Yes.

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER MASON: I understand that that might
2 be a distinction that we would want to make. But I want to
3 understand if that description, which is by the audit staff
4 is --

5 MR. GROSS: Right.

6 COMMISSIONER MASON: -- accurate as far as you can
7 tell.

8 MR. GROSS: It is not accurate in the sense that
9 it says that the audit staff analysis does not recognize
10 event light. Well, maybe that is accurate, but --

11 COMMISSIONER MASON: The question is, is your
12 position that one-half of the lighting for indoor events and
13 evening outdoor events should have been billed to the press
14 and 100 percent of the lighting for outdoor daytime events
15 should have been billed to the press?

16 MR. GROSS: That's correct. If Ted can dispute
17 that if I'm wrong, but I think that is exactly the approach,
18 and this was just specialized lighting.

19 COMMISSIONER MASON: Well, no, that's what I want
20 to get to.

21 MR. GROSS: It's necessary only because --

22 COMMISSIONER MASON: I understand as to the
23 daytime, but I mean, you said the distinction has to do with
24 the specialized lighting, but in fact your actual cost
25 calculations are just a 50 percent cut when you are dealing

Heritage Reporting Corporation
(202) 628-4888

1 with indoor events and you're dealing with nighttime events.

2 MR. GROSS: Well, if there is the stage lighting
3 separate from the press lighting, that was not billed to the
4 press nor are we seeking credit for it. That is what we
5 call event lighting and event sound. That is different from
6 the press lighting and the press sound, which are
7 specialized types of lighting.

8 Now, if the event is at the MCI Arena and there is
9 already good light in the room for a regular event if no
10 press is there, you don't need event lighting, but you do
11 still need the -- but you still would need the press
12 lighting because of the need for cameramen and the proper
13 picture of the candidate.

14 I don't know how else to -- I mean, we're saying
15 that all of the lighting that we are billing to the press in
16 this item here, the 340,000, and sound, is the specialized
17 lighting. It's HMI lighting. And if we cut 50 percent some
18 of that was HMI, some of the 50 --

19 MR. KOCH: Well, no, 100 percent of this is HMI.

20 MR. GROSS: A hundred percent of this is HMI.

21 MR. KOCH: But we're only wanting credit for 50
22 percent.

23 MR. GROSS: We're only seeking -- so we are not
24 seeking all the HMI. In other words, if there was HMI
25 because it's indoor event, because it was an indoor event,

Heritage Reporting Corporation
(202) 628-4888

4
ATTACHED -
Page 61 of 125

1 even though it was specialized lighting, we did not -- we
2 are not seeking for 50 percent of that because we would have
3 needed lighting anyhow for an indoor event if there was no
4 press there.

5 COMMISSIONER MASON: Thanks, and I just want to
6 refer back, I don't know how important it will be, it could
7 be important, I'm glad Commissioner Sandstrom pointed me to
8 the regulations because I want to point to 903.4(a)(3) which
9 says, "Qualified campaign expenses, except as provided in
10 paragraph (b)(3)," and you go over to paragraph (b)(3) and
11 it talks about expenditures incurred after date of
12 ineligibly and wind-down costs, and then refers you back to,
13 (a)(3).

14 So I would have to say that I read the (a)(3)
15 allowance for wind-down costs as an addition to the general
16 definition of qualified campaign expenses and sort of
17 explicitly outside the area of seeking the nomination.

18 Now, we still may want to decide whether we want
19 to allow 100 percent after the general election, but I think
20 there is a regulatory argument there that we need to look
21 at.

22 Thank you.

23 CHAIRMAN THOMAS: Commissioner Wold?

24 COMMISSIONER WOLD: Thank you. We appreciate the
25 time and effort that has been put into this already to try

Heritage Reporting Corporation
(202) 628-4888

ATTACHED:
Page 62 = 122

1 to inform us a little further on the various figures, but I
2 have to say that this is going to require some time and
3 analysis yet to try to match up the arguments by the
4 campaign with the arguments by our audit staff and any
5 additional information you could give us that would help
6 direct us to figuring out what the figures are at this point
7 that are disputed, undisputed.

8 MR. GROSS: I have already received a few
9 complaints about the boxes that we delivered at your office.

10 COMMISSIONER WOLD: Well, I think we need some
11 guidance to go through those. I don't expect to have to go
12 through them myself to figure out what's in there or where I
13 should be looking, you know.

14 If there is something in there that we should look
15 at, we need to be directed to that and not expect to find it
16 on our own. Let me follow-up on a couple of questions or a
17 couple of the matters that Commissioner Mason had asked
18 about because I had questions about those too.

19 The HMI lighting, as I understand it there is some
20 dispute over whether that is required by the press or is
21 simply an option by the campaign to provide it for the
22 additional benefit basically to the campaign? That the
23 images look better under this HMI lighting, but the press
24 would say we don't need that, we can transmit pictures
25 without it, but the campaign wants the pictures to look

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 63 of 125

1 better so they provided the additional lighting.

2 How do we reconcile that.

3 MR. HONG: Well, I think -- well, I'll have Ted
4 talk about this in a little more detail, but as Ted
5 mentioned, these lighting issues were of primary concern of
6 the press. I mean, when they didn't -- when they didn't get
7 the proper lighting that they needed, you know, they raised
8 a lot of complaints to, I'm sure, Ted and a lot of his
9 campaign staff.

10 Ted, I'll let you go over that a little more.

11 MR. KOCH: Well, I mean, again I can say -- all I
12 can say is when vendors supplied bills to us the split out
13 the cost -- we actually received two invoices, and invoice
14 that was for Kemp/Dole '96 press and an invoice for
15 Dole/Kemp '96. And they would have the lighting that was
16 specific to the press on the press bill, and then any
17 lighting that was specific to the event itself was on the
18 campaign bill as an event cost.

19 And I guess to -- I don't know how to address
20 really on the press that's on the press bill, you know,
21 specifically why that's required of them. I guess we would
22 have to get more information as to the technical aspects of
23 it, but they were split up.

24 COMMISSIONER WOLD: I understand how they were
25 split here, and I appreciate that. But for the -- let's

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT ⁴
Page 64 of 123

1 take an outdoor event where HMI lighting was ordered, that
2 would be billed 100 percent to the press; is that right, or
3 am I mistaken on that?

4 MR. KOCH: Right. If it was an outdoor event and
5 there were a daytime outdoor event, and there was press-
6 specific lighting that wouldn't be needed for the event,
7 then I think it's the case -- I mean, the committee's
8 position that that could be billed as a press cost.

9 COMMISSIONER WOLD: I guess the question is who
10 made the decision this was necessary, required by the press.
11 Was that solely a campaign decision, we want the press to
12 have that kind of lighting, or do the press say we need that
13 kind of lighting?

14 MR. KOCH: Well, again, there is the, you know,
15 the interaction every day between the advance staff and
16 members of the press as to what they needed.

17 MR. GROSS: I don't think we received any
18 complaints that they received lighting that they didn't feel
19 necessary or wanted. Now, maybe when the bills get back to
20 headquarters they may have some complaint about a particular
21 bill, but there are fierce complaints and I've heard this
22 from other campaigns, in fact, they might be willing to
23 supply documentation, when you don't have proper lighting,
24 their pictures are screwed up and they are not happy campers
25 sitting in an area where there is no real dispute that it is

Heritage Reporting Corporation
(202) 628-4888

1 a press item, in my view, and I haven't heard anything to
2 the contrary.

3 And just to briefly address your original comment.
4 We are somewhat in the same position as to the commissioners
5 are. We have responded to every specific item that was
6 disallowed that we know of, but we're dealing with these
7 large efforts. I don't know why there is an expenditure for
8 a light, and you say that this light was a press light and
9 the auditors say it was an event light, and then we have --
10 and we say, well, no, it was a press light. Here, look at
11 it, it's a specialized lighting and it says -- stamped
12 "press" on the bill.

13 If that were the situation, we could demonstrate
14 it line item by line item. I don't know what more we can
15 do. We have submitted detailed correspondence, memorandum,
16 receipts, check requests, the check themselves labeled for
17 press, and that's why I said before it's a little like
18 shadow boxing because I don't think there is a -- and there
19 is a legal problem here in the way that this is being done,
20 and I think that's at the root of it.

21 How much is enough? I mean, what is the standard
22 that is needed to shift the burden to say how can we be held
23 accountable for something that we have submitted the
24 documentation for and haven't been given specific definition
25 as to the item to rebut.

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER WOLD: All right, a question about
2 the --

3 MR. HAYWOOD: One other brief point there if I
4 could.

5 COMMISSIONER WOLD: Sure.

6 MR. HAYWOOD: The question here with lighting and
7 a few other similar issues has often been phrased in terms
8 of whether it's to some benefit to the campaign, we're
9 palming our cost on the press.

10 I just want to be clear that, you know, this is
11 lighting we would not have were it not for the press, and
12 that the press, particularly the camera crews, after they
13 have paid to be on the airplane, after they have paid for
14 the food and the baggage handling and everything else, their
15 job is to transmit the picture back. They are feeding a 24-
16 hour news cycle, and if they can't transmit the picture
17 back, you know, it's of no good whatsoever for them to have
18 been there.

19 So this is lighting that we would not have had
20 they not been there and that they needed to do their jobs as
21 they make clear on a regular basis to our press advance
22 folks out on the road.

23 COMMISSIONER WOLD: Well, the question, of course,
24 goes both ways. We could also you if it's going to be
25 disallowed, what basis do we have for saying that the press

Heritage Reporting Corporation
(202) 628-4888

1 objected to this and said, hey, we don't need it?

2 But, you know, you fellows are here at the table
3 so we ask it that way, you know, to say that it was required
4 by the press.

5 MR. GROSS: Well, there are items that are
6 delineated for the press and there is something special
7 about those expenditures. We are not saying an expenditure
8 doesn't have relation to the press.

9 COMMISSIONER WOLD: Oh, I take it at face value.

10 MR. GROSS: Yeah.

11 COMMISSIONER WOLD: I don't think our audit staff
12 has disputed it. It is in some sense for the benefit of the
13 press at the event. The question is whether this is minimum
14 that was needed for adequate press coverage or was it really
15 an enhancement for the benefit of the campaign that the
16 press could care less about?

17 MR. GROSS: I think it's a very --

18 COMMISSIONER WOLD: I don't know.

19 MR. GROSS: -- strong argument that this, we're
20 talking about press lighting that I think is really
21 distinguishable. Now, there may have been some other lights
22 on the stage for the event itself. That is not in play
23 here. We are not taking about that. These are these
24 specialized lighting, and even all of that didn't get
25 billed.

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER WOLD: And these kinds of questions
2 are going to continue to come up and change every four-year
3 campaign because there is going to be new technologies and
4 new things that can be done and new enhancements that there
5 isn't before, and so I don't -- I'm not sure offhand how we
6 deal with it, but one, you know, painfully sure what the
7 results is.

8 I look at it a little bit like I do the questions
9 of the food. Let me get to that, or the catering here. I
10 can understand the difficulties of ordering the exact
11 amount. Having had dinner at the Mason's house once I would
12 be reluctant to try to make out a grocery list for the
13 family there.

14 (Laughter.)

15 I think I would err on the side of too much food
16 rather than take the chance of not getting dinner myself.

17 And the campaign was probably in the same position
18 there. I guess the question that I have is how can we be
19 assured that that all was for the press and that we're not
20 unloading other campaign staff costs maybe just nothing more
21 than meals, but nevertheless other campaign off onto the
22 press here?

23 What assurance do we have that this actually was
24 used by the press regardless of whether it was used --
25 whether it was way too much, more than the press needed or

Heritage Reporting Corporation
(202) 628-4888

1 not? I mean, was it exclusively for the press or was it a
2 combination of costs that you're feeding all the volunteers
3 also? Free food, come out to the rally. The Press is
4 paying.

5 MR. GROSS: There was a tremendous amount of
6 educated effort that went into judging the amount of food
7 based on the anticipated press in each and every case. It
8 was not -- part of that calculus was not to feed the
9 staffers or the volunteers, and that's not what happened.
10 If there was a sharing, there was an allocation made between
11 the two.

12 Now, this science was not always accurate and any
13 inaccuracies are very nice to look at after the fact as you
14 go through the documentation, but I think, and even those
15 weren't grossly off, but I think that you have to give the
16 campaign the benefit of the doubt when it has a methodology
17 to feed press and not just a willy-nilly let's just order
18 lots of food because we know there is going to be left over
19 and this is a way we can feed our campaign staffers. These
20 were all done pursuant to formulas, pursuant to real numbers
21 of anticipated presence of staff.

22 Maybe, again, the calculation was wrong, but it
23 wasn't a consistent over-ordering of food with an
24 anticipation of it going.

25 And I guess, Ted, you can speak to that. I mean,

Heritage Reporting Corporation
(202) 628-4888

1 this was not food for the staffers.

2 MR. KOCH: Right. The one thing I would add to
3 that is the press catering was in the filing center, and the
4 filing centers were usually, you know, in it's own room or
5 cornered off somehow with extension or something that would
6 corner off a filing center from the rest of the event.

7 And towards the end of the campaign or even
8 throughout a good part of it, sometimes there were signs up
9 that said specifically "Traveling Press Only."

10 COMMISSIONER WOLD: Well, this is the kind of
11 thing I'm looking for? What indication do we have? From
12 the documents or some other basis that this was for the
13 press? It may have been overdone for the press but it was
14 for the press and not for somebody else?

15 MR. GROSS: They are labeled, they are labeled
16 "Press," the documents, you know.

17 MR. KOCH: Yes. Oh, yes, on the invoices
18 themselves obviously it's listed, described as catering for
19 the press.

20 Again, when I was there, when I was writing a
21 check, I would see the food in the filing center, and then I
22 would write a check to the vendor. Well, in fact, if I
23 didn't write a check to the vendor, they would find me
24 before I left. So it's -- but again --

25 COMMISSIONER WOLD: So you're telling us that was

Heritage Reporting Corporation
(202) 628-4888

1 billed separately then?

2 MR. KOCH: Yes.

3 COMMISSIONER WOLD: The food for the press would
4 have been billed separately?

5 MR. KOCH: Yes. There may have been -- there may
6 have been an occasion where the catering was for staff as
7 well, but as Ken said, that would have been prorated then
8 based on the number of staff and press together.

9 So it would have been in that case, which was, you
10 know, not that often, I mean, but we -- the staff ate
11 primarily on the airplanes, in between trips, and then also
12 from the hotels, room service at the hotels. And the -- but --
13 again, in the event that staff was involved, that would have
14 been prorated, but most of the time what we are talking
15 about here, the vast amount of the time we're talking about
16 catering that's put into the press filing center that's
17 there during the event.

18 COMMISSIONER WOLD: Is that indicated somewhere on
19 the invoices or what -- how do we know that that was the
20 case?

21 MR. KOCH: Well, the invoice itself says that,
22 again, it's catering for the press. When I paid the bill,
23 again, I wanted to see that it was in the filing center,
24 that the food was there. I mean, clearly I wasn't going to
25 write a check for food that wasn't, you know, put in the

Heritage Reporting Corporation
(202) 628-4888

1 filing center for the press.

2 MR. GROSS: I frankly don't know what else a
3 campaign can do in documenting expenditures. It's for the
4 press.

5 Now, it's true that maybe we could have added a
6 narrative to these bills to say that this was press served
7 on the aircraft or served in the filing center. I don't
8 know why these expenditures are being questioned at all.

9 Now it's suddenly the burden seems to have been
10 shifted back to us because of what I consider to be somewhat
11 of an arbitrary determination after the fact that this was
12 too much food or too many buses and we're put in the :
13 position of further documenting it at this point in the
14 campaign when there really isn't a campaign, well, that bill
15 we're sure that's a press one because that one was served
16 behind the -- you know, in the filing center.

17 I mean, I think the best we can do under the
18 circumstances, and I don't know how it could be expected
19 more as a matter of legal standard, is to do exactly what we
20 did, and maybe embellish it with what you are hearing here
21 today, and we appreciate that opportunity to do that.

22 MR. HONG: And, in fact, in our submission on our
23 attachments of invoices there is a narrative on each
24 invoice, a one or two-sentence narrative as to what that was
25 for.

Heritage Reporting Corporation
(202) 628-4888

1 Now, you know, I think there is also an issue as
2 to really be given -- the guidance given to the campaigns as
3 well on this. I mean, to the same extent that, you know,
4 the Commission is seeking a standard, the campaigns are as
5 well, because really there is nothing more we could do other
6 than to invite an FEC staff along with the campaign during
7 the trip.

8 (Laughter.)

9 MR. HONG: Share your frustration on that.

10 MR. HAYWOOD: What I'll say on just a brief
11 practical and procedural note for a budget point of view, if
12 it was the norm or the expectation of the practice of staff
13 to be eating at these events and filing centers, I would not
14 be paying per diem, which is supposed to cover their meals
15 and paying to buy them food at these events. I am not going
16 to buy, you know, two meals a day for everybody on the road.
17 They get it through per diem and that's been accounted for
18 there, and that's the assumption that that's how they take
19 care of their meals through per diem, that it was not our
20 practice or expectation that, you know, traveling staff
21 mooch on these filing centers and then get their per diem to
22 boot. That was not what we intended or what we did.

23 COMMISSIONER WOLD: I think that it would be safe
24 to say that it would be dangerous if a staffer tried to eat
25 the press food.

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENTS 4
Page 74 of 125

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Laughter.)

COMMISSIONER WOLD: Thank you.

CHAIRMAN THOMAS: Commissioner McDonald?

COMMISSIONER MCDONALD: Mr. Chairman, thank you.
Thanks to all of you for coming.

I can't help but be amused, I saw Joanne earlier
this morning. I hope the drive was worth it. It just
strikes me, and I think the Vice Chairman is right, we're
going to get to do this every time, and realizing what the
statute is, I don't know if I've ever talked to any of you
about my block grant theory, which is I think we ought to
give the campaign X amount of money, and how they spend the
money, short of fraud, we should probably not be involved
in.

And these issues about how much somebody ate or
didn't eat, now I've got to tell you. I mean, I'll take a
greater interest in this, of course, if you do start
inviting along FEC personnel, particularly, particularly
commissioners, which I would be very interested in.

I am just -- I hate to say this. I just don't
like Chinese food so I don't know whether I want to go or
not.

I want to get to a very specific issue to see if
we can walk through this with the campaign representatives
and the audit staff. I'd like Ken, or whoever you want to

Heritage Reporting Corporation
(202) 628-4888

1 designate to cite an example in which you feel like there is
2 nothing else that you can do, and let me just ask the audit
3 staff about it.

4 So that I have some sense of what we are really
5 talking about, because I think this is about the only
6 opportunity we genuinely have where we can have both parties
7 here to have an exchange, and it would help me try to get a
8 better sense of it in relationship to what any specific item
9 that you want to talk about so that we can turn to the audit
10 staff and ask them what it is that they feel like that they
11 have to have that they don't have, or that you feel like you
12 have handled in full and in spite of that you're not getting
13 the kind of result that you would like to have, because I
14 think that's what has been hardest for me to grapple with,
15 is just how it all plays out.

16 And, you know, I can read one set of documents and
17 the other, but at the end of the day, and I think the point
18 the Vice Chairman made earlier is a good one. We have lots
19 of information, but trying to get it to correlate to where
20 it makes some sense for us is awful hard for me to do, and I
21 don't care what item it is, but anything you all would like
22 to talk about and see if we can get a response, and the
23 audit office might be helpful to us.

24 MR. GROSS: Well, I mean, as far as I'm concerned,
25 we can pick any of the items that we have been discussing,

Heritage Reporting Corporation
(202) 628-4888

1 say the food. We have a very -- again, we have submitted
2 the documentation. There is one unfortunate thing is I
3 think Ki made referenced to before, is that we lost. We
4 don't exist anymore. This campaign hasn't existed for about
5 two years. And you know, maybe there is another piece of
6 papers somewhere in storage that we could find to, you know,
7 satisfy the next incremental indication that this was behind
8 some secure area.

9 All we can do -- all we can do is provide the
10 documentation pursuant to some legal standard. I think
11 that's why that becomes so important because you as
12 commissioners and the council's office that has to look at
13 this and think about defending this thing in court if it
14 ever gets that far is. is there has got to be some sort of
15 legal standard.

16 And if a campaign has documentation and submitted
17 it, I don't know how that can be supplanted without some
18 sort of specific regulatory guidance by the subjective
19 determination of an auditor in the field after the fact that
20 something was an overcharge unless there is some evidence of
21 fraud or some evidence that this food was going to staff or
22 some evidence that would indicate that there was a
23 misappropriation of an item specifically directed to the
24 press.

25 So, you know, if there is something else, I don't

Heritage Reporting Corporation
(202) 628-4888

1 know if we can find it at this point, but our position is
2 that we have supplied everything we possibly can and we've
3 provided both the factual and legal standards that can only
4 apply in a situation like that.

5 COMMISSIONER MCDONALD: Well, should we take that
6 one? I mean, it just doesn't make me any difference.

7 MR. GROSS: Okay.

8 COMMISSIONER MCDONALD: I would just like to have
9 something very specific that we should talk about. Should
10 we take food and take a look at that?

11 MR. STOLTZ: We can take food.

12 COMMISSIONER MCDONALD: It's close to lunch time.
13 It's only --

14 MR. STOLTZ: Ken is right in that in very few
15 cases do we have an issue over what was purchased.
16 Generally, the documentation, that's pretty good. There are
17 occasionally holes here and there, but you're going to have
18 that no matter what happens. So we're not really arguing
19 over what was purchased.

20 In the case of food, what we generally did is if
21 we had an invoice that said that they had bought lunch for,
22 I don't know, 100 people, and there were 60 people on the
23 airplane, what we concluded, and we would generally allow an
24 overage just for people who didn't like that, didn't like
25 this or whatever. We concluded that either (a) they bought

1 too much; (b) somebody else was involved, could have been
2 local press.

3 Did we tend to have local press using the filing
4 centers? People who weren't really traveling with the
5 campaign but picked up at the airport or something like
6 that?

7 MR. KOCH: There were -- obviously, there were
8 local press at the -- you know, the events. The filing
9 center, the food at the filing center was for the traveling
10 press, and like I said, at points during the campaign there
11 were signs up to that extent which would suggest that
12 perhaps there was a concern that others, other than the
13 national press, may, you know, may have, you know, snuck in
14 to take some of the food.

15 MR. STOLTZ: At any rate, if we bought 100 and we
16 had 60, we have allowed for 70, and so the rest of it is not
17 a particular press member's pro rata share of the cost.

18 Now, it could be simply a misestimate on the
19 campaign's part, it could be whatever. But to what we have
20 to work with is 100 lunches or 100 dinners and 60 press
21 people.

22 COMMISSIONER MCDONALD: And how often did that
23 happen?

24 MR. STOLTZ: It happened not every time, but
25 frequently enough that it -- you know, it turns out to be a

Heritage Reporting Corporation
(202) 628-4888

1 noticeable amount of money.

2 COMMISSIONER MCDONALD: And how much is that just
3 so I'm sure I'm with you.

4 MR. STOLTZ: We've got -- let me find it here.
5 There we go. We've got a chart attached to our document for
6 the Kemp plane and one for the Dole and the press plane
7 together. And under catering --

8 CHAIRMAN THOMAS: To be precise, we're talking of
9 Attachment 1 to your most recent document?

10 MR. STOLTZ: Right.

11 COMMISSIONER ELLIOTT: And what page?

12 MR. STOLTZ: Page 31 and 32. And there is
13 \$36,000 on one, and about \$28,000 on the other.

14 Now, the other thing you have to keep in mind is
15 we only looked at about 25 trips, the ones that generated
16 the largest billings.

17 COMMISSIONER MCDONALD: And your theory is that
18 that wasn't actually purchased or it was actually purchased?

19 MR. STOLTZ: Oh, it was purchased.

20 COMMISSIONER MCDONALD: It was purchased.

21 MR. STOLTZ: It was purchased.

22 COMMISSIONER MCDONALD: You are not disputing that
23 in relationship to the food?

24 MR. STOLTZ: The vast majority of it, we're not
25 disputing what was bought, and there are some occasions

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 80 of 125

1 where there is a missing invoice or something, and we can't,
2 we can't tell, but those are relatively small percentage of
3 cases.

4 COMMISSIONER MASON: Commissioner McDonald, could
5 I just -- just one.

6 COMMISSIONER MCDONALD: Sure. Absolutely.

7 COMMISSIONER MASON: This is helpful now.

8 And also in most cases on the invoice not only do
9 you have the invoice, the amount, what was purchased, i.e.,
10 food, but the invoices also indicate press. So the record,
11 the campaign did put a record that indicated that it was
12 press and your quarrel with that is based on the numbers?*

13 MR. STOLTZ: That is correct.

14 COMMISSIONER MASON: but there is contemporaneous
15 documentation that says "press"?

16 MR. STOLTZ: We have no reason to doubt it.

17 COMMISSIONER SANDSTROM: Will you yield? Can I
18 follow-up on that?

19 COMMISSIONER MCDONALD: Sure. Absolutely.

20 COMMISSIONER SANDSTROM: I'm not as interested
21 quite yet, maybe in a half-hour, in food as the others but
22 because we are on food some numbers are just -- when you
23 look at these reports like there is an event for the Kemp
24 plane that indicated \$9,481 for one event, and then in New
25 Jersey for one event, \$8,183.

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 81 of 125

1 Now, that's -- if we had 100 members of the press
2 following Kemp around, that's \$94 for each person from the
3 press. It seems to me at some point if only so many people
4 are documented to have -- the traveling press people, there
5 must be some explanation, there must be some burden on the
6 committee other than be able to show a receipt that says
7 "Press," that there were people who would, press people who
8 were consuming such sizable quantities of food, and maybe
9 these are better explained by our audit staff, but they
10 seem, and there is another one, like \$5,000. They are
11 pretty significant sums. And if that was just an error on
12 the side of the press being well fed is quite an error. #

13 How many press people were traveling generally on
14 the Kemp plane?

15 MR. STOLTZ: Generally around 25, plus or minus.
16 It was fairly consistent.

17 COMMISSIONER SANDSTROM: So 25 people were billed
18 \$9,400, do I understand that correctly?

19 MR. STOLTZ: Yes.

20 COMMISSIONER SANDSTROM: Twenty-five people were
21 billed \$9,481 with respect to that -- that's on Attachment,
22 page 32 of 38.

23 COMMISSIONER MCDONALD: About half-way down.

24 COMMISSIONER SANDSTROM: Half-way down.

25 MR. HONG: Well, without looking at the invoice --

Heritage Reporting Corporation
(202) 628-4888

ATTACHED 4
Page 82 of 125

1 we don't have that invoice in front of us so we really
2 couldn't guess.

3 COMMISSIONER SANDSTROM: Yes, I think that's --

4 MR. HONG: But to tell you the truth, I think this
5 precisely raises the problem we're dealing with. I wish the
6 campaign knew what to do.

7 COMMISSIONER SANDSTROM: But this is precisely the
8 problem. This is the use of public funds and what is the
9 burden on the committee. And is the burden just to give us
10 a bill and then someone has written on it "Press," and then
11 to have something where there are only 25 press people out
12 there and the only thing our auditors can determine is there
13 is -- you know, giving each of them a meal, the 25, we still
14 having been billed for \$9500 worth of food.

15 Now, 25 people, even if we all head out to The Inn
16 of Little Washington, we should be able to eat pretty well
17 and stay over the night. So it's -- at some point here a
18 basic -- you know, I can understand where you might quibble
19 with, you know, 576, we want on the Kemp plane. But when we
20 have thousands of dollars on the Kemp plane, we have not
21 only this one of \$9,500, we have \$5,000, we have \$4,000, we
22 have \$3500, those are pretty significant sums for 25 people.

23 And yes, I can provide a receipt that say press,
24 but you can also feed everybody else on the plane, and so
25 the receipt may not be particularly convincing given the

Heritage Reporting Corporation
(202) 628-4888

1 numbers. And since we're talking about public funds, and
2 these may be -- I'm not -- you know, this is a chart our
3 auditors provided so I'm not asking you at this point to
4 explain these completely, but you can see why in trying to
5 weigh this it could be a little difficult to explain these
6 sort of numbers and overcharges for so few people on the
7 plane.

8 MR. HONG: And in fact as we mentioned earlier,
9 that's the frustration we share as the campaign too. We
10 wish we had instruction as to exactly what would satisfy the
11 auditors.

12 MR. GROSS: There was no, there was no systematic
13 over-ordering of food. This was a -- scientific may be too
14 strong of a word. This was a systematic process of trying
15 to assess the amount of food, and we're picking a number out
16 of a chart. I don't really know if it was \$9,000 for 25
17 people. That sounds like a lot of money. I have a feeling
18 that if we got into all that was going on at that event at
19 that time, we would find out different things. We can't
20 construct it. It's got to be pursuant to some kind of
21 legal, otherwise you are essentially, I think, alleging
22 fraud on behalf of the campaign.

23 COMMISSIONER SANDSTROM: I guess what we are
24 saying is there are certain things you can seek
25 reimbursement for. We're not saying that this wasn't an

Heritage Reporting Corporation
(202) 628-4888

1 appropriate or qualified campaign expense, but there is
2 certain things you can seek reimbursement for, and that
3 would be items that you can document, in this case if this
4 stuff was eaten by the press, and it gets to a point where
5 it's very hard to believe that 25 people could eat \$9,500,
6 it doesn't seem to me it --

7 MR. GROSS: It seems high to be too unless it was
8 some --

9 COMMISSIONER SANDSTROM: And that's one quarter,
10 one quarter of the overcharges. That just this one event is
11 25 percent of the \$36,000 from the Kemp plane. And so if
12 you have a complete -- can give us some explanation, but
13 without any explanation, other than providing us a receipt
14 that says "Press" on it.

15 MR. GROSS: And evidence from the field that that
16 was actually served to the press. I mean, what we are
17 talking about now is a document-for-dollar repayment over
18 something that we can't possibly reconstruct. There were
19 hundreds of thousands of dollars we're talking about being
20 billed pursuant to a very precise system of the assessment
21 of the amount of people who were there. There wouldn't have
22 been a willy-nilly ordering outside of that system unless
23 there was a reason for it. I don't think there is any
24 documentation or suspicion to that effect. That would
25 essentially be a wholesale misspending, a fraudulent

Heritage Reporting Corporation
(202) 628-4888

1 spending of funds.

2 COMMISSIONER SANDSTROM: I don't think that's the
3 case. This is talking about -- this is not a fraudulent
4 spending and this is just a question of what you can seek
5 reimbursement from the press for.

6 MR. GROSS: For press food if this is --

7 COMMISSIONER SANDSTROM: Press food, and just that
8 in order to be able to do that you need sufficient
9 documentation, and you're suggesting that merely a receipt
10 that says "Press" on it, even though it would hardly explain
11 this size of expenditure, unless you can tell us how many
12 people, who the people were at that event, you give us a
13 roster of the press, that may be sufficient.

14 MR. GROSS: But the press has --

15 COMMISSIONER SANDSTROM: But merely a receipt
16 would not be sufficient.

17 MR. GROSS: If the press --

18 COMMISSIONER SANDSTROM: If you had a roster, like
19 200 people who, you know, it's still \$50 a seat in addition
20 to the regular 25, that seems to me you met your burden.
21 But it seems to me a mere receipt might not.

22 MR. GROSS: Well, if the press had a problem, if
23 there was something about a particular event, I assume it
24 would have been disputed. It's not -- these are bills that
25 were submitted to the press and paid by the press. That's

Heritage Reporting Corporation
(202) 628-4888

1 what we are talking about here, except for the unbilled
2 portion, but you know, this was submitted to the press and
3 paid by the press.

4 You know, I'm a little on the defensive trying to
5 defend one number out of a charge.

6 COMMISSIONER SANDSTROM: I understand that, Ken,
7 and I appreciate. But remember the press was not billed
8 this way, and they complained grievously about the total
9 that they were being billed when they were being charged.

10 MR. GROSS: Not the press in the field. The press
11 with the green eye shades which, you know, is a constant
12 conflict between the field press and the green eye shade
13 press. You know, we've heard, you know, that's kind of a
14 classic problem.

15 COMMISSIONER SANDSTROM: I would guess if -- maybe
16 that's what you can show us, individual members of the press
17 were billed for this event, you know. Then that would be
18 the documentation rather than merely a receipt. If you can
19 show us that individual members of the press did not
20 complain when they received their share of this \$9500, then
21 it would seem to me to meet the burden.

22 MR. GROSS: Well, I don't see how that can
23 possibly be a legal standard at this point. Now, maybe if
24 we, you know, had a big campaign operation going and we had
25 all these people running around that could interview people

Heritage Reporting Corporation
(202) 628-4888

1 and track down press members to sustain that, we could do
 2 it. It can't be done. You have to set up a system. You
 3 have to have a reasonable system for allocating food, buses.
 4 I mean, press is a huge, big picture: the airplane, the
 5 security, the port-a-johns, everything else that goes along
 6 with it. You have a very, very precise and detailed system
 7 for allocating it, and it's based on reality. It's based on
 8 numbers of people.

9 You send them the bills. They pay the bills.
 10 They are segregated. They are identified. Then two years
 11 later you say, well, it looks like that particular event is
 12 too much, or Joe Stoltz goes down the list, or whomever goes
 13 down the list and says there were too many boxes of Chinese
 14 food, and now the audit two years later we're supposed to
 15 say, you know, you've got to interview that reporter in the
 16 field, that you've got to do something to rebut another
 17 presumption.

18 You know, I don't know when that burden shifts as
 19 a legal matter. I don't know how you can go further than
 20 that, particularly when you are dealing with the reality of
 21 the fact that there is a winner and there is a loser, and
 22 when there is a loser, they are scattered to the winds. But
 23 that's not -- by saying that, I'm not saying that this was
 24 not done and done well. I think it was done extremely well
 25 from an accounting standpoint and well documented.

Heritage Reporting Corporation
 (202) 628-4888

1 CHAIRMAN THOMAS: Commissioner McDonald, you have
2 been very kind to have yielded for that brief --

3 (Laughter.)

4 COMMISSIONER MCDONALD: I'll let this be a lesson
5 to me. Well, let me just pursue this just for a second.

6 Let's just take this specific item because
7 obviously I think Commissioner Sandstrom raises a good
8 point. I also think there are obviously points in the
9 campaign where events are much bigger than they are at other
10 places. I think you may have a lot of cases where the press
11 may be 25, but there may be several hundred for something
12 else. I suppose it depends on what's breaking at that
13 point, what the news is, where you are. I don't have any
14 idea.

15 And I must also agree with Commissioner Sandstrom
16 that I talk about food just because I asked somebody to pick
17 something out. I think there is more interesting things to
18 pursue, but since we are on this, what do we know about
19 this?

20 This is marked. We obviously have some sense of
21 this. What are we talking about just so we will know?

22 MR. STOLTZ: Well, this particular event that we
23 have been discussing, this is an -- and Alex has some of the
24 material with us, not quite enough to give you a blow-by-
25 blow on it, but it was a three-day visit --

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER MCDONALD: Okay.

2 MR. STOLTZ: -- in St. Petersburg.

3 So, you know, the catering could be a number of
4 meals over the --

5 COMMISSIONER MCDONALD: So that's decidedly
6 different. You may be talking about --

7 MR. STOLTZ: Its not one \$9,500 bill that we are
8 arguing over --

9 CHAIRMAN THOMAS: Talking about Florida or --

10 MR. STOLTZ: -- over several days.

11 MR. HAYWOOD: And excuse me, Joe. Was St.
12 Petersburg also the vice presidential debates? I don't
13 have the schedules with me but that's my recollection.

14 MR. STOLTZ: Yes.

15 COMMISSIONER MCDONALD: I guess the reason it's
16 important to know that is that it clearly in any document
17 and I go back to something that was said earlier, it is true
18 the press complained. They particularly actually complained
19 about a bus service in somewhere. I want to say New York or
20 New Jersey, it was somewhere like that, which is one that
21 sticks out in my mind.

22 But I think, looking at the list without knowing
23 whether it's three days or one day, whether it's knowing
24 it's a vice presidential debate or whatever, I mean, I don't
25 know what it is, there are very fundamental differences in

Heritage Reporting Corporation
(202) 628-4888

1 what goes on from stop to stop, and I -- particularly the --
2 particularly the \$5,000 figure, the \$9,000 figure, the 3466
3 figure, there is another one that's -- let me just ask you
4 about another one just looking at the list.

5 What is the 5,107, just going down the list just a
6 little bit further?

7 MR. HAYWOOD: If I may while Joe is looking there,
8 I see that one is from November 5th. I believe that was
9 just the day or so before the election when there presumably
10 would be more than 25, much, much more than 25 people with
11 us, but Joe may have some specific documents with him on
12 that.

13 MR. STOLTZ: Alex is digging in the box.

14 COMMISSIONER MCDONALD: I just think that it's
15 instructive for us to get some sense of it so that we know
16 what we are talking about, and that -- and my next question
17 is going to be how the auditors go back and forth with the
18 various committees in relationship to what they have got
19 because here is the question to you, whether or not the
20 Committee thinks that it has supplied enough information to
21 adequately meet the standards that Commissioner Sandstrom
22 articulated earlier, which I think is right. I mean, those
23 are the standards. I think the response was also right.

24 But we have some very specific amounts. It is
25 very clear that the audit staff knows what events these are

Heritage Reporting Corporation
(202) 628-4888

1 and I assume how they made the determination, and so if we
2 can talk about things very specifically, it seems like to me
3 we can get out of the realm of just debating back and forth
4 what's realistic to assume and what is not.

5 I will yield again cautiously --

6 COMMISSIONER SANDSTROM: Because I very much --

7 COMMISSIONER MCDONALD: -- to Commissioner

8 Sandstrom.

9 COMMISSIONER SANDSTROM: Because I think I'm
10 sympathetic in this regard is that with respect to any event
11 you had to apportion it, and what I am saying you need more
12 than the receipt, you need some means to tell us how you
13 apportioned it. And so if you had something to indicate you
14 apportioned it to 180 people, then I can understand it. But
15 all I am saying, just the mere receipt would not be
16 sufficient.

17 Have you ever provided us --

18 COMMISSIONER MCDONALD: But we knew that --

19 COMMISSIONER SANDSTROM: -- with records, with
20 something that shows that this was apportioned to, you know,
21 400 people, then I am much more comfortable with saying
22 that -- having a receipt. So if you have a means to say,
23 yes, this was apportioned to these 400 people, because
24 billed them all, we got reimbursements from them.

25 COMMISSIONER MCDONALD: But we knew that. That's

Heritage Reporting Corporation
(202) 628-4888

1 what the auditor is telling us.

2 COMMISSIONER SANDSTROM: We do know that.

3 MR. GROSS: You can tell that it's a three-day
4 event. We obviously -- you know, and this is a good
5 illustration. The fact that there was a vice presidential
6 event may not have been reflected there. There has to be
7 discretion given to the campaign unless there is some
8 evidence that the campaign has done something egregiously
9 wrong, that it has made proper estimates, and that's
10 exactly -- that there are these extenuating circumstances.

11 The other one is a good example. It's two days
12 before the election. You cannot stock all the documentation
13 with all these external factors. There has to be a benefit
14 given, and we're getting back to this legal standard thing.

15 COMMISSIONER SANDSTROM: Yeah, but Ken. All I am
16 saying is that you do the apportion to identifiable people
17 that would have been at that event.

18 MR. GROSS: Right.

19 COMMISSIONER SANDSTROM: And we may have that
20 documentation.

21 MR. GROSS: I'm not even sure it was contested.

22 COMMISSIONER SANDSTROM: What bothers me was
23 earlier discussions saying that if you merely provided us
24 with receipt that said "Press," that would be sufficient.
25 But if you have the number of people you apportioned it to,

Heritage Reporting Corporation
(202) 628-4888

4
ATTACHMENT
Page 93 of 125

1 I find the argument far more persuasive.

2 COMMISSIONER MCDONALD: But the problem with our
3 document, if I may, the problem with our document before we
4 get to the committees, the problem with our document is, and
5 it's just the nature of the business, it does not allow us
6 to know these kinds of things. And I would like to ask
7 about that very specific point.

8 Was that \$9,000 contested? So much for my
9 example if it wasn't because I was trying to find one that
10 was contested if I could.

11 (Simultaneous conversation.)

12 CHAIRMAN THOMAS: First, let's get an answer to
13 Commissioner McDonald's question. Is that one that has been
14 contested up to this point? Do we know that, the \$9,000?

15 MR. STOLTZ: The \$9,000 one, it's an accumulation
16 of a couple different things. The first one -- the first
17 item on this list is a \$12,375 invoice, which was on the
18 billing sheets in total. We had disallowed \$3718 of that
19 particular invoice. The committee's response says the
20 correct press portion was \$7820, which is less than was
21 billed but more than -- it may not be more than we allowed.
22 That one may not even be at issue anymore.

23 COMMISSIONER MCDONALD: Well, we got sidetracked a
24 little bit. I asked to see if we could find some that were
25 disputed. Commissioner Sandstrom followed up and he made a

Heritage Reporting Corporation
(202) 628-4888

1 good point. That obviously jumps out at you because it's
2 substantially larger, but we've already learned something,
3 which is this may be nine meals or 10 meals or however you
4 would figure it out for X amount of people.

5 MR. GROSS: It might be helpful to hear, you know,
6 what some of those documentation --

7 COMMISSIONER MCDONALD: Sure.

8 MR. HONG: We do have some samplings of the
9 invoices that we attached to our response. If you read
10 those invoices, I just have a couple of them that Ted was
11 referring to in his section to you, it clearly states -- you
12 know, this one actually states it's for national press. It
13 had 80 guests on August 30, 1996, at \$25 a person.

14 So, you know, these invoices do break out how many
15 press were there, and how many people -- I don't think there
16 is any issue as to that.

17 COMMISSIONER MCDONALD: And so where are we? Let
18 me go back to my original question. Give us an example, if
19 you don't mind, somewhere that the committee feels like it's
20 given adequate response and the auditors still take the
21 position that that is not the case. That was my original
22 question.

23 MR. GROSS: In our response, the Chinese food
24 would be a good example since we laid it out. We weren't
25 being facetious because it's an example of --

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER MCDONALD: Yes, I understand.

2 MR. GROSS: Yes.

3 COMMISSIONER MASON: Could I suggest if it's the
4 right example --

5 COMMISSIONER MCDONALD: Sure.

6 COMMISSIONER MASON: -- it looks to me like sound
7 and lighting, the auditors have disallowed 100 percent,
8 everything in this claim.

9 MR. GROSS: That's correct. One hundred, yeah.

10 COMMISSIONER MASON: On these same two charts
11 we're dealing with --

12 COMMISSIONER MCDONALD: Right.

13 COMMISSIONER MASON: -- it says "Amount billed for
14 sound and light and difference, and those two are the same
15 all the way down the column. So I mean, there is one where
16 presumably the campaign thinks that they have demonstrated
17 that that sound and lighting bill was related to the press
18 and the auditors are saying no.

19 COMMISSIONER MCDONALD: Yes, I think that's a very
20 good example.

21 MR. STOLTZ: And this one doesn't deal necessarily
22 with an item by item situation. This one is a question of
23 whether or not the lighting at the event, whether it is
24 lighting that the -- in addition to what they might have had
25 if the press wasn't there. If the press wasn't there, I

Heritage Reporting Corporation
(202) 628-4888

1 guess there is a question of whether it would even be an
2 event. But is lighting something that the press should be
3 asked to pay for, or is that essentially an event cost that
4 belongs with the campaign?

5 We concluded that it was an event cost.

6 COMMISSIONER MCDONALD: But you have concluded
7 that at 100 percent, all of it?

8 MR. STOLTZ: Yes.

9 COMMISSIONER MCDONALD: And how did you get to
10 that just out of curiosity?

11 MR. STOLTZ: It goes back to what we have seen in
12 the past. We have not seen in past cycles these kinds of
13 things being billed to the press. We had concluded that
14 that was an event cost because these events have lighting.
15 They always have lighting.

16 And then later on, of course, when we had the
17 hearing for the regulations and the White House Travel
18 Office policy was brought to our attention, that is one that
19 is specifically laid out there that is not billable to the
20 press from that end. That happened after we had already
21 made the decision, but it seems to confirm what we had
22 concluded earlier.

23 MR. GROSS: We had no indication of that. That
24 was not in the rules. If that's a rule going forward, then
25 that's something you can put in there. I don't think there

Heritage Reporting Corporation
(202) 628-4888

1 is any dispute or question that this is press lighting.
2 These are special lights for the press.

3 Now, as I mentioned before, there are certain
4 items that campaigns don't bill to the press as this
5 campaign did not bill to the press. They are still
6 legitimate press expenditures. There is no other way to
7 look at it.

8 You can rule, I suppose, by some standard that it
9 is not something that should be billed at this point, but
10 that is not something that it was part of the rules or
11 subject to anything that we could have possibly been aware
12 of.

13 COMMISSIONER SANDSTROM: Your 50 percent standard,
14 where did that come from? Is that the difference -- I mean,
15 if you had to use -- I mean, where did you pull 50 percent
16 from?

17 MR. KOCH: That was when this review was done of
18 these expenses right here, that was just -- that was done to
19 be more conservative. In other words, if you would take the
20 example of the MCI Center that would have specific HMI
21 lightening, then for purposes of what the committee was
22 seeking in terms of a press expense, we dropped it to 50
23 percent just in case there was any -- to be more
24 conservative in case there was any thought that this press
25 lighting had any ancillary benefit other than to the press.

Heritage Reporting Corporation
(202) 628-4888

1 But I mean, frankly, you probably could -- the
2 committee could seek 100 percent on that. They were just
3 being more conservative. But that being said, this number
4 could be even higher.

5 COMMISSIONER SANDSTROM: Would there --

6 MR. GROSS: I'm sorry. This is all extra
7 lighting.

8 COMMISSIONER SANDSTROM: Yes.

9 MR. GROSS: We did not have any of this lighting
10 if you didn't have press, so this is an incremental -- this
11 is sort of "but for" lightening, if you will. It wouldn't
12 be there but for the press. I mean, if it's a well lite
13 arena like MCI, then presumably 100 percent would be a valid
14 allocation, but we didn't do it.

15 Now, if it's a poorly lite arena, then it probably
16 makes more sense, and as I understand it, there were some
17 event lights anyhow, you know, not the HMI lights, but in
18 any event, if there were the special HMI lights at an indoor
19 event, even if it was well lite, we still did the 50/50.

20 CHAIRMAN THOMAS: I appreciate it.

21 COMMISSIONER MASON: Mr. McDonald, on just this
22 exact same point, I want to see because I want to see if
23 there is agreement with the campaign and the auditors.

24 Are there differences in the billing? Do we in
25 fact see receipts, invoices, checks, whatever, that

Heritage Reporting Corporation
(202) 628-4888

1 distinguish between lighting generally and press lighting
2 whether or not you disagree with the allocation to the
3 press? I understand that is separate.

4 MR. STOLTZ: The invoices were frequently divided
5 into parts. The press part, a campaign part, and you would
6 see lighting packages, and sometimes it would be the same
7 amount on both, sometimes it would be different amounts in
8 both.

9 The descriptions were frequently very much the
10 same of the lighting package, and then they tend to be very
11 brief. An invoice that people in the industry, you know,
12 they can be very cryptic and it works for them. So the
13 descriptions often were the same between what was considered
14 press lighting and what was considered event lighting.

15 MR. GROSS: But they were separated and
16 detailed --

17 MR. STOLTZ: They were separated on the invoice.

18 MR. GROSS: -- special press lights by their very
19 nature. You could tell by the nature of the bill, I assume.

20
21 MR. STOLTZ: Or it was allocated on the invoice
22 sometimes too.

23 CHAIRMAN THOMAS: I was going to offer the Audit
24 Division a chance to ask questions and the counsel's office
25 to ask questions if they had some. Can we do that?

Heritage Reporting Corporation
(202) 628-4888

1 COMMISSIONER SANDSTROM: Can I ask a question?

2 CHAIRMAN THOMAS: Sure. Commissioner Sandstrom.

3 COMMISSIONER SANDSTROM: Because it goes to one of
4 the big items, and that's the plane. I just want to
5 understand the theory here, and I will take as simple an
6 example as I can. Maybe we will call it the John Maddon
7 example. He's running for president. Hates the flight.
8 Agrees to take three flights. So the -- they enter into a
9 contract that they "expect there to be three flights.

10 Maddon decides I can't fly anymore. I'm taking
11 two and that's it. So that now you are billed the first
12 group of the press who is flying with Maddon, one-third of
13 the cost. You have already billed that when they had flown,
14 and now there is two-thirds of the cost left, and there was
15 only one flight to bill it to because the third flight was
16 cancelled, so you billed those people on the press two-
17 thirds of the cost.

18 Would that comply with our regulations?

19 MR. GROSS: If you have used the -- there are
20 different ways of arranging for aircraft use, and they used
21 the fixed cost, The Dole Campaign used the fixed cost, and
22 it is permissible under -- I think, under the wording of the
23 regulation to allocate the cost of the use of that plane on
24 a per hour basis, based on your best estimate, and it could
25 get diluted based on a lot of use, or it could be less

ATTACHMENT
Page 101

1 diluted on less use, but they are certainly reasonable
2 allocations.

3 In this case, they were diluted because there was
4 far more use of the airplane than anticipated because of the
5 96-hour tour, and the numbers were cut back and adjusted
6 appropriately in the audit process. That's why those
7 particular numbers are not really the subject of our
8 dispute. They relate to all these other charges, and some
9 of the variable charges related to the airplane. Initially
10 the fuel, you know, had us difficult to understand but was
11 adjusted.

12 COMMISSIONER SANDSTROM: Because we are talking
13 about these -- my example, essentially you would add back
14 the -- you are talking about, and that seems to me the
15 difficult question here because it says pro rata, which
16 sounds like something you just have, you know, a divisor and
17 you come up with your number --

18 MR. GROSS: But it isn't --

19 COMMISSIONER SANDSTROM: -- for the total
20 expenses. I'm not saying your interpretation is wrong. I'm
21 just trying to determine whether in fact under the
22 regulations it was best to go back and bill again, you know,
23 try to get money out of the first group, bring that up to
24 paying half the cost that they didn't pay, or else you can
25 shift it all to subsequent travelers, which is essentially,

Heritage Reporting Corporation
(202) 628-4888

1 as I understood and from the example, would be shifting two-
2 thirds.

3 MR. HAYWOOD: You understand in a perfect world we
4 might could have gone back, it would have been really clean
5 and rebilled everyone based on, and do it that way really
6 only best after the entire campaign, and just rebill
7 everything based on final information.

8 The practical reality was trying to get the bills
9 out as we went along the way. We based it on the
10 information that we had at the time, and to a great extent
11 Ted could probably give us some indication, but it was
12 largely the same group of people traveling with us for the
13 duration. There were some differences, but you had mainly
14 regular crews, organizations that were regularly
15 represented, so sort of rebilling the whole thing after the
16 fact, I think the best we can do at the time is adjust going
17 forward on a constant basis to make sure that we are billing
18 the full total cost of the plane.

19 One other point to make here, your example was a
20 good one and very clear. You were saying three trips. If
21 we looked at that and instead say it's three hours, and you
22 had flown the one hour, and then you weren't going to fly --
23 you were only going to fly one more hour.

24 What happened to us at the very end that Ken has
25 referred to on this three-hour example, we had already

Heritage Reporting Corporation
(202) 628-4888

1 billed say two hours and about 55 minutes of this, thinking
2 we were five minutes from being done. At the very end when
3 we had adjusted it to where we should be when this 96-hour
4 tour was added. That's what produced some of the overage on
5 the airplane at the very end is exactly that.

6 COMMISSIONER SANDSTROM: Thank you.

7 MR. GROSS: It is the most difficult part to
8 handle for the press is the airplane. It is the most
9 variable one. It's variable with a small "v", not the
10 variable fixed. It is the one that is the most difficult to
11 estimate is the airplane.

12 This other stuff, you know, you get the telephone
13 bill delayed and you have to make some adjustments, but you
14 are basically billing out what the expenses are. The
15 airplane is a tough thing, and I have had extensive
16 discussions with Sandy Pack about that when we were
17 responding initially, the difficulties, and she's as good as
18 I know who can do it, but, you know, we did have this
19 extraordinary event. But I think it, you know, comes out
20 because it's the same press along the way.

21 MR. HONG: And one last thought on this is, at
22 least as far as FEC regulations are concerned, you know, the
23 issue is whether the press is being billed its portion.
24 Now, whether the individual press is getting its share
25 allocated is something outside of the FEC rules, but even

Heritage Reporting Corporation
(202) 628-4888

4
ATTACHMENT
Page 104 of 125

1 there I think our allocation method was correct given that
2 after the first hour really the circumstances have changed,
3 and you are billing really under completely different
4 circumstances.

5 So even though the billing of the individual press
6 was fair, even if it weren't, I think under the FEC rules
7 what matters is did the press pay its share ultimately.

8 CHAIRMAN THOMAS: Joe, did you want to ask any
9 questions and then we will move to counsel's office?

10 MR. STOLTZ: I think we probably discussed the
11 airplane to death.

12 Can we go back to the GELAC calculation for a
13 moment? Our figure, as you pointed out, is a \$564,000
14 difference, and that's a calculation that we did from
15 scratch. Have you ever come across any workpapers or
16 anything that shows the original calculations because at the
17 time we left the field we hadn't seen how the originals had
18 been done, so we did our own and made a comparison. And of
19 course if you have done another one, we would gladly look at
20 that.

21 MR. HAYWOOD: Right. At this point, given as Ken
22 said, the long time afterwards and the moves and the storage
23 and everything else, I'm afraid I'm not going to have
24 contemporaneous workpapers to give you now. But I will give
25 you as soon as possible so that you can look through this

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 105 of

1 after-the-fact rendering and let you have a chance to look
2 at that.

3 MR. STOLTZ: I just wanted to get that clear.
4 There were no workpapers, files, support for the original
5 calculations that were done?

6 And I know you describe in general how you did
7 them, but that was an unverifiable calculation from our
8 point of view since there were no workpapers.

9 MR. HAYWOOD: I will give you what I've got on
10 this as soon as I can after this, Joe.

11 CHAIRMAN THOMAS: Is that all, Joe?

12 MR. STOLTZ: I think that will do for now, yes.

13 CHAIRMAN THOMAS: Counsel's office, Larry Noble?

14 MR. NOBLE: Thank you. Good afternoon.

15 CHAIRMAN THOMAS: Thank you.

16 MR. GROSS: You're not going to talk about food, I
17 hope.

18 MR. NOBLE: No, I don't want to talk about food,
19 though I am happy your answer on the \$9,000 for 25 people,
20 that those liquor bills can really be hell.

21 I want to go back to your statement about the
22 paying for the winding down costs and the meaning of the
23 regulations. You are reading the word "campaign", "the
24 campaign," I take it, to be generic and not count -- not
25 applying specifically to the primary campaign?

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
106c

1 MR. GROSS: That's correct.

2 MR. NOBLE: Under that analysis would you say that
3 they could pay for somebody else's winding down costs, say
4 now Elizabeth Dole's winding down costs or Bill Clinton's
5 winding down cost during that campaign?

6 MR. GROSS: No. We are talking about the campaign
7 without talking about some other campaign, and I think it's
8 implicit within the scheme that we are talking about "the
9 campaign" of this candidate.

10 MR. NOBLE: But that's not either. We have to
11 read something into that. It just says "the campaign."

12 MR. GROSS: Well, I mean, you could give an
13 extraordinary reading and say it could be any campaign. I
14 suppose. You know, that would be, I think, unreasonable
15 interpretation, but I guess you are right, you know, in a
16 technical sense.

17 MR. NOBLE: I didn't want to make any suggestion.

18 (Laughter.)

19 MR. NOBLE: Getting back to the food just for a
20 moment, or I'll go to lighting. Let's go lighting instead.

21 One of the areas where we may have to draw lines,
22 I understand it's difficult and I understand it's difficult
23 in the field and it's always frustrating when somebody comes
24 in after the fact and says, well, we would have done this
25 differently.

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 107 of .

1 Was there any way of denoting lighting that was
2 done as necessary for the press versus lighting that the
3 campaign may have decided was better? And I'll tell you an
4 example I am thinking of.

5 MR. GROSS: Are you talking about the food or the
6 lighting?

7 MR. NOBLE: Lighting.

8 MR. GROSS: Oh, okay.

9 MR. NOBLE: Or the food.

10 MR. GROSS: You want to shed some light on this.

11 MR. NOBLE: Is there a -- is there a concept of
12 minimum lighting that the press needs, and then beyond that
13 there is lighting that the candidate would want?

14 MR. GROSS: I don't think so. I mean, Ted, you
15 may be in a better position to answer that.

16 MR. NOBLE: Does the press give you lighting
17 requirements when you go into this?

18 MR. GROSS: There is accepted lighting for the
19 press and that's why they have the special, you know, the
20 kind of lighting you see --

21 MR. NOBLE: Right.

22 MR. GROSS: -- you see on the parkway when they
23 are doing construction at midnight type stuff. Your
24 candidate would not order that kind of lighting.

25 MR. NOBLE: Are there anymore specific

1 specifications in this sort of dynamic ongoing back and
2 forth between the press and the staff?

3 MR. KOCH: I, myself, I don't know the technical
4 specifications other than the general press lighting, but I
5 do know that the -- again, the press communicated or
6 interacted with the advance staff continuously, and had --
7 was very clear exactly as to what they wanted or needed
8 because if they didn't have it, then everyone knows about
9 it.

10 And I mean, I don't know specifically what you
11 call -- you know, whatever particular mechanical device or
12 X, Y, Z, but I do know that there was interaction between
13 the two and the advance staff provided what the press
14 required.

15 MR. NOBLE: Do we have any documentation? Did the
16 press give you anything that says we need for this venue X
17 type of lighting, or any technicians who gave you that type
18 of thing?

19 How did you know what lighting to put up?

20 MR. GROSS: I think this is, you know, pretty
21 standard campaign operation type stuff, what type of
22 lighting you need. And if it's insufficient, you hear it
23 loud and clear because I think there were complaints because
24 their pictures are just not coming back regularly, but you
25 know, this is a common sort of practical thing that my

Heritage Reporting Corporation
(202) 628-4888

1 understanding is is it's routine, and it is known, so it
2 wouldn't necessary be documented. And improper lighting is
3 usually handled by screaming and yelling as opposed to a
4 technical memorandum saying you need to volt it up or
5 something like that.

6 I mean, I still keep -- maybe I'm imposing too
7 harsh of a standard on the campaign, but I kind of keep
8 coming back to the "but for" thing. I mean, the lighting
9 would not be there but for the event. It is -- the event is
10 lite differently if there is not press there. There is no
11 question about it.

12 MR. NOBLE: If there is any documentation about
13 that, I think that would be helpful.

14 And finally, I just wanted to point out, and I
15 understand the balancing between the regulations giving you
16 every example of -- stating everything that's acceptable,
17 not acceptable and being very general. But the regulation
18 at 904.6 does give example of expenditures by an authorized
19 committee for transportation, ground services or facilities,
20 including air travel, ground transportation, housing, meals,
21 telephone services and typewriters. I'm not sure how many
22 use typewriters anymore.

23 MR. GROSS: Some of them do.

24 MR. NOBLE: Made available to media personnel,
25 Secret Service personnel or national security staff will be

Heritage Reporting Corporation
(202) 628-4888

1 considered qualified campaign expenses.

2 So there is some standard in there in terms of the
3 type of expenditures to support actually what they need. So
4 I don't think it's as open-ended as you may have suggested.

5 MR. GROSS: Well, no, I recognize that Reg.
6 However, I don't think it's -- I think that it is sufficient
7 to rebut what in my view is really a subjective
8 determination that's just not sustainable. I mean, those
9 are just examples and there is no evidence that any money
10 was misspent. It's a subjective determination that this was
11 just too much food or too many buses when, you know, we keep
12 coming back to the same argument.

13 And, you know, legally, my answer is I don't think
14 that regulation with those items of examples is enough to
15 shift the burden again after we have satisfied the
16 requirement.

17 MR. NOBLE: And just to touch on one other thing
18 that you mentioned just to clarify it. Did the Audit
19 Division ask you for more documentation or give you any idea
20 of specifically what type of documentation they would like
21 to see beyond what you have provided?

22 MR. GROSS: Well, why don't you answer that. I
23 mean, we have had difficulty in identifying the specific
24 items that are being disallowed except on the Kemp aircraft,
25 which we think we have answered, and a printout on a

Heritage Reporting Corporation
(202) 628-4888

1 diskette that was provided to us after a few requests to
2 days before our response was due in August, that to me to
3 the untrained eye looks like hieroglyphics. I can't make
4 sense of the thing except for a few items that stick out on
5 the fuel.

6 MR. HAYWOOD: I think there probably are some
7 cases when the audit staff would like more documentation,
8 but I think more broadly, and I think Joe would agree, or
9 Alex, but it's a matter of different characterization of the
10 documentation. Where we have a bill for catering, we're
11 treating it one way. They are suggesting it be treated a
12 different way.

13 We have, you know, a bill for busing or for
14 lightening. You know, the bill is there, the number of
15 people who are there is represented. It just a matter of
16 how that should be treated, and I think that's probably
17 where we are mainly different, Joe. Would you agree with
18 that?

19 MR. STOLTZ: As I said earlier, I don't think
20 we're discussing what was purchased. I think that's fairly
21 clear. It's what was --

22 MR. GROSS: Characterization.

23 MR. STOLTZ: -- properly billed to the press as a
24 pro rata expense for a press person as opposed to what was
25 purchased.

1 MR. NOBLE: I think you can characterize it with
2 the purpose that it was purchased for. Was it purchased for
3 the press? Was it -- what will not be mentioned anymore,
4 the food, was that purchased for the press? Was it
5 purchased for some other reason?

6 Have you been asked for anymore documentation on
7 that?

8 MR. HAYWOOD: As to the purpose?

9 MR. NOBLE: Yes.

10 MR. HAYWOOD: No.

11 MR. NOBLE: No. Okay.

12 CHAIRMAN THOMAS: Other than today?

13 MR. NOBLE: Other than today, yes. That's what
14 I -- because there have been a lot of questions up to today
15 about the purpose of it, and I was wondering if prior to
16 this time you have been asked.

17 Okay, thank you.

18 MR. HAYWOOD: No.

19 CHAIRMAN THOMAS: Commissioner McDonald,
20 Commissioner Sandstrom are also interested, and I see the
21 Audit Division also.

22 Commissioner McDonald, I think you were next in
23 line.

24 COMMISSIONER MCDONALD: Well, Mr. Chairman, I
25 think that the very last point that Larry made is kind of at

ATTACHMENT 4
Page 113 of 125

1 the crux of this whole issue. I mean, here is the -- here
 2 is the concern generically speaking about the act, which is
 3 one of the public monies, as Commissioner Sandstrom pointed
 4 out earlier, being used or disabused. I think at the end of
 5 the day that's one of the things we are going to have to try
 6 to figure out. And I find the list that the auditors gave
 7 us helpful.

8 I think what we need is probably more specifics to
 9 try to have some understanding. I still don't at the end of
 10 the day quite follow what else would be needed, or maybe it
 11 is just the characterization of what standards are met and
 12 what ones are not.

13 It's interesting. For example, the question Larry
 14 raised on lighting. We are publicly funded at the Federal
 15 Election Commission. I think the way the lighting works
 16 when the press comes in here is they call Ron and they said
 17 we're going to set up for lighting. They don't send us a
 18 document requesting this and so on and so forth.

19 I mean, I am just trying to think through the
 20 logistical, practical side of it.

21 The other thing I don't think --

22 CHAIRMAN THOMAS: When we renovated, we put in
 23 lights to accommodate the press.

24 COMMISSIONER MCDONALD: Well, then we do want to
 25 let the light shine in, which as a full disclosure agency, I

Heritage Reporting Corporation
 (202) 628-4888

1 don't think there is any doubt.

2 The problem gets to be that, and I don't know how
3 we are going to handle this, but the problem gets to be that
4 for those that are in the political arena I doubt seriously
5 that you need a letter explaining about lighting. I think
6 this a fairly common understood thing.

7 If I called you up to say, you know, MCI Center is
8 a great place, but as a practical matter we're going to need
9 more lighting to cover a major events, I'd just assume you
10 would do that because I don't -- I'm just trying to think
11 through when you are thinking some of the process through
12 what the -- I understand about converting the calls through
13 and all that. I don't mean that. But as a practical
14 matter, it just seems like at the end of the day there is
15 pretty good points on both sides.

16 I think Commissioner Sandstrom is right that you
17 certainly need documentation, although this agency has on
18 occasion let people proceed virtually with no documentation,
19 but as a practical matter we try to have some. But I think
20 the classic example is the \$9,000. There is apparently
21 documentation for that, and there is an explanation for
22 that.

23 I think the only way that this would be helpful to
24 me, I can't speak for my colleagues, is to know very
25 specifically where the disputes are and what the audit staff

Heritage Reporting Corporation
(202) 628-4888

1 expect to have and what was supplied because otherwise no
2 matter how often you look at these numbers you don't know
3 this at the end of the day.

4 You've got some interesting numbers and it's a
5 nice philosophical chat, but without really knowing what the
6 disputes are I don't know you can really judge something.

7 So it's been a very helpful exchange, and I
8 appreciate it. Thank you, Mr. Chairman.

9 CHAIRMAN THOMAS: Commissioner Sandstrom.

10 COMMISSIONER SANDSTROM: I think the general
11 counsel, in his questioning raises one of my biggest
12 concerns, and it's the reason I don't have trouble with
13 catering particularly.

14 If you look at the regulation, it provides
15 expenditures by an authorized person for transportation.
16 Now, lighting is not transportation. But in my mind, the
17 ground service, I take that to be in connection with the
18 transportation. Or facilities, and then we have a list of
19 items that are generally -- you know, that includes, you
20 know, housing, meals, telephone service, all -- they are
21 separate really from the staging of the event.

22 And yes, the press needs it, but the press also
23 needs the candidate there, so we're not going to say in
24 order -- you know, flying in the candidate is somehow a
25 press service. The press needs -- you know, has a lot of

Heritage Reporting Corporation
(202) 628-4888

1 concerns.

2 So I really see this regulation as -- not as
3 difficult and unclear as some of the discussion has
4 suggested because I think this whole thing about lighting is
5 suggesting that we start from the press needs it, then it
6 fits into the regulations, and I'm not convinced that that I
7 can read the word "facilities" that way because I think the
8 most common practice people think of a facility, you think
9 of the room, the ["]setup for the press in which, you know,
10 they can make their telephone calls, now they can hook up
11 their modems and send in their stories and such. You
12 wouldn't think the facility is the MCI Center.

13 And certainly lighting itself is not a facility,
14 and so that is, you know, and if you get a response here, is
15 one of the areas I'm yet to be convinced that, you know,
16 because the press needs it, it falls under some otherwise --
17 under the regulation.

18 MR. GROSS: I've never viewed that regulation as
19 an exhaustive list of everything, and I think it uses
20 general terms on purpose because there is no way, at least
21 at the time that I guess that regulation was written, that
22 the Commission had all the experience that it's now
23 accumulating with the press.

24 And I think to interpret it narrowly to say that
25 something for the press, you know, is excluded, is expressly

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT
Page 117

U

117

1 excluded by that regulation is not a fair reading of it. I
2 think that maybe if you wanted to exclude something for the
3 press, a legitimate press expenditure that no one disagrees
4 is for the press, then you would say so, that there was a
5 reason why the campaign couldn't get that from the press
6 rather than saying, well, it doesn't expressly permit it
7 when the regulation, to me, is written in a rather general
8 way and meant to be inclusive, and I don't think exhaustive
9 either. I don't think it's meant to be an exhaustive list.

10 CHAIRMAN THOMAS: I'm going to get to the Audit
11 Division here. I see Vice Chairman Wolf has something he
12 wants to say.

13 VICE CHAIRMAN WOLF: On that reading of that
14 regulation there in subparagraph (a) (1), I have a hard time
15 limiting transportation, the general terms, transportation,
16 ground services or facilities to any particular thing given
17 the specific examples given, including typewriters. I mean,
18 typewriters don't fall into transportation, ground services
19 or facilities, especially in the reading that Commissioner
20 Sandstrom has given them, but yet they are an example of one
21 of the foregoing.

22 So I have a hard time coming up with a consistent
23 comprehensive or you might say limited reading of the
24 general terms there, and I think they are intended to be
25 pretty broadly interpreted just by the nature of the wide

Heritage Reporting Corporation
(202) 628-4888

1 ranging examples that are -- specific examples that are
2 given.

3 CHAIRMAN THOMAS: Commissioner Elliott.

4 COMMISSIONER ELLIOTT: Well, this isn't the way
5 campaigns for president are run. We have got a book that's
6 several inches thick that go into specifics that they go by,
7 and I think that that would have to be part of the
8 discussion, but not today.

9 (Laughter.)

10 CHAIRMAN THOMAS: Joe Stoltz.

11 MR. STOLTZ: I wanted to clarify one thing, and
12 the spreadsheet that you refer to that you got.

13 MR. HONG: Yes, yes, yes.

14 MR. STOLTZ: Yes, and --

15 MR. HONG: The hieroglyphics.

16 MR. STOLTZ: It depends on how close you are to
17 it.

18 That is not the first version of that that the
19 campaign received. As a matter of fact, we have just this
20 morning stumbled across a piece of your response to the
21 close of field work conference where the original version of
22 that is referenced in your response.

23 MR. HONG: Well.

24 MR. STOLTZ: Now, it may have gotten misplaced
25 somewhere in between.

1 MR. GROSS: I don't know. I don't know about
2 that --

3 MR. STOLTZ: And that's unfortunate.

4 MR. GROSS: -- but I do know that -- I'm sorry.
5 I didn't mean to step on your words.

6 I don't know about that, but I do know at the exit
7 conference that there was a number, I think, of some
8 \$700,000 that was supposedly the aircraft number, and that
9 was a miscomputation by the Audit Division that was
10 corrected a few weeks later, that jumped the number up some
11 \$300,000, and it wasn't until that point that we felt the
12 need for that information that I guess you are now saying
13 was buried in a lot of paper or a lot of other paperwork
14 that wasn't really a point of contention.

15 When it became a point of contention, three
16 requests were made for that documentation, and it wasn't
17 received until two days before. Now, maybe you are
18 stumbling across it in something that was buried in
19 paperwork that wasn't even a point of contention earlier.
20 And even if we did have it, and I have to say even having it
21 now, it's a document that is nothing like the Kemp document
22 that's particularly helpful, and I don't know how it can be
23 used as a method for identifying to the campaign which items
24 are being disallowed.

25 I see an entry in the left-hand column of this

Heritage Reporting Corporation
(202) 628-4888

1 thing among hundreds and hundreds of entries \$40,000 for
2 fuel. We were able to pick that one out because it's such
3 an identifiable large number, but it's certainly nothing
4 like the listing of disallowed items, and we don't have it
5 for the other -- you know, we just don't have it. I don't
6 know what we could do.

7 I mean, you hear the frustration coming out in my
8 voice because I am frustrated by it.

9 CHAIRMAN THOMAS: Commissioner McDonald.

10 COMMISSIONER MCDONALD: Mr. Chairman, thank you.

11 I would like to see the document and I would like
12 to be instructed.

13 MR. GROSS: We have it here somewhere.

14 COMMISSIONER MCDONALD: Well, we don't have to
15 pass it now. I just want my colleagues to look at it
16 because it helps us to some extent in what we are doing.
17 There is a lot of debate going on that I'm not too sure we
18 are all on the same page.

19 MR. GROSS: Well, we are not going to pass it out
20 because it's not practical, but it looks something like
21 this, but these are not a listing of disallowed items. This
22 is just a listing of things, and you know, we can submit it
23 after the meeting if you would like.

24 CHAIRMAN THOMAS: Any other folks?

25 I am stunned that up to this point no one has

Heritage Reporting Corporation
(202) 628-4888

1 asked about the reference on page 4 of the counsel's office
2 memo in Agenda Document 99-139. I think the most intriguing
3 question is apparently there is some question about whether
4 or not certain expenditures for the Pope qualify? There's
5 something there about catering, Pope and draping. We have
6 to get that resolved.

7 (Laughter.)

8 CHAIRMAN THOMAS: Was the Dole Campaign reaching
9 out to the Catholic voters, and charging the press for the
10 cost of bringing the Pope over?

11 MR. GROSS: I can tell you that was certainly not
12 authorized by me.

13 (Laughter.)

14 CHAIRMAN THOMAS: Well, I -- no, that was
15 obviously just a joke. That was for the record probably a
16 typo or a writo, I'm not sure which, but I want to -- I
17 think that's all the questioning we have for you today.

18 MR. GROSS: Pope and drape, was it?

19 CHAIRMAN THOMAS: Yes. Yes. It's pipe and drip.

20 We are again very thankful for your presentation
21 and we hope that within the next five days you can find some
22 time to take up some of the suggestions for pulling together
23 perhaps some additional helpful documentation and I know you
24 will be doing that, but this has been helpful. Each one of
25 these hearings we have in this public financing area sort of

Heritage Reporting Corporation
(202) 628-4888

ATTACHMENT 4
Page 122 of 125

1 educates us a little bit more because we start to realize
2 some of the practical difficulties that our staff has when
3 they are trying to go over documentation, and also the
4 practical difficulties you folks have when you are trying to
5 respond to what the Commission's first cut at these audit
6 matters is. So we thank you for coming in and clarifying a
7 lot of information for us.

8 Commissioner McDonald.

9 COMMISSIONER MCDONALD: Mr. Chairman, just on that
10 point what the Chairman said, I hope to reemphasize about
11 the disputes. Now, I realize that you all are at a
12 disadvantage but for me, I think both the auditors and the
13 campaign need to narrow where the disputes are and what is
14 expected that is not available, so I think that's what
15 helps.

16 Or the point Joe made was a good one. If you bill
17 for 100 people and there were really only 60 on the plane,
18 the question about that is how often does that happen and
19 are there explanations for it and so on and so forth. We
20 know obviously at some point lots of times -- I don't go to
21 a reception, I don't think any of my colleagues go to a
22 reception in this town that there is not about three-fourths
23 of the food left. I am always just amazed. It's just
24 remarkable to me. But it's something that I would like to
25 have a better feel for because it's real hard to diagnose in

Heritage Reporting Corporation
(202) 628-4888

1 these figures that we have got.

2 CHAIRMAN THOMAS: Speaking of that, let's all go
3 get some food and we will hope it's well lite.

4 (Laughter.)

5 MR. GROSS: We thank you for the opportunity.
6 Appreciate it.

7 CHAIRMAN THOMAS: No further business appearing,
8 this hearing is adjourned.

9 (Whereupon, at 12:48 p.m., the hearing in the
10 above-entitled matter, was adjourned.)

11 //

12 //

13 //

14 //

15 //

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

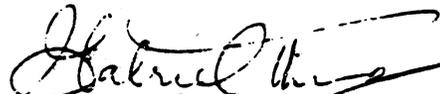
Heritage Reporting Corporation
(202) 628-4888

REPORTER'S CERTIFICATE1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DOCKET NO.: N/A
CASE TITLE: ORAL HEARING OF DOLE FOR PRESIDENT
HEARING DATE: DECEMBER 15, 1999
LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Federal Election Commission.

Date: DECEMBER 15, 1999


Gabriel Thomas

Official Reporter
Heritage Reporting Corporation
Suite 600
1220 L Street, N. W.
Washington, D. C. 20005-4018

Heritage Reporting Corporation
(202) 628-4888

FEDERAL ELECTION COMMISSION

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, NW

WASHINGTON, DC 20005-2111

TEL. (202) 371-7000

FAX (202) 393-5760

http://www.skadden.com

DEC 23 11 31 AM '99

RECEIVED
FEDERAL ELECTION COMMISSION
WASHINGTON, DC

DIRECT DIAL
202 371-7007
DIRECT FAX
202 371-7956

- BOSTON
- CHICAGO
- HOUSTON
- LOS ANGELES
- NEWARK
- NEW YORK
- PALO ALTO
- SAN FRANCISCO
- WILMINGTON
- BEIJING
- BRUSSELS
- FRANKFURT
- HONG KONG
- LONDON
- MOSCOW
- PARIS
- SINGAPORE
- SYDNEY
- TOKYO
- TORONTO

December 22, 1999

Via Hand Delivery

Lawrence M. Noble, Esq.
 General Counsel
 Office of the General Counsel
 Federal Election Commission
 999 E Street, NW
 Washington, D.C. 20463

Re: Follow-Up Submission to the Oral Hearing for
 Dole for President, Inc., Dole/Kemp '96, Inc., and
 Dole/Kemp '96 Compliance Committee, Inc.

Dear Mr. Noble:

We are submitting the following information as a follow-up to the oral presentation we made to the Commission on December 15, 1999 regarding the audit of Dole for President, Inc. ("DFP"), Dole/Kemp '96, Inc. ("Dole/Kemp"), and Dole/Kemp '96 Compliance Committee, Inc. ("GELAC"). In particular, the Commission suggested during the hearing that we submit further information as to how the cost for Senator Dole's and the press aircraft was calculated for purposes of billing the press, the guidance that Dole/Kemp received from the auditors regarding disallowed aircraft expenses, and the alternative calculation for determining GELAC's portion of overhead expenses.

In response, please find attached:

- (1) a sample calculation of Senator Dole's and the press aircraft costs with a particular eye toward the amount that Dole/Kemp had to bill the press for so-called "catch up" costs (i.e., aircraft costs that Dole/Kemp had to bill the press to catch up for previous underbilling of the press which was caused by an initial overestimation of the number of hours of that the aircraft would fly) (Attachment 1);

ATTACHMENT 5
 Page 1 of 46

- (2) a copy of the indecipherable spreadsheet which the audit staff provided to Dole/Kemp regarding the disallowed and unconsidered expenses for Senator Dole's and the press aircraft and a statement by Ted Koch, Dole/Kemp's Deputy Controller, describing the exchange that took place between Dole/Kemp staff and the audit staff regarding those expenses (Attachment 2); and
- (3) an alternative calculation for determining the portion of the overhead expenses which GELAC was permitted to pay (Attachment 3).

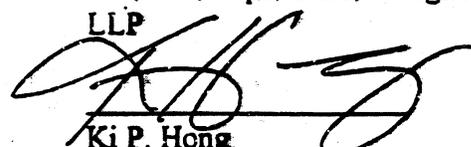
Also, the Commission had a question during the hearing as to certain catering expenses which Dole/Kemp attributed to the press. In particular, Dole/Kemp attributed to the press \$9,485 for catering expenses incurred in connection with the trip to the Vice Presidential debate in St. Peterburg, Florida. That catering, however, was for food provided to approximately twenty five (25) to thirty two (32) members of the press over a three (3) day period. Also, Dole/Kemp attributed to the press \$5,107 to feed approximately seventeen (17) members of the press over the four (4) day period immediately preceding the 1996 general election.

Lawrence M. Noble, Esq.
December 22, 1999
Page 3

Please call us if you have any further questions.

Respectfully submitted,


Kenneth A. Gross
Skadden, Arps, Slate, Meagher & Flom
LLP


Ki P. Hong
Skadden, Arps, Slate, Meagher & Flom
LLP

Attorneys for Dole/Kemp '96, Inc. and
Dole/Kemp '96 Compliance Committee,
Inc.

Attachments

cc: The Commissioners
The Audit Division

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL

SKADDEN, ARPS, SLATE, MEAGHER & FLOOM

RECEIVED
FEDERAL ELECTION
COMMISSION MAIL ROOM

DEC 23 11 31 AM '99

1440 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2111

TEL: (202) 371-7000

FAX: (202) 393-5760

http://www.skadden.com

DIRECT DIAL
(202) 371-7007

DIRECT FAX
(202) 371-7956

1999 DEC 22 P 4: 57

APPLICABLE OFFICES

BOSTON
CHICAGO
HOUSTON
LOS ANGELES
NEWARK
NEW YORK
PALO ALTO
SAN FRANCISCO
WILMINGTON

BEIJING
BRUSSELS
FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
SINGAPORE
SYDNEY
TOKYO
TORONTO

December 22, 1999

Via Hand Delivery

Lawrence M. Noble, Esq.
General Counsel
Office of the General Counsel
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Re: Follow-Up Submission to the Oral Hearing for
Dole for President, Inc., Dole/Kemp '96, Inc., and
Dole/Kemp '96 Compliance Committee, Inc.

Dear Mr. Noble:

We are submitting the following information as a follow-up to the oral presentation we made to the Commission on December 15, 1999 regarding the audit of Dole for President, Inc. ("DFP"), Dole/Kemp '96, Inc. ("Dole/Kemp"), and Dole/Kemp '96 Compliance Committee, Inc. ("GELAC"). In particular, the Commission suggested during the hearing that we submit further information as to how the cost for Senator Dole's and the press aircraft was calculated for purposes of billing the press, the guidance that Dole/Kemp received from the auditors regarding disallowed aircraft expenses, and the alternative calculation for determining GELAC's portion of overhead expenses.

In response, please find attached:

- (1) a sample calculation of Senator Dole's and the press aircraft costs with a particular eye toward the amount that Dole/Kemp had to bill the press for so-called "catch up" costs (i.e., aircraft costs that Dole/Kemp had to bill the press to catch up for previous underbilling of the press which was caused by an initial overestimation of the number of hours of that the aircraft would fly) (Attachment 1);

Lawrence M. Noble, Esq.
December 22, 1999
Page 2

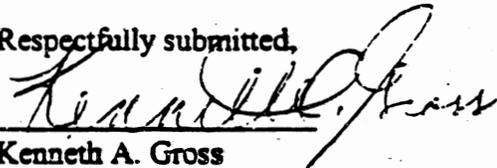
- (2) a copy of the indecipherable spreadsheet which the audit staff provided to Dole/Kemp regarding the disallowed and unconsidered expenses for Senator Dole's and the press aircraft and a statement by Ted Koch, Dole/Kemp's Deputy Controller, describing the exchange that took place between Dole/Kemp staff and the audit staff regarding those expenses (Attachment 2); and
- (3) an alternative calculation for determining the portion of the overhead expenses which GELAC was permitted to pay (Attachment 3).

Also, the Commission had a question during the hearing as to certain catering expenses which Dole/Kemp attributed to the press. In particular, Dole/Kemp attributed to the press \$9,485 for catering expenses incurred in connection with the trip to the Vice Presidential debate in St. Peterburg, Florida. That catering, however, was for food provided to approximately twenty five (25) to thirty two (32) members of the press over a three (3) day period. Also, Dole/Kemp attributed to the press \$5,107 to feed approximately seventeen (17) members of the press over the four (4) day period immediately preceding the 1996 general election.

Lawrence M. Noble, Esq.
December 22, 1999
Page 3

Please call us if you have any further questions.

Respectfully submitted,



Kenneth A. Gross
Skadden, Arps, Slate, Meagher & Flom
LLP



Ki P. Hong
Skadden, Arps, Slate, Meagher & Flom
LLP

Attorneys for Dole/Kemp '96, Inc. and
Dole/Kemp '96 Compliance Committee,
Inc.

Attachments

cc: The Commissioners
The Audit Division

ATTACHMENT 1

The attached worksheets support the rate change for the hourly rates billed for the Dole and Press plane. The big increase referenced in the audit report was due to both an increase in actual variable costs to date, particularly for fuel, and to a sharp reduction in the estimated number of hours to be used. The reduction in the estimated total hours resulted in both a higher actual hourly rate, and in a "catch-up" factor accounting for hours already billed at a lower rate. This "catch-up" amount was computed as an increase in the variable hourly rate.

	A	B	C	D	E	F	G	H	I	J	K
	Analysis of Air Travel Costs and Profitability--DFP & PP										
	Total										
	Total Fixed	Projected	Fixed	Hourly Variable	Total	TOTAL COSTS	% Press Occupancy	Press Billings	% USSS Occupancy	USSS Billings	TOTAL REVENUE
1	Contract Cost	Flight Hours	Fixed	Variable	Total						
2											
3	Press Plane (N707CA)--Champion:										
4	Original billings rates:		(orig est)	(orig est)	(orig est)		(actual avg)		(actual avg)		Available seats =
5	\$ 1,701,560	165 \$ 6,187	\$ 1,800	\$ 7,987	\$ 2,142,315	76.00%	\$ 1,101,727	3.00%	\$ 39,536	\$ 1,141,262	
6	\$ 1,701,560	180 \$ 6,187	\$ 1,800	\$ 7,987	\$ 2,182,384	76.00%	\$ 1,201,884	3.00%	\$ 43,130	\$ 1,245,014	
7	\$ 1,701,560	200 \$ 6,187	\$ 1,800	\$ 7,987	\$ 2,235,809	76.00%	\$ 1,335,426	3.00%	\$ 47,922	\$ 1,383,348	
8	\$ 1,701,560	250 \$ 6,187	\$ 1,800	\$ 7,987	\$ 2,369,371	76.00%	\$ 1,569,283	3.00%	\$ 59,903	\$ 1,729,186	
9						(col b x col e)					
10	New billing rates (est) as of: 10/23/96		(a)				(actual avg)		(actual avg)		
11	\$ 1,701,560	165 \$ 10,312	\$ 2,671	\$ 12,984	\$ 2,142,315	76.00%	\$ 1,790,976	3.00%	\$ 64,269	\$ 1,855,245	
12	\$ 1,701,560	180 \$ 9,453	\$ 2,671	\$ 12,124	\$ 2,182,384	76.00%	\$ 1,824,473	3.00%	\$ 65,472	\$ 1,889,945	
13	\$ 1,701,560	200 \$ 8,508	\$ 2,671	\$ 11,179	\$ 2,235,809	76.00%	\$ 1,869,136	3.00%	\$ 67,074	\$ 1,936,210	
14	\$ 1,701,560	250 \$ 6,806	\$ 2,671	\$ 9,477	\$ 2,369,371	76.00%	\$ 1,980,794	3.00%	\$ 71,081	\$ 2,051,875	
15											
16	Dole Plane (N293AS)--Av Atlantic:										
17	Original billings rates:		(orig est)	(orig est)	(orig est)		(actual avg)		(actual avg)		Available seats =
18	\$ 1,470,000	165 \$ 3,920	\$ 3,200	\$ 7,120	\$ 2,122,976	49.00%	\$ 633,217	21.00%	\$ 246,708	\$ 879,925	
19	\$ 1,470,000	180 \$ 3,920	\$ 3,200	\$ 7,120	\$ 2,182,337	49.00%	\$ 690,782	21.00%	\$ 269,136	\$ 959,918	
20	\$ 1,470,000	200 \$ 3,920	\$ 3,200	\$ 7,120	\$ 2,261,485	49.00%	\$ 767,636	21.00%	\$ 299,040	\$ 1,066,576	
21	\$ 1,470,000	250 \$ 3,920	\$ 3,200	\$ 7,120	\$ 2,469,367	49.00%	\$ 959,420	21.00%	\$ 373,800	\$ 1,333,220	
22											
23	New billing rates (est) as of: 10/23/96		(b)			(col b x col e)	(actual avg)		(actual avg)		
24	\$ 1,470,000	165 \$ 8,909	\$ 3,957	\$ 12,867	\$ 2,122,976	49.00%	\$ 1,144,284	21.00%	\$ 445,825	\$ 1,550,109	
25	\$ 1,470,000	180 \$ 8,167	\$ 3,957	\$ 12,124	\$ 2,182,337	49.00%	\$ 1,176,279	21.00%	\$ 458,291	\$ 1,634,570	
26	\$ 1,470,000	200 \$ 7,350	\$ 3,957	\$ 11,307	\$ 2,261,485	49.00%	\$ 1,218,941	21.00%	\$ 474,912	\$ 1,693,852	
27	\$ 1,470,000	250 \$ 5,880	\$ 3,957	\$ 9,837	\$ 2,469,367	49.00%	\$ 1,325,593	21.00%	\$ 516,465	\$ 1,842,058	
28											
29	(a) Actual variable costs to date			\$ 287,717.45			(b)				Actual variable costs to date
30	Actual hours flown to date			133.29							Actual hours flown to date
31	Subtotal actual variable costs/hour			\$ 2,158.74							Subtotal actual variable costs/hour
32	Plus: Garrett management fee (est)			\$ 112.50							Plus: Garrett management fee (est)
33	Plus: Phone rental (est)			\$ 100.00							Plus: Phone rental (est)
34	Plus: Fuel price escalation (est)			\$ 100.00							Plus: Fuel price escalation (est)
35	Plus: Unbilled expenses (est)			\$ 200.00							Plus: Unbilled expenses (est)
36	Total variable costs (est) per hour			\$ 2,671.24							Total variable costs (est) per hour

Current Projections

AIR CHARTER COST	Fixed (contract)		(a) Variable (est)		TOTAL	
	\$\$	%	\$\$	%	\$\$	%
Presidential Travel:						
Dole Plane:						
439006	441,000	30%	301,223	30%	742,223	30%
439075	1,029,000	70%	702,853	70%	1,731,853	70%
Subtotal	1,470,000		1,004,075		2,474,075	
Per Hour (@165 hrs)	8,909		6,085		14,994	
Plus catch-up factor			7,258		22,252	
Press Plane:						
439006	340,312	20%	124,112	20%	464,424	20%
439078	1,361,248	80%	496,449	80%	1,857,697	80%
Subtotal	1,701,560		620,562		2,322,122	
Per Hour (@165 hrs)	10,312		3,761		14,073	
Plus catch-up factor			4,888		18,961	
Total	3,171,560	100%	1,624,637	100%	4,796,197	100%
VP Travel:						
439009	501,600	38%	226,784	38%	728,384	38%
439077	818,400	62%	370,017	62%	1,188,417	62%
Total	1,320,000	100%	596,801	100%	1,916,801	100%
Per Hour (@165 hrs)	8,000		3,617		11,617	
Plus catch-up factor			1,324		12,941	

ATTACHMENT 2

Statement
by Ted Koch
Deputy Controller, Dole/Kemp '96, Inc.

The Audit Staff provided the committee with its total amount of calculated airplane expenses at the Exit Conference. Later, the Audit Staff informed the committee that to correct a calculation error by the Audit Staff, the Audit Staff was changing its figures resulting in a decrease of a few hundred thousand dollars in the total amount of the airplane costs. It was at this point that the Audit Staff's figures became substantially lower than the actual cost of the airplanes. Consequently, the committee requested the Audit Staff to provide a specific listing and explanation of those expenses which were being disallowed or not considered by the Audit Staff. In response to this request, the Audit staff provided the committee with copies of check requests and invoices for those items being disallowed for the Kemp aircraft. In a follow-up phone conversation, Alex Boniewicz of the Audit staff explained why these expenses were in question. The committee was then able to respond to each item and subsequently they were accepted by the Audit Staff. This information, however, was not provided for the Dole and Press airplanes, even after several requests.

The committee does not dispute that the Audit Staff provided an electronic worksheet to the committee during the audit process. The committee, however, is unable to determine from the worksheet exactly what expenses were disallowed or not considered and the reasons for such disallowance or non-consideration. Attached, please find a copy of the this worksheet as referenced in the Commission hearing on December 15, 1999.

Ted Koch

Ted Koch

FEC - Audit Division
By P Brown
List Revised 10/98

Case/Kemp, 98
Analysis of Case's Plane Costs

Aircraft for Case Av- Atlantic N293AS

Description Date Chk Amt Description Comments

Deposit to 35188 550000
Payments 35303 1310000
Case & VP 35298 930000
Total Contract 2790000 See W/P

Contract Price Date 1470000

Wire trans: 35310 50000 Deposit for fuel both planes split 50/50 (\$100,000)
Wire trans: 35323 34667.15 Total wire \$88,803 Case portion \$34,667.15
Wire trans: 35405 0 Balance due settlement agreement

AV Other Charges: Bonded # Per Audit

Other AV-Atlantic Plane Charter Costs From Access Spreadsheet:

Check #	Amt	Description	Comments	
1218	856.81	Aircraft interior repairs		830.81
1445	20000	Flight logs; invoices did not specify what plane to charge s; invoices Total		
2871	3150	Mechanics on Board		641.1
2871				2308
2871				2219
2871				6100
4368	13048.38	Required aircraft mechanics on board		
4370	0			2954
4370	0	Plane systems N293AS		7381
4371	1024.53	283 Runway		1024.53
4371	2583.47	283 Runway		2583.47
4372	2088.2	283 Engine Oil		2088.2
4372	826.58	283 Engine Oil		826.58
4480	0	Charges for using scanner at First Trust NY		172.81
4480	0			432.32
900038	0	Plane systems Reconfiguring		3108
900038	0			7249
900042	0	Primary Expenses code on file in error		44028
900043	0	Primary Expenses code on file in error		80319
900070	0			2418
900070	0			5842
Total Cost	1584204			8088.38

Aircraft for Press-Champion Air 707CA

Description Date Chk Amt Description Comments

Wire #80 35258 150000 Aircraft Deposit
Wire #81 35286 200000 Remaining deposit balance
Check # 11 35303 1351580 Remaining balance
Total Contract 1701580

Overpayment 587188.7
Refunded on -587187

Other (Champion) Plane Charter Costs From Access Spreadsheet:

Check #8 35382 18131.43 Fuel from [Less \$3100 Paid in error
Check #8 35382 15107.32 Fuel from 10/31-11/5/98
Wire # 80 36348 32381.21 See W/P

Total Cost 1787180 32381.21
33238.73
-847.54

Other Plane Air Charter & Catering Costs From Access Spreadsheet:

Bonded Vendor Name add per Auditor:

Vendor Name Inv #	Amount	Chk #	Total Check
Abby's 27038	888.12	2287	
Abby's 27038	380.88	2287	
ACM Aviat 28373	119.4	1331	
ACM Aviat 28373	40.8	1331	
ACM Aviat 28383	428.04	1332	
ACM Aviat 28383	81.88	1332	
Aerodyne INW10228	482.88	1082	
Aerodyne INW10228	1402.84	1082	
Aerodyne INW10228	38.78	1083	
Aerodyne INW10228	104.71	1083	
AG Spans 381242	37.31	1313	
AG Spans 381242	12.88	1313	
AG Spans 381243	41.88	1314	
AG Spans 381243	8.04	1314	
Ar Amens 5842	500	8838	
375: Ar Flite INW10288	375	2531	
Ar Host - 31858	813.81	1158	
Ar Host - 31858	271.31	1158	
Ar Host - 31857	348.58	1158	
Ar Host - 31857	1048.74	1158	
Ar Host 1 11082	431.88	1788	
Ar Host 1 11082	114.75	1788	
Ar Host 1 11081	532.22	1788	
Ar Host 1 11081	141.48	1788	
Ar Kamani 12745	151.48	1140	
Ar Kamani 12745	818.52	1140	
Ar Kamani 12748	420.83	1141	

Sold A/E contracts

Date	Description	Amt
1088 81	ADV Plane Cat	5
180	ADV Air Charter	5
510	ADV Air Charter	5
510	ADV Air Charter	5
510	ADV Air Charter	5
1888 73	ADV Air Charter	5
141 5	ADV Air Charter	5
50	ADV Air Charter	5
50	ADV Air Charter	5
50	ADV Air Charter	5
500	ADV Air Charter	1
750	ADV Air Charter	8
1088 22	ADV Plane Cat	7
1388 32	ADV Plane Cat	7
548 44	ADV Plane Cat	7
873 7	ADV Plane Cat	7
770	ADV Air Charter	5
535	ADV Air Charter	5

Taken from invoices when provided

Aircraft 707CA Press	Aircraft 293AS Date
Catering	Charter Air
544.9	544.9
510	188
510	
141.5	
50	50
50	50
375	375
1088.22	
1388.32	
548.44	
873.7	
770	
535	

Sheet5 AUDIT Hourly Plane Cost

Air Kaman	114 37	1141							
Airraff S	12560	244 83	1527	ADV	Air Charter	5			
Airraff S	15674	136 36	8395	244 83 ADV	Air Charter	8			
Airraff S	119610	219 42	4395	ADV	Air Charter	1		244 83	
Airraff S	118874	238 84	4395	PB-PP	Air Charter	1			
Airraff S	119470	35 58	4395	PB-D	Air Charter	1		255	
Airraff S	154451	351 23	7100	830 ADV	Air Charter	1			375
Airraff S	157508	700	7100	ADV	Air Charter	1			
Airraff S	11893	255 92	1438	205 23 ADV	Air Charter	1			
Airraff S	11893	36 03	1438	323 05 PB-D	Air Charter	5		1025 81	1025 82
Airraff in	30398	843 83	1738	ADV	Air Charter	5			323 95
Airraff in	30398	2572 5	1738	PB-PP Plane Cat		7		1628 165	
Airraff in Flight Cat	1542	815 54	2347	3258 33 PB-D	Plane Cat	7			
Airport Gr	1542	811 85	1486	815 54 PB-PP	Plane Catering	7		815 54	1428 155
Airport Gr	1542	424 27	486	PB-PP	Air Charter	5			
Airport Gr	1571	184 17	1487	1235 82 PB-D	Air Charter	5			
Airport Gr	1571	715 31	1487	ADV	Air Charter	5			1235 82
Airport Gr	508	257 33	1831	879 48 PB-PP	Air Charter	5			
Airport Gr	508	827 15	1831	ADV	Air Charter	5		879 48	
Airport Gr	1507	838 94	1832	1084 48 PB-D	Air Charter	5			
Airport Gr	1507	245 54	1832	1084 48 PB-PP	Air Charter	5			1084 48
Airport Gr	291	200 28	1113	ADV	Air Charter	5		1084 48	
Airport Gr	291	884 22	1113	ADV	Air Charter	7			
Airport Gr	290	700 21	1114	884 48 PB-D	Air Charter	7			884 48
Airport Gr	290	184 27	1114	884 48 PB-PP	Air Charter	7			884 48
Airport Gr AQ283		871 95	1548	ADV	Air Charter	7			
Airport Gr AQ283		387 53	1548	1258 48 PB-D	Air Charter	7			
Airport Gr AQ284		218 8	1550	ADV	Air Charter	7			1258 48
Airport Gr AQ284		887 58	1550	ADV	Air Charter	7			
Airport Ten 1113458		256 42	1882	1084 48 PB-D	Air Charter	7			
Airport Ten 1113458		574 71	1882	ADV	Air Charter	5		1084 48	
Airport Ten 1113458		182 77	1882	830 13 PB-D	Air Charter	5			
Airport Ten 1113458		887 38	1882	ADV	Air Charter	5			830 13
Airport Ten INV11028		388 31	2177	830 13 PB-PP	Air Charter	5			
Airport Ten INV11028		811 29	2177	ADV	Air Charter	5		830 13	
Airport Ten INV11028		138 8	2178	880 57 PB-D	Air Charter	5			
Airport Ten INV11028		880 77	2178	ADV	Air Charter	5			880 57
Airport Ten	8817	174 33	1704	830 57 PB-PP	Air Charter	5			
Airport Ten	8817	858 8	1704	ADV	Air Charter	7		830 57	
Airport Ten	8818	174 33	1708	830 13 PB-D	Air Charter	7			830 13
Airport Ten	8818	858 8	1708	ADV	Air Charter	7			
Aaron Can	58383	98 78	4472	830 13 PB-D	Air Charter	1			830 13
Aaron Can	58383	32 25	4472	128 PB-D	Air Charter	7			128
Amanca STMT102		382 32	1278	ADV	Air Charter	5			500
Amanca STMT102		137 88	1278	500 PB-D	Air Charter	5			
Amanca STMT102		122 48	1278	ADV	Air Charter	5			
Amanca STMT102		377 58	1278	ADV	Air Charter	5			
Amanca INV10288		488 58	1358	500 PB-PP	Air Charter	5			500
Amanca INV10288		283 13	1358	PB-D	Air Charter	5			
Amanca INV10288		521 3	1358	ADV	Air Charter	5			848
Amanca 980858		402 74	1378	1280 PB-PP	Air Charter	5			848
Amanca 980858		308 38	1378	PB-D	Air Charter	5			800
Amanca 980858		481 87	1378	ADV	Air Charter	5			
Amanca INV11038		282 78	1088	1482 PB-D	Air Charter	8			608
Amanca INV11038		788 78	1088	PB-PP	Air Charter	5			741
Amanca INV11038		413 51	1088	ADV	Air Charter	6			741
Amanca INV08188		188 42	1848	ADV	Air Charter	7			
Amanca INV08188		538 58	1848	700 PB-PP	Air Charter	7			700
Amanca INV08188		478 33	1850	700 PB-D	Air Charter	7			
Amanca INV08188		221 87	1850	ADV	Air Charter	7			700
AMR Com INV10078		827 08	81850	ADV	Air Charter	1			
AMR Com INV10078		501 83	1851	827 08 PB-PP	Air Charter	1			
AMR Com INV10078		721 38	1851	ADV	Air Charter	5			
AMR Com	81188	548 84	1184	1223 21 PB-D	Air Charter	5			1223 21
AMR Com	81188	1381 01	1184	ADV	Air Charter	7			
AMR Com	81188	787 27	1188	1840 88 PB-D	Air Charter	7			1840 88
AMR Com	81188	230 18	1108	987 45 PB-PP	Air Charter	7		987 48	
AMR CO INV10078		1127 81	1850	ADV	Air Charter	7			
AMR Serv INV11028		322 82	2223	1127 81 PB-PP	Air Charter	5		1127 81	
AMR Serv INV11028		508 03	2228	ADV	Air Charter	5			
AMR Serv INV11028		371 08	2228	PB-PP	Air Charter	5			800
-451 15 Annapole		8008	481 15	1821	1200 PB-D	Air Charter	5		800
-138 15 Annapole		8125	138 15	4188	ADV	Air Charter	1		
Arms of		135	287 42	1280	ADV	Air Charter	1		
Arms of		135	588 18	1280	ADV	Air Charter	7		
Arms of		137	181 2	1281	828 58 PB-D	Plane Cat	7		828 58
Arms of		137	512 8	1281	ADV	Air Charter	7		
488 Atlantic Av	1888084	358 48	1038	874 1 PB-PP	Plane Cat	7		874 1	
488 Atlantic Av	1888084	107 54	1038	488 PB-PP	Air Charter	5			
488 Atlantic Av	1888088	148 88	1038	ADV	Air Charter	5			
541 Atlantic Av	1888088	388 38	1038	ADV	Air Charter	5			
Atlantic Av	1888082	284	1208	541 PB-D	Air Charter	5			
338 Atlantic Av	1888082	72	1208	PB-PP	Air Charter	7			
Atlantic Av	1888041	302 84	1201	338 ADV	Air Charter	7			
411 Atlantic Av	1888041	108 18	1201	PB-D	Air Charter	7			
Avagard INV08248		342 04	1871	411 ADV	Air Charter	7			
Avagard INV08248		188 28	1871	583 PB-D	Air Charter	7			
Avagard INV08248		588 13	1872	ADV	Air Charter	7			500
Avagard INV08248		183 87	1872	PB-D	Air Charter	7			
Baton Re 8810383		88 81	1308	753 ADV	Air Charter	7			753
Baton Re 8810383		287 88	1308	ADV	Air Charter	1			
SCE Corp	445711	878 8	2881	377 2 PB-D	Air Charter	1			
1113 82 SCE Corp	445131	438 82	2881	ADV	Air Charter	1			377 2
878 8 SCE Corp	44884	878 8	3488	1113 82 ADV	Air Charter	1			
Barnes th	1087	838 88	1358	878 8 ADV	Air Charter	1			
Barnes th	1087	1381 88	1358	ADV	Air Charter	5			
Barnes th	1088	1284 88	1380	1837 35 PB-D	Plane Cat	5			
Barnes th	1088	307 28	1380	1882 24 PB-PP	Plane Cat	5		1882 24	1837 38
Best Wes FOLIO88		30 88	1457	ADV	Air Charter	5			
Best Wes FOLIO88		30 88	1457	81 32 PB-D	Air Charter	1			81 32
Best Wes MEM0818		4415 04	1513	ADV	Air Charter	1			
Best Wes STMT082		1042 44	1581	4415 04 PB-D	Air Charter	1		2287 52	2287 52
Best Wes INV08288		1584 32	1711	1042 44 PB-D	Air Charter	1		521 22	521 22
Best Wes	80388	2288 84	1888	1584 32 PB-D	Air Charter	1		787 18	787 18
Best Wes INV08088		3883 18	2188	2288 84 ADV	Air Charter	1		1134 42	1134 42
Best Wes	110007	858 08	3142	3883 18 ADV	Air Charter	1			3883 18
Best Wes	110007	1772 58	3142	ADV	Air Charter	1			
Best Wes INV10078		488 58	3487	2427 88 PB-D	Air Charter	1		1213 83	1213 83
				PB-D	Air Charter	1			

Sheet 5 ALOFT Hourly Plane Cost

Best West NW 1079	490.56	3487	981.12 ADV	Air Charter	1		490.56	490.56
Best West 10751005	15.4	3604	ADV	Air Charter	1			
Best West 10751005	130.2	3604	306.6 PB-D	Air Charter	1		153.3	153.3
Best West INV10159	568.78	4098	ADV	Air Charter	1			
Best West NW10159	1786.02	1098	2452.8 PB-D	Air Charter	1		1228.4	1228.4
Best West FOL1098	538.99	8021	1410.36 PB-PP	Air Charter	1		705.18	705.18
Best West FOL1098	458.14	8021	PB-D	Air Charter	1			
Best West FOL1098	413.23	8021	ADV	Air Charter	1			
Buena Av INV10179	290.56	2084	ADV	Air Charter	5			
Buena Av INV10179	316.9	2084	PB-D	Air Charter	5		500	500
Buena Av INV10179	422.54	2084	1000 PB-PP	Air Charter	5		500	500
Buena Av INV11039	242.96	2229	ADV	Air Charter	5			
Buena Av INV11039	275.23	2229	899.87 PB-D	Air Charter	5		433.335	433.335
Buena Av INV11039	348.78	2229	PB-PP	Air Charter	5			
Burbank A	201	98.98	2254	ADV	Air Charter	5		
Burbank A	201	51.32	2254	250 PB-D	Air Charter	5		250
Burbank A	200	201.22	2255	250 PB-PP	Air Charter	5	250	250
Burbank A	200	48.78	2255	ADV	Air Charter	5		
Business INV11029	817.94	2213	1348.2 PB-D	Air Charter	5		470	470.2
Business INV11029	528.28	2213	ADV	Air Charter	5			
Business INV11029	183.12	2214	ADV	Air Charter	5			
Business INV11029	878.33	2214	1041.45 PB-PP	Air Charter	5	707.9	333.86	333.86
CA One S	574561	844.84	1714	829.21 PB-PP	Plane Cat	5	829.21	829.21
CA One S	574561	184.27	1714	ADV	Air Charter	5		
CA One S	574561	378.31	1715	ADV	Air Charter	5		
CA One S	574561	678.08	1715	1254.4 PB-D	Plane Cat	5		1254.4
CA One S INV11029	2352.34	2185	PB-PP	Plane Cat	5	2818.18		2818.18
CA One S INV11029	1758.58	2188	PB-D	Plane Cat	5			
CA One S INV11029	1534.48	2185	5632.38 ADV	Air Charter	5			
CA One S	547784	1734.08	1058	1734.08 PB-D	Plane Cat	5	787	937.08
Caterer 1	2801	785.25	1338	1014.4 PB-D	Plane Cat	5		1014.4
Caterer 1	2801	248.15	1338	ADV	Air Charter	5		
Caterer 1	2800	745.73	1338	924.08 PB-PP	Plane Cat	5	924.08	924.08
Caterer 1	2800	178.33	1338	ADV	Air Charter	5		
Caterer 1 INV10298	874.94	1383	1358.86 PB-D	Plane Cat	5		1358.86	1358.86
Caterer 1 INV10298	484.01	1383	ADV	Air Charter	5			
Caterer 1 INV10298	1197.89	1384	1482.13 PB-PP	Plane Cat	5	1482.13		1482.13
Caterer 1 INV10298	284.24	1384	ADV	Air Charter	5			
Caterer 1 INV10179	191.18	2078	ADV	Air Charter	5			
Caterer 1 INV10179	808.92	2078	1000 PB-PP	Plane Cat	5	1000		1000
Caterer 1 INV10179	798.81	2082	1178.25 PB-D	Plane Cat	5		1178.25	1178.25
Caterer 1 INV10179	378.44	2082	ADV	Air Charter	5			
-380.23 Caterer 1 INV11048	380.23	2843	ADV	Air Charter	8			
Caterer 1	83089	748.65	1873	ADV	Air Charter	7		
Caterer 1	83089	938.91	1873	1188.75 PB-D	Plane Cat	7		1188.75
Caterer 1	83089	178.28	1874	ADV	Air Charter	7		
Caterer 1	83089	870.58	1874	848.86 PB-D	Plane Cat	7	848.86	848.86
Caterer 1 INV08188	858.05	1811	1087.5 PB-PP	Plane Cat	7	1087.5		1087.5
Caterer 1 INV08188	241.48	1811	ADV	Air Charter	7			
Caterer 1 INV08188	887.22	1812	1313 PB-D	Plane Cat	7		1313	1313
Caterer 1 INV08188	418.78	1812	ADV	Air Charter	7			
Caterer 1 INV11038	731.25	2252	948 PB-PP	Plane Cat	5	948		948
Caterer 1 INV11038	213.73	2252	ADV	Air Charter	5			
Caterer 1 INV11038	420.38	2253	ADV	Air Charter	5			
Caterer 1 INV11038	844.81	2253	1088 PB-D	Plane Cat	5		1088	1088
388.181 Caterer 18	91388	1063.80	1288	1548.58 PB-D	Air Charter	7		818.2
Caterer 18	91388	358.42	1288	ADV	Air Charter	7	388.2	388.2
Chappy's INV10248	448.81	1183	848.27 PB-D	Plane Cat	5		848.27	848.27
Chappy's INV10248	188.88	1183	ADV	Air Charter	5			
Chappy's INV10248	381.15	1184	488.88 PB-PP	Plane Cat	5	488.88		488.88
Chappy's INV10248	88.71	1184	ADV	Air Charter	5			
Charcoal STMT101	338.83	2356	2278 PB-D	Plane Cat	7		1253.48	1253.48
Charcoal STMT101	417.82	2356	ADV	Air Charter	7			
Charcoal STMT101	178.27	2356	ADV	Air Charter	7			
Charcoal STMT101	848.28	2358	1028.58 PB-PP	Plane Cat	7	1028.58		1028.58
Chf in th	19928	308.28	1088	ADV	Air Charter	5		
Chf in th	19928	871.88	1088	1177.82 PB-D	Plane Cat	5		1177.82
Chf in th	19930	584.87	1088	748.42 PB-PP	Plane Cat	5	748.42	
Chf in th	19930	184.88	1088	ADV	Air Charter	5		
Cherokee	118175	125.88	2312	200.28 PB-PP	Air Charter	5	200.28	
Cherokee	118179	74.81	2312	ADV	Air Charter	5		
Cherokee	118174	178.88	2313	ADV	Air Charter	5		
Cherokee	118174	878.88	2313	857.51 PB-D	Air Charter	5		857.51
City Mart INV11029	111.88	2324	PB-D	Plane Cat	5		179.448	179.448
City Mart INV11029	86.83	2324	ADV	Air Charter	5			
City Mart INV11029	152	2324	358.88 PB-PP	Plane Cat	5	179.448		179.448
City of Da	3700	503.23	2328	848 PB-D	Air Charter	1		324
City of Da	3700	144.77	2328	PB-PP	Air Charter	1	324	324
71.5 City of Da	5844	71.5	5811	143 ADV	Air Charter	1	71.5	71.5
City of Da	8348	324	7087	324 ADV	Air Charter	1		324
City of Pa	8188	82.41	8117	ADV	Air Charter	1		
City of Pa	8188	148.08	8117	422 PB-D	Air Charter	1		211.5
City of Pa	8188	188.2	8117	PB-PP	Air Charter	1	211.5	211.5
City of Pa	8188	42.3	8117	ADV	Air Charter	1		
City of Phi INV11029	788.88	8481	PB-PP	Air Charter	1	804.828		804.828
City of Phi INV11029	448.84	8481	ADV	Air Charter	1			
City of Phi INV11029	584.88	8481	1808.88 PB-D	Air Charter	1		804.828	804.828
City of Phi	12815	52.88	1533	ADV	Air Charter	7		
City of Phi	12815	368.81	1533	408 PB-D	Air Charter	7	408	
City of Phi	12818	110.84	1534	ADV	Air Charter	7		
City of Phi	12818	287.38	1534	408 PB-D	Air Charter	7		408
City of Phi INV10258	322.38	1270	PB-D	Air Charter	5			
City of Phi INV10258	133.18	1270	458.5 ADV	Air Charter	5		458.5	458.5
City of Phi INV10258	182.88	1273	245.5 PB-PP	Air Charter	5	248.5		248.5
City of Phi INV1048	52.81	1273	ADV	Air Charter	5			
City of Phi INV1048	113.88	2270	ADV	Air Charter	5			
City of Phi INV1048	422.48	2270	535.5 PB-PP	Air Charter	5	538.5		538.5
City of Phi INV1048	327.25	2271	538.5 PB-D	Air Charter	5		538.5	538.5
City of Phi INV1048	208.25	2271	ADV	Air Charter	5			
Class F INV11058	288.38	2352	PB-PP	Plane Cat	5	328.5		328.5
Class F INV11058	188.23	2352	PB-D	Plane Cat	5			
Class F INV11058	188.41	2352	653 ADV	Air Charter	5		328.5	328.5
Colorado C38548	258.75	1738	325 PB-D	Air Charter	7	325		325
Colorado C38548	88.25	1738	ADV	Air Charter	7			
Colorado C38547	84	1740	ADV	Air Charter	7			
Colorado C38547	318	1740	400 PB-D	Air Charter	7		400	400
Comer Av INV11029	138.18	2183	ADV	Air Charter	5			
Comer Av INV11029	775.88	2183	811.24 PB-PP	Air Charter	5	811.24		811.24

Sheet AUDIT Hourly Plane Cost

Doobie Int	354634	141 78	1703	245 26 PB-PP	Plane Cat	7	245 26	
Doobie Int	354634	198 5	1703	ADV	Air Charter	7		
Doobie Int	329698	292 8	1755	370 63 PB-D	Plane Cat	7		370 63
Doobie Int	329698	77 53	1755	ADV	Air Charter	7		
Doobie Int	322995	411 38	1756	520 61 PB-D	Plane Cat	7		520 61
Doobie Int	322995	109 33	1756	ADV	Air Charter	7		
Doobie Int	368824	152 98	1779	1022 84 PB-D	Plane Cat	7		1022 84
Doobie Int	368824	270 18	1779	ADV	Air Charter	7		
Doobie Int	368823	203 88	1780	ADV	Air Charter	7		
Doobie Int	368823	713 92	1750	817 4 PB-PP	Plane Cat	7	817 0	
Doobie Int	368825	42 78	1783	55 PB-D	Plane Cat	7		55
Doobie Int	368825	12 22	1783	ADV	Air Charter	7		
Doobie Int	368828	14 53	1784	ADV	Air Charter	7		
Doobie Int	368828	40 47	1784	55 PB-D	Plane Cat	7		55
Doobie Int	359240	874 28	2371	PB-PP	Plane Cat	7	1044 14	
Doobie Int	359240	618 48	2371	PB-D	Plane Cat	7		1208 67
Doobie Int	359240	558 05	2371	2250 81 ADV	Air Charter	7		
Doug Hcat	26000	275	2336	330 PB-PP	Air Charter	5	330	
Doug Hcat	26000	55	2336	ADV	Air Charter	5		
Doug Hcat	25998	98 67	2337	ADV	Air Charter	5		
Doug Hcat	25998	162 33	2337	281 PB-D	Air Charter	5		281
Ede Hyan STMT 104	4188 15	2284		5301 45 PB-D	Air Charter	5		1225 2783 98
Ede Hyan STMT 104	1113 3	2284		PA-PP	Air Charter	5	1225	67 47
Ensign Res INVO8238	138 08	3694		ADV	Air Charter	1		
Ensign Res INVO8238	388 81	3694		528 PB-D	Air Charter	1		528
Emerald A	6001	123 98	2352	150 PB-D	Air Charter	7		150
Emerald A	6001	29 32	2352	ADV	Air Charter	7		
Emerald A	6002	124 22	2353	150 PB-PP	Air Charter	7	150	
Emerald A	6002	25 78	2353	ADV	Air Charter	7		
Exec Bee	45450	129 88	2040	ADV	Air Charter	5		
Exec Bee	45450	324 64	2040	454 5 PB-D	Air Charter	5		454 5
Exec Bee	40450	298 63	2041	404 5 PB-PP	Air Charter	5	404 5	
Exec Bee	40450	107 87	2041	ADV	Air Charter	5		
Exec Bee	57808	98 01	2332	ADV	Air Charter	5		
Exec Bee	57808	480 04	2332	578 08 PB-PP	Air Charter	5	578 08	
Exec Bee	62808	502 33	2333	628 09 PB-D	Air Charter	5		628 08
Exec Bee	62808	323 72	2333	ADV	Air Charter	5		
Executive	52000	1323 33	1071	ADV	Air Charter	11		
Executive	52000	3234 81	1071	4568 14 PB-D	Air Charter	11		4568 14
Executive	51983	108 23	2328	ADV	Air Charter	7		
Executive	51983	253 77	2328	360 PB-D	Air Charter	7		360
Executive	51983	89	2330	ADV	Air Charter	7		
Executive	51982	240	2330	300 PB-PP	Air Charter	7	300	
EXLON C (MEM) 0818	8503 28	800032		ADV	Air Charter	1		
40481 87 EXLON C (MEM) 0818	31988 58	800032		40481 87 PB-D	Air Charter	1		
FBO Av C	1512	284 81	1081	ADV	Air Charter	7		
FBO Av C	1512	888 18	1081	1288 88 PB-D	Air Charter	7		1288 88
FBO Av C	1538	504 88	1089	631 2 PB-PP	Air Charter	7	631 3	
FBO Av C	1538	128 24	1089	ADV	Air Charter	7		
FBO Av C	1518	242 07	1089	ADV	Air Charter	7		
FBO Av C	1518	588 44	1089	311 45 PB-D	Air Charter	7		311 45
Free Parts STMT 082	407	881632		407 ADV	Air Charter	7		407
Plying Post	6741	570 47	2328	PB-D	Plane Cat	11		
Plying Post	6741	877 89	2328	1838 52 PB-PP	Plane Cat	11		1008 31
Plying Post	6741	587 08	2328	284 88 ADV	Air Charter	1	827 31	
Four Seas INV 10288	284 88	81042		ADV	Air Charter	8		284 88
R Lauder	422	48 57	1752	ADV	Air Charter	5		
R Lauder	422	188 43	1752	238 PB-PP	Air Charter	5	238	
R Lauder	426	201 44	1753	ADV	Air Charter	5		
R Lauder	426	521 38	1753	722 8 PB-D	Air Charter	5		722 8
R Lauder INV 10058	811 28	1843		1198 06 PB-PP	Air Charter	5	1198 08	
R Lauder INV 10058	284 77	1843		ADV	Air Charter	5		
R Lauder INV 10058	275 11	1848		ADV	Air Charter	5		
R Lauder INV 10058	788 84	1848		1083 75 PB-D	Air Charter	5		1083 75
GAC of N	36268	81 48	1217	ADV	Air Charter	5		
GAC of N	36268	298 77	1217	380 25 PB-PP	Air Charter	5	380 25	
GAC of N	36268	115 88	1218	ADV	Air Charter	5		
GAC of N	36268	283 01	1218	408 PB-D	Air Charter	5		408
Garret Ave	147648	119 8	1038	443 4 PB-D	Air Charter	7		443 4
Garret Ave	147648	323 8	1038	ADV	Air Charter	7		
Garret Ave	147647	115 28	1038	150 PB-PP	Air Charter	7	150	
Garret Ave	147647	34 71	1038	ADV	Air Charter	7		
General A INV 10308	287 88	1413		ADV	Air Charter	5		
General A INV 10308	520 54	1413		808 5 PB-D	Air Charter	5		808 5
General A INV 10308	727 18	1414		883 5 PB-PP	Air Charter	5	883 5	
General A INV 10308	138 34	1414		ADV	Air Charter	5		
General's INV 08108	1383 3	2884		1383 3 ADV	Air Charter	1	891 84	691 88
General's INV 10088	788 5	8407		788 5 ADV	Air Charter	1	384 25	384 25
Gosden W STMT 082	283 77	1853		371 8 PB-D	Plane Cat	7		371 8
Gosden W STMT 082	78 08	1853		ADV	Air Charter	7		
Gosden W STMT 082	348 63	1854		437 88 PB-D	Plane Cat	7	437 88	
Gosden W STMT 082	81 88	1854		ADV	Air Charter	7		
Gretchen INV 10308	54 17	1382		ADV	Air Charter	5		
Gretchen INV 10308	88 83	1382		150 PB-D	Air Charter	5		150
GTE Arto	8E+15	2573 08	7257	ADV	Air Charter	1		
GTE Arto	8E+15	7411 88	7257	ADV	Air Charter	1		
GTE Arto	8E+15	7887 83	7257	ADV	Air Charter	1		
GTE Arto	8E+15	2180 2	7257	10082 81 ADV	Air Charter	1		12691 22
-10000								
7411 88 GTE Arto	Oppse7-8	10000	1501	10000				
GTE Arto	8E+15	6717 25	1333	6717 25 ADV	Air Charter	1		6717 25
GTE Arto	8E+15	1872 31	4872					
-1470 84 GTE Arto	80023508	1470 84	4872	1872 31 ADV	Air Charter	1		1872 31
Havethom 03 05815	1088 32	1988		2750 04 PB-D	Air Charter	1		1400 02
Havethom 03 05818	1108 02	1988		PB-D	Air Charter	1	1380 02	
Havethom 03 05818	294	1988		ADV	Air Charter	1		
Havethom 03 05819	283 5	1988		ADV	Air Charter	1		
Havethom 03 05882	1948 51	2804		4274 04 PB-D	Air Charter	1		2785 05
Havethom 03 05882	1178 33	2804		PB-PP	Air Charter	1	1488 02	
Havethom 03 05882	835 31	2804		ADV	Air Charter	1		
Havethom 03 05882	312 88	2804		ADV	Air Charter	1		
Heartland	80388	483 82	1744	483 82 ADV	Air Charter	7		483 82
Heartst C	5535	234 68	1818	ADV	Air Charter	5		
Heartst C	5535	704 04	1818	838 72 PB-D	Plane Cat	5	838 72	
Heartst C	5538	182 88	1817	ADV	Air Charter	5		
Heartst C	5538	535 58	1817	718 48 PB-PP	Plane Cat	5	718 48	
Holday Int	80288	388 81	1707	388 81 ADV	Air Charter	7		388 81
Host Mgmt INV 08138	514 78	1248		PB-PP	Plane Cat	7		
Host Mgmt INV 08138	385 77	1248		ADV	Air Charter	7		

Sheet AUDIT Hourly Plane Cost

Louisiana 407790	42 37	1156	ADV	Air Charter	7		
Louisiana 407791	42 86	1157	ADV	Air Charter	7		
Louisiana 407791	457 14	1157	600 PB-PP	Air Charter	7	600	
Louisiana INV10239	349 71	1128	444 4 PB-PP	Air Charter	5	444 4	
Louisiana INV10239	34 99	1128	ADV	Air Charter	5		
Louisiana INV10239	356 41	1129	827 22 PB-O	Air Charter	5		827 22
Louisiana INV10239	268 81	1129	PB-PP	Plane Cat	5		
LSG/Str INV11039	531 8	1067	ADV	Air Charter	8		
LSG/Str INV11039	2193 66	1067	2725 48 PB-PP	Plane Cat	8	2725 48	
LSG/Str INV11039	129 14	1068	ADV	Air Charter	8		
LSG/Str INV11039	1443 33	1068	2272 47 PB-O	Plane Cat	8		2272 47
LSG/Str Chems	872 35	1128	872 35 PB-O	Plane Catering	6		872 35
LSG/Str Chems	398 03	1137	398 03 PB-PP	Plane Catering	7	398 03	
LSG/Str 91108	403 81	1187	513 68 PB-PP	Plane Cat	7	513 68	
LSG/Str 91108	110 07	1187	ADV	Air Charter	7		
LSG/Str 91105	457 02	1188	820 24 PB-C	Plane Cat	7		820 24
LSG/Str 91105	183 22	1188	ADV	Air Charter	7		
LSG/Str 102408A	713 15	1219	905 44 PB-O	Plane Cat	5		905 44
LSG/Str 102408A	282 29	1219	ADV	Air Charter	5		
LSG/Str 102408B	817 43	1220	788 33 PB-PP	Plane Cat	5	788 33	
LSG/Str 102408B	168 3	1220	ADV	Air Charter	5		
LSG/Str INV10259	1082 28	1254	1423 47 PB-PP	Plane Cat	5	1423 47	
LSG/Str INV10259	381 18	1254	ADV	Air Charter	5		
LSG/Str INV10259	1085 23	1255	1708 88 PB-O	Plane Cat	5		1708 88
LSG/Str INV10259	823 43	1255	ADV	Air Charter	5		
LSG/Str INV08179	258 58	1319	ADV	Air Charter	7		
LSG/Str INV08179	791 11	1319	1047 88 PB-PP	Plane Cat	7	1047 88	
LSG/Str INV08179	889 53	1320	1318 88 PB-O	Plane Cat	7		1318 88
LSG/Str INV08179	421 43	1320	ADV	Air Charter	7		
LSG/Str 91798	184 28	1323	233 27 PB-O	Plane Cat	7		233 27
LSG/Str 91798	48 99	1323	ADV	Air Charter	7		
LSG/Str 91798	41 31	1324	ADV	Air Charter	7		
LSG/Str 91798	156 42	1324	188 73 PB-PP	Plane Cat	7	188 73	
LSG/Str 938804	1088 38	1377	1318 38 PB-PP	Air Charter	5	1318 38	
LSG/Str 938804	248 01	1377	ADV	Air Charter	5		
LSG/Str 938808	384 42	1378	ADV	Air Charter	5		
LSG/Str 938808	739 53	1378	1133 86 PB-O	Plane Cat	5		1133 86
LSG/Str INV10309	194 8	1411	ADV	Air Charter	5		
LSG/Str INV10309	867 78	1411	1152 58 PB-PP	Plane Cat	5	1152 58	
LSG/Str INV10309	478 88	1412	ADV	Air Charter	5		
LSG/Str INV10309	847 38	1412	1328 33 PB-O	Plane Cat	5		1328 33
LSG/Str 327	814 34	1438	1248 88 PB-O	Plane Cat	5		1248 88
LSG/Str 327	434 32	1438	ADV	Air Charter	5		
LSG/Str 328	1220 88	1440	1472 38 PB-PP	Plane Cat	5	1472 38	
LSG/Str 328	251 38	1440	ADV	Air Charter	5		
LSG/Str INV10319	488 48	1454	ADV	Air Charter	5		
LSG/Str INV10319	848 79	1454	1448 22 PB-O	Plane Cat	5		1448 22
LSG/Str INV10319	1314 83	1458	1818 38	Plane Cat	5	1818 38	
LSG/Str INV10319	301 72	1488	ADV	Air Charter	5		
LSG/Str INV10319	735 87	1484	815 12 PB-PP	Plane Cat	5	815 12	
LSG/Str INV10319	158 19	1484	ADV	Air Charter	5		
LSG/Str INV10319	818 37	1488	828 08 PB-O	Plane Cat	5		828 08
LSG/Str INV10319	308 88	1488	ADV	Air Charter	5		
LSG/Str STM7082	7 14	1525	PB-O	Plane Cat	7		
LSG/Str STM7082	20 83	1525	884 22 PB-PP	Plane Cat	7	884 22	
LSG/Str STM7082	228 81	1528	PB-O	Plane Cat	7		
LSG/Str STM7082	80 29	1528	287 11 PB-PP	Plane Cat	7	287 11	
LSG/Str INV08248	473 79	1554	PB-PP	Plane Cat	7	918 88	
LSG/Str INV08248	1472 7	1554	1848 48 PB-O	Plane Cat	7		1848 48
LSG/Str INV08248	577 82	1570	2088 88 PB-PP	Plane Cat	7	2088 88	1031 88
LSG/Str INV08248	1519 03	1570	PB-O	Plane Cat	7		1118 03
LSG/Str 831088	540	1830	10038 88 PB-O	Plane Cat	1		10038 88
LSG/Str 831121	1741 82	1830	ADV	Plane Cat	1		
LSG/Str 838703	1354 82	1830	PB-O	Plane Cat	1		
LSG/Str 831121	1438 28	1830	PB-O	Plane Cat	1		
LSG/Str 831118	388 88	1830	ADV	Plane Cat	1		
LSG/Str 838708	1245 83	1830	ADV	Air Charter	1		
LSG/Str 831115	3318 14	1830	PB-O	Plane Cat	1		
LSG/Str INV08188	204 77	1888	PB-PP	Plane Cat	5		
LSG/Str INV08188	57 15	1888	281 82 PB-PP	Plane Cat	5	281 82	
LSG/Str INV08188	238 17	1888	348 88 PB-O	Plane Cat	5		348 88
LSG/Str INV08188	112 72	1888	ADV	Air Charter	5		
LSG/Str 813814	708 25	1888	887 78 PB-O	Plane Cat	7	887 78	
LSG/Str 813814	188 53	1888	ADV	Air Charter	7		
LSG/Str 813813	827 45	1708	1047 41 PB-O	Plane Cat	7		1047 41
LSG/Str 813813	218 88	1708	ADV	Air Charter	7		
LSG/Str 1140	158 88	1727	208 81 PB-PP	Plane Cat	5	208 81	
LSG/Str 1140	40 84	1727	ADV	Plane Cat	5		
LSG/Str 1138	272 28	1728	377 48 PB-O	Plane Cat	5		377 48
LSG/Str 1138	108 18	1728	ADV	Air Charter	5		
LSG/Str INV08288	478 18	1730	PB-PP	Plane Cat	5		
LSG/Str INV08288	188 24	1730	877 42 PB-PP	Plane Cat	5	877 42	
LSG/Str INV08288	578 18	1731	783 22 PB-O	Plane Cat	5		783 22
LSG/Str INV08288	214 04	1731	ADV	Air Charter	5		
LSG/Str 845088	808 38	1787	808 38 PB-O	Plane Cat	8		808 38
LSG/Str INV10018	204 8	1787	ADV	Air Charter	5		
LSG/Str INV10018	1008 28	1787	1204 88 PB-PP	Plane Cat	5	1204 88	
LSG/Str INV10018	1380 07	1788	1787 82 PB-O	Plane Cat	5		1787 82
LSG/Str INV10018	407 78	1788	ADV	Air Charter	5		
LSG/Str INV08188	788 17	1770	788 17 PB-O	Plane Cat	8		788 17
LSG/Str INV10038	122	1833	ADV	Air Charter	5		
LSG/Str INV10038	325 32	1833	447 32 PB-PP	Plane Cat	5	447 32	
LSG/Str INV10038	158 4	1834	158 4 ADV	Air Charter	5		
LSG/Str INV10038	448 33	1834	448 33 PB-O	Plane Cat	5		448 33
LSG/Str INV10068	580 01	1841	801 58 PB-O	Plane Cat	5		801 58
LSG/Str INV10068	241 57	1841	ADV	Air Charter	5		
LSG/Str INV10068	185 84	1842	ADV	Air Charter	5		
LSG/Str INV10068	431 44	1842	587 38 PB-PP	Plane Cat	5	587 38	
LSG/Str INV08188	802 81	1847	781 78 PB-PP	Plane Cat	7	781 78	
LSG/Str INV08188	178 15	1847	ADV	Air Charter	7		
LSG/Str INV08188	702 7	1848	PB-O	Plane Cat	7		
LSG/Str INV08188	301 18	1848	ADV	Air Charter	7		
LSG/Str INV10078	824 88	1848	804 88 PB-PP	Plane Cat	5	804 88	
LSG/Str INV10078	458 82	1848	458 82 PB-O	Plane Cat	5		458 82
LSG/Str INV08238	781 75	1880	781 75 ADV	Plane Cat	8	831 13	781 75
LSG/Str INV10088	124 8	1877	124 8 PB-PP	Plane Cat	5		124 8
LSG/Str 848250	54 07	1888	ADV	Air Charter	5		
LSG/Str 848250	198 27	1888	252 34 PB-PP	Plane Cat	5	252 34	
LSG/Str 848251	283 43	1888	378 02 PB-O	Plane Cat	5		378 02

Sheet AUDIT Hourly Plane Cost

LSQ/Sky	543251	85.56	1998	ADV	Air Charter	5		
LSQ/Sky	IN10139	238.7	1997	ADV	Air Charter	5		
LSQ/Sky	IN10139	355.41	1997		PB-PP	Plane Cat	5	438.87
LSQ/Sky	IN10139	462.26	1997	1056.77	PB-D	Plane Cat	5	
LSQ/Sky	559081	274.43	2037	ADV	Air Charter	5		520.1
LSQ/Sky	559081	587.04	2037	261.91	PB-PP	Plane Cat	5	951.91
LSQ/Sky	552654	718.45	2034	1099.11	PB-D	Plane Cat	5	1099.11
LSQ/Sky	559054	360.44	2034		ADV	Air Charter	5	
LSQ/Sky	IN10179	257.55	2045	703.59	ADV	Air Charter	5	
LSQ/Sky	IN10179	445.94	2045		PB-D	Plane Cat	5	703.59
LSQ/Sky	IN10179	109.01	2046		ADV	Air Charter	5	
LSQ/Sky	IN10179	594.58	2046	703.59	PB-PP	Plane Cat	5	703.59
LSQ/Sky	631140	2482.04	2110	7561.81	PB-D	Plane Cat	5	4164.71
LSQ/Sky	631141	1240.96	2110		PB-D	Plane Cat	1	
LSQ/Sky	631129	2270.87	2110		PB-D	Plane Cat	1	
LSQ/Sky	631129	603.39	2110		PB-PP	Plane Cat	1	3398.9
LSQ/Sky	631140	654.47	2110		ADV	Air Charter	1	
LSQ/Sky	631141	329.84	2110		ADV	Air Charter	1	
LSQ/Sky	IN11029	2613.54	2127		PB-PP	Plane Cat	5	3074.8
LSQ/Sky	IN11029	461.22	2127	3074.8	ADV	Air Charter	5	
LSQ/Sky	IN11029	1259.24	2128		ADV	Air Charter	5	
LSQ/Sky	IN11029	1941.39	2128	3200.87	PB-D	Plane Cat	5	3200.87
LSQ/Sky	IN109119	792.82	2186	4258.82	ADV	Air Charter	1	
LSQ/Sky	82395	534.23	2186		PB-PP	Plane Cat	1	987.7891
LSQ/Sky	IN109119	1311.19	2186		PB-D	Plane Cat	1	573.03
LSQ/Sky	82398	171.91	2186		ADV	Air Charter	1	
LSQ/Sky	82395	133.56	2186		ADV	Air Charter	1	
LSQ/Sky	82398	401.12	2186		PB-D	Plane Cat	1	1254.481
LSQ/Sky	IN109119	914.79	2186		PB-PP	Plane Cat	1	1764.311
LSQ/Sky	IN11029	108.95	2226		ADV	Air Charter	5	
LSQ/Sky	IN11029	180.34	2226	288.29	PB-D	Plane Cat	5	288.29
LSQ/Sky	IN11029	292.34	2227		PB-PP	Plane Cat	5	348.12
LSQ/Sky	IN11029	52.78	2227	345.12	ADV	Air Charter	5	
LSQ/Sky	IN11049	572	2272	967.48	PB-D	Plane Cat	5	957.48
LSQ/Sky	IN11049	385.48	2272		ADV	Air Charter	5	
LSQ/Sky	IN11049	181.83	2273		ADV	Air Charter	5	
LSQ/Sky	IN11049	631.62	2273	813.45	PB-PP	Plane Cat	5	813.45
LSQ/Sky	1951	134.24	2289		PB-D	Plane Cat	6	
LSQ/Sky	613997	658.18	2304	1333.84	PB-D	Plane Cat	7	1333.84
LSQ/Sky	613997	375.76	2304		ADV	Air Charter	7	
LSQ/Sky	613998	925.78	2305	1144.8	PB-PP	Plane Cat	7	1144.8
LSQ/Sky	613998	218.82	2308		ADV	Air Charter	7	
LSQ/Sky	638789	861.59	2319	1280.87	PB-D	Plane Cat	7	1280.87
LSQ/Sky	638789	398.28	2319		ADV	Air Charter	7	
LSQ/Sky	638788	1087.24	2320	1323.38	PB-PP	Plane Cat	7	1323.38
LSQ/Sky	638788	258.14	2320		ADV	Air Charter	7	
LSQ/Sky	IN11059	338.84	2330		ADV	Air Charter	5	
LSQ/Sky	IN11059	597.44	2330	899.28	PB-D	Plane Cat	5	899.28
LSQ/Sky	IN11059	748.9	2331	389.28	PB-PP	Plane Cat	5	899.28
LSQ/Sky	IN11059	149.38	2331		ADV	Air Charter	5	
LSQ/Sky	631189	295.06	2488		PB-D	Plane Cat	1	
LSQ/Sky	631189	78.43	2488		ADV	Air Charter	1	
LSQ/Sky	63119	708.86	2508	373.46	PB-PP	Plane Cat	1	373.46
LSQ/Sky	63119	711.79	2509	7912.86	ADV	Air Charter	1	
LSQ/Sky	631187	443.27	2509		ADV	Air Charter	1	
LSQ/Sky	63119	1388.36	2509		PB-D	Plane Cat	1	3778.16
LSQ/Sky	631186	552.04	2508		ADV	Air Charter	1	
LSQ/Sky	631187	1672.33	2508		PB-PP	Plane Cat	1	3253.72
LSQ/Sky	631186	1538.12	2508		PB-D	Plane Cat	1	
LSQ/Sky	638750	888.89	2874	5028.28	PB-D	Plane Cat	1	3141.9
LSQ/Sky	631186	888.71	2874		PB-PP	Plane Cat	1	1884.78
LSQ/Sky	631186	1310.38	2874		PB-D	Plane Cat	1	
LSQ/Sky	638750	389.89	2874		ADV	Plane Cat	1	
LSQ/Sky	631186	169.17	2874		ADV	Plane Cat	1	
LSQ/Sky	638752	227.89	2874		ADV	Plane Cat	1	
LSQ/Sky	638752	807.99	2874		PB-PP	Plane Cat	1	
LSQ/Sky	631186	591.9	2874		ADV	Plane Cat	1	
LSQ/Sky	631212	525.43	3852		ADV	Air Charter	1	
LSQ/Sky	631211	58.24	3852		ADV	Air Charter	1	
LSQ/Sky	631211	27.63	3852		ADV	Air Charter	1	
LSQ/Sky	631211	119.52	3852	3271.3	PB-D	Plane Cat	1	1886.41
LSQ/Sky	631212	1380.88	3852		PB-D	Air Charter	1	
LSQ/Sky	631212	212.47	3852		ADV	Air Charter	1	
LSQ/Sky	631211	88.25	3852		PB-PP	Air Charter	1	
LSQ/Sky	631212	849.91	3852		PB-PP	Plane Cat	1	1368.88
LSQ/Sky	632587	40.09	3881		ADV	Air Charter	1	
LSQ/Sky	632587	114.63	3881	267.04	PB-D	Plane Cat	1	133.52
LSQ/Sky	632587	26.7	3881		ADV	Air Charter	1	
LSQ/Sky	632587	86.49	3881		PB-PP	Plane Cat	1	133.52
LSQ/Sky	631225	379.03	3881	7307.37	PB-PP	Plane Cat	1	942.47
LSQ/Sky	631228	302.86	3861		ADV	Air Charter	1	
LSQ/Sky	631228	149.56	3861		PB-PP	Plane Cat	1	743.91
LSQ/Sky	631228	387.33	3861		ADV	Air Charter	1	
LSQ/Sky	631225	171.39	3861		PB-PP	Plane Cat	1	973.41
LSQ/Sky	631228	1246.91	3861		PB-D	Plane Cat	1	1677.87
LSQ/Sky	631228	778.73	3861		PB-PP	Air Charter	1	
LSQ/Sky	631228	1034.73	3861		PB-D	Plane Cat	1	1337.58
LSQ/Sky	631228	588.36	3861		PB-PP	Air Charter	1	
LSQ/Sky	631225	1301.84	3861		PB-D	Plane Cat	1	1632.34
LSQ/Sky	631228	771.11	3861		PB-PP	Air Charter	1	
LSQ/Sky	631228	184.88	3861		ADV	Air Charter	1	
LSQ/Sky	641560	95.78	4391					
LSQ/Sky	631287	989.14	6088	88.78	PB-D	Plane Cat	1	95.78
LSQ/Sky	631287	1782.4	6088		ADV	Air Charter	1	
LSQ/Sky	631287	381.08	6088		PB-D	Air Charter	1	
LSQ/Sky	631287	1898.8	6088	5108.4	PB-PP	Plane Cat	1	2348.88
LSQ/Sky	631289	209.18	6270		PB-D	Plane Cat	1	2758.54
LSQ/Sky	640193	384.62	6270		ADV	Air Charter	1	
LSQ/Sky	631288	338.38	6270		ADV	Air Charter	1	
LSQ/Sky	631288	398.41	6270		ADV	Air Charter	1	
LSQ/Sky	631287	298.1	6270		ADV	Air Charter	1	
LSQ/Sky	631287	1088.82	6270	9278.74	PB-D	Plane Cat	1	5180.85
LSQ/Sky	631289	451.18	6270		ADV	Air Charter	1	
LSQ/Sky	631289	1018.14	6270		PB-PP	Plane Cat	1	4115.78
LSQ/Sky	631287	495.42	6270		ADV	Air Charter	1	
LSQ/Sky	631289	1220.77	6270		PB-D	Air Charter	1	
LSQ/Sky	631287	1195.29	6270		PB-PP	Air Charter	1	
LSQ/Sky	631285	1162.78	6270		PB-PP	Air Charter	1	
LSQ/Sky	631289	1195.22	6270		PB-D	Air Charter	1	

Sheet5 AUDIT Hourly Plane Cost

Northwest	NW10049	113.83	1864	PB-D	Air Charter	5	
Northwest	NW10049	327.17	1864	1041 ADV	Air Charter	5	1041
Northwest	NW10049	404.31	1865	PB-PP	Air Charter	5	
Northwest	NW10049	212.09	1865	1041 ADV	Air Charter	5	
Northwest	NW10139	213.28	1998	ADV	Air Charter	5	1041
Northwest	NW10139	484.72	1998	598 PB-PP	Air Charter	5	698
Northwest	NW10139	557.3	1999	PB-D	Air Charter	5	
Northwest	NW10139	178.7	1999	134 ADV	Air Charter	5	734
Northwest	NW11029	489.49	1081	PB-D	Air Charter	8	
Northwest	NW11029	317.51	1081	807 ADV	Air Charter	8	807
Northwest	NW11029	570.35	1082	PB-PP	Air Charter	8	
Northwest	NW11029	100.85	1082	871 ADV	Air Charter	8	871
Northwest	NW08229	1.13	1526	PB-D	Air Charter	3	1313
Northwest	NW08229	1387	1526	2700 ADV	Air Charter	8	1387
Northwest	STMT082	239.72	1537	ADV	Air Charter	7	
Northwest	STMT082	910.28	1537	1150 PB-D	Air Charter	7	525
Northwest	NW08229	382.13	1538	ADV	Air Charter	7	
Northwest	NW08229	1437.56	1538	1819.89 PB-D	Air Charter	7	1819.89
Northwest	NW08229	1380.39	1539	PB-D	Air Charter	7	
Northwest	NW08229	388.94	1539	1747.33 ADV	Air Charter	7	1747.33
Northwest	STMT082	923	1559	825 ADV	Air Charter	7	
Northwest	STMT082	415.7	1557	PB-D	Air Charter	7	825
Northwest	STMT082	134.31	1557	550 ADV	Air Charter	7	550
Northwest	STMT082	1201.38	1575	ADV	Air Charter	7	
Northwest	STMT082	372.84	1575	1574.2 PB-D	Air Charter	7	1574.2
Northwest	STMT082	1119.48	1578	PB-D	Air Charter	7	
Northwest	STMT082	575.71	1578	1995.18 ADV	Air Charter	7	1995.18
Northwest	83088	108	1701	ADV	Air Charter	7	
Northwest	83088	398	1701	500 PB-D	Air Charter	7	500
Northwest	813	151.82	1753	ADV	Air Charter	7	
Northwest	813	570.38	1753	722 PB-D	Air Charter	7	722
Northwest	129	847.8	1754	PB-D	Air Charter	7	
Northwest	129	172.2	1754	820 ADV	Air Charter	7	820
Northwest	NW10149	422.31	1088	ADV	Air Charter	1	
Northwest	NW10149	498.14	1088	ADV	Air Charter	1	
Northwest	NW10208	425.07	1088	ADV	Air Charter	1	
Northwest	NW10208	420.75	1088	ADV	Air Charter	1	
Northwest	NW10219	488.17	1088	ADV	Air Charter	1	
Northwest	NW10219	402.44	1088	ADV	Air Charter	1	
Northwest	NW10219	1298.77	1088	PB-PP	Air Charter	1	1888.21
Northwest	NW10149	1181.34	1088	PB-PP	Air Charter	1	1583.88
Northwest	NW10208	1275.22	1088	PB-D	Air Charter	1	1700.29
Northwest	NW10208	1282.28	1088	PB-PP	Air Charter	1	1883.01
Northwest	NW10219	1327.78	1088	PB-D	Air Charter	1	1818.83
Northwest	NW10149	1212.78	1088	10182.02 PB-D	Air Charter	1	1708.83
Northwest	NW121	858.33	1474	ADV	Air Charter	1	
Northwest	NW820	338.88	1474	ADV	Air Charter	1	
Northwest	NW121	858.32	1474	PB-D	Air Charter	1	1812.81
Northwest	NW820	1274.12	1474	3331.48 PB-PP	Air Charter	1	1718.88
Northwest	817	918.88	2182	PB-PP	Air Charter	1	
Northwest	138	523.84	2182	ADV	Air Charter	1	
Northwest	817	229.87	2182	ADV	Air Charter	1	1148.38
Northwest	138	1232.58	2182	2804.78 PB-D	Air Charter	1	1758.42
Northwest	81198	1281.1	2541	PB-PP	Air Charter	1	
Northwest	81198	1348.43	2541	PB-D	Air Charter	1	1783.72
Northwest	81288	483.72	2541	ADV	Air Charter	1	1688
Northwest	81288	1300	2541	PB-D	Air Charter	1	1688.27
Northwest	81288	388.71	2541	ADV	Air Charter	1	1784.8
Northwest	81198	384.1	2541	ADV	Air Charter	1	
Northwest	81198	438.37	2541	ADV	Air Charter	1	
Northwest	81288	1300.28	2541	4888.72 PB-PP	Air Charter	1	
Northwest	822	388.88	2437	ADV	Air Charter	1	
Northwest	153	810.03	2437	ADV	Air Charter	1	1885.56
Northwest	153	1275.53	2437	PB-D	Air Charter	1	
Northwest	822	1244.03	2437	3570.57 PB-PP	Air Charter	1	1636.01
Northwest	NW08179	1528.27	2498	PB-PP	Air Charter	1	
Northwest	NW08179	38.38	2498	ADV	Air Charter	1	1584.88
Northwest	NW08179	385.08	2498	ADV	Air Charter	1	1888.88
Northwest	NW08179	1283.58	2498	3233.33 PB-D	Air Charter	1	
Northwest	NW08248	735.51	2882	PB-D	Air Charter	1	
Northwest	NW08248	804.48	2882	ADV	Air Charter	1	1213.38
Northwest	NW08248	1523.87	2882	PB-PP	Air Charter	1	1878.01
Northwest	NW08229	300.45	2882	ADV	Air Charter	1	1238.38
Northwest	NW08229	838.81	2882	PB-PP	Air Charter	1	1538.87
Northwest	NW08229	740.38	2882	PB-D	Air Charter	1	
Northwest	NW08248	354.34	2882	ADV	Air Charter	1	
Northwest	NW08229	473	2882	5870.7 ADV	Air Charter	1	
Northwest	NW10018	883.28	3174	ADV	Air Charter	1	1821.88
Northwest	NW08288	788.84	3174	ADV	Air Charter	1	1883.88
Northwest	NW08288	888.38	3174	PB-D	Air Charter	1	
Northwest	NW10018	1315.74	3174	PB-PP	Air Charter	1	1882.2
Northwest	NW10018	838.88	3174	PB-D	Air Charter	1	1583.4
Northwest	NW10018	548.22	3174	ADV	Air Charter	1	
Northwest	NW08288	1282.75	3174	PB-PP	Air Charter	1	
Northwest	NW08288	300.88	3174	8831.52 ADV	Air Charter	1	
Northwest	NW10038	383.37	3588	ADV	Air Charter	1	1704.81
Northwest	NW10038	287.48	3588	ADV	Air Charter	1	1588.88
Northwest	NW10038	1311.34	3588	PB-D	Air Charter	1	
Northwest	NW10038	1288.1	3588	3291.2 PB-PP	Air Charter	1	
Northwest	NW10028	1271.82	3622	PB-D	Air Charter	1	1688.47
Northwest	NW10028	1481.75	3622	PB-PP	Air Charter	1	1847.33
Northwest	NW10028	378.71	3622	ADV	Air Charter	1	
Northwest	NW10028	288.72	3622	3338.81 ADV	Air Charter	1	
Northwest	NW10088	1278.18	3688	PB-D	Air Charter	1	1724.88
Northwest	NW10088	347.88	3688	ADV	Air Charter	1	1588.81
Northwest	NW10088	445.88	3688	ADV	Air Charter	1	
Northwest	NW10088	1249.51	3688	3320.88 PB-PP	Air Charter	1	
Northwest	NW10088	1175.71	4208	PB-D	Air Charter	1	
Northwest	NW10088	1381.58	4208	PB-PP	Air Charter	1	
Northwest	NW10138	1230.51	4208	PB-PP	Air Charter	1	
Northwest	NW10138	1288.88	4208	PB-D	Air Charter	1	1883.84
Northwest	NW10088	318.27	4208	ADV	Air Charter	1	1577.17
Northwest	NW10138	512.71	4208	ADV	Air Charter	1	
Northwest	NW10088	401.48	4208	ADV	Air Charter	1	1707.88
Northwest	NW10138	588.88	4208	8822.18 ADV	Air Charter	1	1743.22
Northwest	NW10023	447.88	5130	ADV	Air Charter	1	
Northwest	NW10238	420.21	5130	ADV	Air Charter	1	1802.01
Northwest	NW10023	1258.88	5130	PB-D	Air Charter	1	1708.77
Northwest	NW10238	1181.81	5130	3308.78 PB-PP	Air Charter	1	

Sheet5 AUDIT Hourly Plans Cost

Northwest INV11029	11:24:08	11:30	PB-PP Air Charter	1		
Northwest INV11029	89:24	9:00	PB-D Air Charter	1	1423.81	1477.81
Northwest INV11029	580:57	9:00	ADV Air Charter	1		
Northwest INV11029	200:02	9:00	ADV Air Charter	1		
Northwest INV11029	200:75	9:30	ADV Air Charter	5		
Northwest INV00250	121:58	17:12	525 PB-PP Air Charter	5	525	
Northwest INV00250	403:12	17:12	PB-D Air Charter	5		
Northwest INV00250	909:81	17:12	887 ADV Air Charter	5		887
Northwest INV00250	277:19	17:13	PB-PP Air Charter	7		
Northwest INV00079	1384:9	11:08	1731:13 ADV Air Charter	7	1731.13	
Northwest INV00079	248:23	11:08	ADV Air Charter	7		
Northwest INV00079	540:78	11:07	813:21 PB-D Air Charter	7		813.21
Northwest INV00079	1272:43	1:07	2089:09 ADV Air Charter	7		2089.09
Northwest INV08208	2089:09	15:11	1856:61 PB-PP Air Charter	7	1856.61	
Northwest INV08208	1856:81	15:12	ADV Air Charter	5		
Northwest 548625	275	10:85	880:PB-D Air Charter	5		880
Northwest 548625	905	10:85	ADV Air Charter	5		
Northwest 548626	27:31	10:89	825 PB-PP Air Charter	5	825	
Northwest 548626	497:09	10:88	PB-PP Air Charter	5		815.34
Northwest INV11029	801:07	21:38	ADV Air Charter	5	495.33	
Northwest INV11029	371:00	21:36	1548 PB-D Air Charter	5		2083
Northwest INV11029	372:94	21:38	PB-D Air Charter	7		
Northwest INV00189	1004:95	13:04	ADV Air Charter	7		529
Northwest INV00189	843:08	13:04	2618 PB-PP Air Charter	7		
Northwest INV00189	709:07	13:04	ADV Air Charter	1		
Ogden Awt 2591	25:58	13:59	ADV Air Charter	1		
Ogden Awt 2591	37:5	13:59	PB-D Air Charter	1		
Ogden Awt 2589	78	13:59	PB-D Air Charter	1		
Ogden Awt 2590	93:73	13:59	PB-D Air Charter	1		
Ogden Awt 2591	74:44	13:59	PB-D Air Charter	1		
Ogden Awt 2582	89:12	13:59	ADV Air Charter	1		
Ogden Awt 2582	35:88	13:59	PB-D Air Charter	1		
Ogden Awt 2583	112:5	13:59	ADV Air Charter	1		
Ogden Awt 2588	24	13:59	800 ADV Air Charter	1		800
Ogden Awt 2590	31:25	13:59	ADV Air Charter	1		
Ogden Awt 2478	150	19:54	ADV Air Charter	1		
Ogden Awt 2473	100	19:54	ADV Air Charter	1		
Ogden Awt 2478	200	19:54	ADV Air Charter	1		
Ogden Awt 2477	25	19:54	575 ADV Air Charter	1		575
Ogden Awt 2478	100	19:54	ADV Air Charter	1		
Ogden Awt 2488	48:05	24:39	ADV Air Charter	1		
Ogden Awt 2488	78:98	24:39	PB-C Air Charter	1		
Ogden Awt 2487	118:38	24:39	PB-D Air Charter	1		
Ogden Awt 2488	72:88	24:39	PB-D Air Charter	1		
Ogden Awt 2488	88:88	24:39	PB-D Air Charter	1		
Ogden Awt 2488	33:33	24:39	ADV Air Charter	1		
Ogden Awt 2488	81:67	24:39	PB-D Air Charter	1		
Ogden Awt 2487	58:82	24:39	ADV Air Charter	1		
Ogden Awt 2488	27:12	24:39	650 ADV Air Charter	1		650
Ogden Awt 2488	38:42	24:39	ADV Air Charter	1	100	
Ogden Awt 2488	34:04	28:84	ADV Air Charter	1		50
Ogden Awt 2482	19:48	28:84	PB-D Air Charter	1		100
Ogden Awt 2482	30:51	28:84	ADV Air Charter	1		
Ogden Awt 2488	48:88	28:84	PB-PP Air Charter	1		
Ogden Awt 2485	80:88	28:84	PB-D Air Charter	1		
Ogden Awt 2485	50:37	28:84	PB-PP Air Charter	1		50
Ogden Awt 2482	37:53	28:84	ADV Air Charter	1		75
Ogden Awt 2480	14:18	28:84	PB-PP Air Charter	1		62.5
Ogden Awt 2480	50	28:84	PB-PP Air Charter	1		75
Ogden Awt 2481	58:28	28:84	PB-D Air Charter	1		75
Ogden Awt 2481	45:78	28:84	PB-D Air Charter	1		62.5
Ogden Awt 2480	42:3	28:84	PB-PP Air Charter	1		
Ogden Awt 2488	85:88	28:84	PB-D Air Charter	1		75
Ogden Awt 2488	51:32	28:84	ADV Air Charter	1		
Ogden Awt 2483	24:83	28:84	ADV Air Charter	1		
Ogden Awt 2480	20	28:84	ADV Air Charter	1		
Ogden Awt 2482	12:3	28:84	ADV Air Charter	1		
Ogden Awt 2481	18:79	28:84	ADV Air Charter	1		
Ogden Awt 2491	29:24	28:84	725 ADV Air Charter	1		
Ogden Awt 2490	12:3	28:84	ADV Air Charter	1		
Ogden Awt 2574	70:58	31:18	ADV Air Charter	1		
Ogden Awt 2573	38:82	31:18	PB-D Air Charter	1		
Ogden Awt 2573	35:08	31:18	200 PB-D Air Charter	1		
Ogden Awt 2574	54:44	31:18	PB-D Air Charter	1		
Ogden Awt 2578	75	35:18	PB-D Air Charter	1		
Ogden Awt 2577	80	35:18	PB-D Air Charter	1		
Ogden Awt 2579	48	35:18	ADV Air Charter	1		
Ogden Awt 2579	54	35:18	ADV Air Charter	1		328
Ogden Awt 2577	50	35:18	325 ADV Air Charter	1		
Ogden Awt 2578	50	35:18	PB-D Air Charter	1		
Ogden Awt 2583	74:58	38:80	PB-D Air Charter	1		
Ogden Awt 2578	88:7	38:80	PB-D Air Charter	1		
Ogden Awt 2578	77:58	38:80	PB-D Air Charter	1		
Ogden Awt 2580	171:81	38:80	PB-D Air Charter	1		
Ogden Awt 2581	88:88	38:80	PB-D Air Charter	1		
Ogden Awt 2582	73:72	38:80	ADV Air Charter	1		
Ogden Awt 2580	53:39	38:80	ADV Air Charter	1		
Ogden Awt 2578	28:3	38:80	ADV Air Charter	1		
Ogden Awt 2581	38:14	38:80	ADV Air Charter	1		
Ogden Awt 2582	51:28	38:80	ADV Air Charter	1		775
Ogden Awt 2583	28:48	38:80	775 ADV Air Charter	1		
Ogden Awt 2578	22:84	38:80	PB-D Air Charter	1		
Ogden Awt 2588	88:42	43:84	PB-D Air Charter	1		
Ogden Awt 2588	94:81	43:84	PB-D Air Charter	1		
Ogden Awt 2587	75:47	43:84	PB-D Air Charter	1		
Ogden Awt 2584	174:18	43:84	PB-D Air Charter	1		
Ogden Awt 2588	88:28	43:84	ADV Air Charter	1		
Ogden Awt 2588	38:71	43:84	ADV Air Charter	1		
Ogden Awt 2588	31:58	43:84	ADV Air Charter	1		
Ogden Awt 2587	24:53	43:84	ADV Air Charter	1		
Ogden Awt 2584	90:81	43:84	875 ADV Air Charter	1		875
Ogden Awt 2588	30:08	43:84	ADV Air Charter	1		
Ogden Awt 2586	81:28	55:81	PB-D Air Charter	1		
Ogden Awt 2584	88:22	55:81	ADV Air Charter	1		325
Ogden Awt 2584	34:78	55:81	325 PB-D Air Charter	1		
Ogden Awt 2585	143:75	55:81	ADV Air Charter	1		300
Ogden Awt 2589	117:86	81:11	300 PB-D Air Charter	1		
Ogden Awt 2588	182:14	81:11	PB-D Air Charter	7		550
Ogden Awt 2483	418:84	11:77	550 ADV Air Charter	7		
Ogden Awt 2483	133:08	11:77				

ATTACHMENT 5
Page 23 of 6

Sheet5 AUDIT Hourly Plane Cost

Ogden Av	2489	175	1573	ADV	Air Charter	7		87.5	37.5
Ogden Av	2470	425	1573	ADV	Air Charter	7		212.5	212.5
Ogden Av	2471	175	1573	ADV	Air Charter	7		87.5	87.5
Ogden Av	2472	200	1573	875 ADV	Air Charter	7			700
Ogden Av	2474	300	1574	ADV	Air Charter	7			
Ogden Av	2475	100	1574	400 ADV	Air Charter	7			400
Pacific Fl MEM0819	2262.74		2558	PB-O	Air Charter	1			
Pacific Fl MEM0919	932.38		2558	3215.12 ADV	Air Charter	1			3215.12
Pacific Fl INV09189	403.26		1829	PB-O	Air Charter	7			
Pacific Fl INV09189	96.72		1829	600 ADV	Air Charter	7			600
Pacific Fl INV09189	337.5		1830	PB-PP	Air Charter	7			
Pacific Fl INV09189	112.5		1830	450 ADV	Air Charter	7		450	
Park Avian	10408	72.12	1878	ADV	Plane Cat	5			
Park Avian	10408	295.68	1878	387.8 PB-PP	Plane Cat	5		387.8	
Park Avian	10405	142.45	1879	ADV	Plane Cat	5			
Park Avian	10405	320.5	1879	482.95 PB-O	Plane Cat	5			482.95
Pyram F ER09219	98.49		3468	98.49 PB-PP	Plane Cat	1		0	0
Panacoat INV10249	125.41		1181	ADV	Air Charter	5			
Panacoat INV10249	200.50		1181	425 PB-O	Air Charter	5			425
Panacoat INV10249	109		1182	ADV	Air Charter	5			
Panacoat INV10249	420		1182	525 PB-PP	Air Charter	5		525	
Paterrefel STM082	311.69		1839	PB-O	Plane Cat	7			
Paterrefel STM082	82.85		1839	384.5 ADV	Plane Cat	7		384.5	
Paterrefel STM082	111.91		1840	ADV	Plane Cat	7			
Paterrefel STM082	420.89		1840	532.91 PB-O	Plane Cat	7			532.91
Piedmont 3141448	1582.2		7220	1582.2 ADV	Air Charter	1			1582.2
Piedmont 3140849	298.89		2372	PB-PP	Air Charter	7			
Piedmont 3140848	89.51		2372	398.51 ADV	Air Charter	7		398.51	
Piedmont 3140848	140.88		2373	ADV	Air Charter	7			
Piedmont 3140848	325.81		2373	833.1 PB-O	Air Charter	7			833.1
Pizz Mt INV11029	95.84		2193	PB-PP	Plane Cat	5			
Pizz Mt INV11029	88.27		2193	PB-O	Plane Cat	5			
Pizz Mt INV11029	60.74		2193	223.65 ADV	Air Charter	5		111.825	111.825
PK Air Ch	2838	1800	6903	1800 ADV	Air Charter	11			1800
PLACON P83300	1211.17		4988	PB-O	Plane Cat	11			
PLACON P83300	518.07		4988	1730.24 ADV	Plane Cat	11			1730.24
Powerwest 836	318.87		2442	PB-O	Air Charter	1			
Powerwest 836	130.43		2442	450 ADV	Air Charter	1			450
Premier C INV10208	228.86		1013	ADV	Plane Cat	5			
Premier C INV10208	621.24		1013	890.2 PB-PP	Plane Cat	5		890.2	
Premier C INV10208	274.39		1014	ADV	Plane Cat	5			
Premier C INV10208	744.78		1014	1018.15 PB-O	Plane Cat	5			1018.15
Prior Avian 1987517	99.27		1053	ADV	Air Charter	7			
Prior Avian 1987517	1538.88		1053	2487.85 PB-O	Air Charter	7			2487.85
Radson STM081	1180.28		1094	1180.28 PB-O	Air Charter	7			590.84
Radson STM081	453.8		1094	453.8 ADV	Air Charter	5			453.8
Raytheon 156488	120.87		1442	ADV	Air Charter	5			
Raytheon 156488	228.83		1442	347.81 PB-O	Air Charter	5			347.81
Raytheon 156488	311.4		1443	311.4 PB-PP	Air Charter	5		311.4	
Raytheon 156488	284.91		1566	284.91 ADV	Air Charter	7			284.91
Red Roof MEM1023	288.71		1218	288.71 ADV	Air Charter	5			288.71
Rentosa INV11089	254.21		8122	ADV	Air Charter	11			
Rentosa INV11089	577.8		8122	ADV	Air Charter	11			
Rentosa INV11089	848.7		8122	PB-O	Air Charter	11		1427.9	1427.9
Rentosa INV11089	1173.29		8122	2889.1 PB-PP	Air Charter	11		1448.38	1448.38
Rentosa INV10119	2888.72		1887	ADV	Air Charter	5			
Republics - See comment section per Manager 11/18/07 Taken from AB's analysis at RE-PRES.XLS Sheet 8, Rep/Proc/Travel. NOTE: catering and air charter details not made at this procedure. info									
Republics -104	864.87		1248	PB-PP	Air Charter	11		41288.38	32284.34
Republics -83	422.58		1248	PB-PP	Air Charter	11			
Republics -83	422.58		1248	PB-O	Air Charter	11			
Republics -108	1500		1248	ADV	Air Charter	11			
Republics -104	238.18		1248	ADV	Air Charter	11			
Republics -106	808.19		1248	ADV	Air Charter	11			
Republics -83	848.18		1248	ADV	Air Charter	11			
Republics -112	371.78		1478	PB-PP	Air Charter	11			
Republics -115	381.91		1478	PB-O	Air Charter	11			
Republics -112	95.88		1478	ADV	Air Charter	11			
Republics -115	148.53		1478	ADV	Air Charter	11			
Republics -17	873.35		1723	ADV	Plane Cat	11			
Republics -27	30158.13		1812	ADV	Air Charter	11			
Republics INV08-12	3815.88		2257	PB-O	Air Charter	11			
Republics INV08-12	824.63		2257	ADV	Air Charter	11			
Republics -34	6203.52		2888	ADV	Air Charter	11			
Republics -54	140.7		2888	ADV	Air Charter	11			
Republics -54	304.88		2888	PB-O	Plane Cat	11			
Republics -54	3031.17		2888	ADV	Air Charter	11			
Republics -54	1422.87		2888	ADV	Air Charter	11			
Republics -38	1548.24		2828	PB-O	Air Charter	11			
Republics -38	5073.78		2828	ADV	Air Charter	11			
Republics -38	2424.24		2828	PB-PP	Air Charter	11			
Republics -38	5881.78		2828	PB-PP	Air Charter	11			
Republics INV08-16	3448.58		3177	PB-O	Air Charter	11			
Republics INV08-16	881.74		3177	PB-PP	Air Charter	11			
Republics INV08-13	383.81		3177	PB-O	Air Charter	11			
Republics INV08-13	311.18		3177	ADV	Plane Cat	11			
Republics INV08-10	288.63		3177	ADV	Air Charter	11			
Republics INV08-13	183.28		3177	ADV	Air Charter	11			
Republics -73	838.8		3523	PB-O	Air Charter	11			
Republics -75	1114.37		3523	PB-PP	Air Charter	11			
Republics -74	541.42		3523	PB-PP	Air Charter	11			
Republics -75	821.8		3523	PB-O	Air Charter	11			
Republics -73	708.01		3523	ADV	Plane Cat	11			
Republics -74	183.77		3523	ADV	Air Charter	11			
Republics -75	530.54		3523	ADV	Air Charter	11			
Republics -75	295.82		3523	ADV	Air Charter	11			
Republics -80	4788.51		3548	ADV	Air Charter	11			
Republics -80	8187.14		3548	PB-O	Air Charter	11			
Republics INV08-13	8378.73		3880	PB-O	Air Charter	11			
Republics INV08-13	1932.77		3880	ADV	Air Charter	11			
Republics INV08-13	3813.45		3880	ADV	Air Charter	11			
Republics INV08-13	7481.82		3880	PB-PP	Air Charter	11			
Republics INV08-184	270.87		3888	PB-O	Air Charter	11			
Republics INV08-184	88.82		3888	ADV	Air Charter	11			
Republics INV08-184	112.87		3888	ADV	Air Charter	11			
Republics INV08-184	438.83		3888	PB-PP	Air Charter	11			
Republics INV08-148	285.83		4208	ADV	Air Charter	11			
Republics INV08-148	1018.15		4208	PB-PP	Air Charter	11			
Republics INV08-08	184.87		4208	ADV	Plane Cat	11			
Republics INV08-18	1248.71		4508	PB-O	Air Charter	11			

Sheet AUDIT Hourly Plane Cost

Rebecca	IN95-18	322.84	4308	ADV	Air Charter	1		
Rebecca	INVALUE	1200	8127	PB-D	Air Charter	1		
Rebecca	123	5037.04	8305	ADV	Air Charter	1		
Rebecca	123	5062.98	8305	PB-PP	Air Charter	1		
Rebecca	96A-001	22.98	1320	PB-D	Air Charter	5		
Rebecca	96A-001	7	1320	ADV	Air Charter	5		
Rebecca	96A-002	560.8	1340	ADV	Air Charter	5		
Rebecca	96B-101	209.68	2334	PB-D	Plane Cat	5		
Rebecca	96B-101	55.79	2334	ADV	Air Charter	5		
Rebecca	96B-102	369.11	2335	PB-PP	Plane Cat	5		
Rebecca	96B-102	28.12	2335	ADV	Air Charter	5		
Rebecca	96B-103	45.72	2354	ADV	Air Charter	5		
Rebecca	96B-103	172.01	2354	PB-PP	Plane Cat	5		
Richard	82183	79.25	1481	ADV	Air Charter	5		
Richard	82183	268.25	1481	115 PB-PP	Air Charter	5	115	
Richard	82182	22.22	1482	ADV	Air Charter	5		
Richard	82182	92.78	1482	115 PB-PP	Air Charter	5	115	
Richard	81764	50.83	1878	ADV	Air Charter	5		
Richard	81764	33.37	1878	150 PB-D	Air Charter	5	150	
Richard	81763	60.85	1877	PB-PP	Air Charter	5		
Richard	81763	14.15	1877	75 ADV	Air Charter	5	75	
Rich's Air	25630	1061.58	2351	PB-D	Air Charter	5		
Rich's Air	25630	282.19	2351	1343.77 ADV	Air Charter	5	1343.77	
Ronson A	02 07458	78.24	2018	ADV	Air Charter	5		
Ronson A	02 07458	271.78	2018	350 PB-PP	Air Charter	5	350	
Ronson A	02 07458	261.87	2018	PB-D	Plane Cat	5		
Ronson A	02 07458	58.33	2018	350 ADV	Air Charter	5	350	
Roy Oates	IN98-01	140.84	1495	ADV	Air Charter	1		
Roy Oates	IN98-01	338.48	1495	477.31 PB-D	Air Charter	1	477.31	
Roy Oates	81	1792.37	3179	PB-D	Air Charter	1		
Roy Oates	81	744.88	3179	2537.33 ADV	Air Charter	1	2537.33	
Roy Oates	79	58.27	4143	ADV	Air Charter	1		
Roy Oates	79	547.12	4143	ADV	Air Charter	1		
Roy Oates	79	788.48	4143	PB-U	Air Charter	1		
Roy Oates	79	181.29	4143	1561.17 PB-D	Air Charter	1	1561.17	
Roy Oates	IN98-01	578.30	4980	PB-D	Air Charter	1		
Roy Oates	IN98-01	232.08	4980	ADV	Air Charter	1		
Roy Oates	IN98-01	235.78	4980	ADV	Air Charter	1		
Roy Oates	IN98-01	580.13	4980	1624.38 ADV	Air Charter	1	1624.38	
Sacramento	REC1104	781.25	2280	PB-D	Air Charter	5	583	
Sacramento	REC1104	344.87	2280	1128.12 ADV	Air Charter	5	1128.12	
San Bern	INVALUE	280.71	2083	ADV	Air Charter	5		
San Bern	INVALUE	486.86	2083	788.58 PB-D	Air Charter	5	788.58	
San Bern	2	198.02	2228	ADV	Air Charter	5	330.47	
San Bern	2	288.18	2228	PB-PP	Air Charter	5	337.97	
San Bern	2	204.89	2228	888.87 PB-D	Air Charter	5		
San Diego	96720	190.04	7221	ADV	Air Charter	1		
San Diego	96721	190.04	7221	380.08 ADV	Air Charter	1	380.08	
San Jose	IN98103	300.8	8131	PB-PP	Air Charter	1		
San Jose	IN98103	214.7	8131	PB-D	Air Charter	1		
San Jose	IN98103	57.8	8131	ADV	Air Charter	1	358.41	
San Jose	IN98103	221.2	8131	794.31 ADV	Air Charter	1	436.91	
San Jose	IN10288	84.98	1337	ADV	Air Charter	5		
San Jose	IN10288	248.81	1337	333.41 PB-D	Air Charter	5	333.41	
San Jose	IN10288	108.72	1338	ADV	Air Charter	5		
San Jose	IN10288	582.11	1338	867.82 PB-PP	Air Charter	5	867.82	
Santa Bar	74804	186.41	2381	ADV	Air Charter	1		
Santa Bar	72888	1843.38	2381	PB-D	Air Charter	1		
Santa Bar	74804	481.58	2381	PB-D	Air Charter	1		
Santa Bar	72888	752.4	2381	ADV	Air Charter	1		
Santa Bar	72888	98.08	2381	ADV	Air Charter	1		
Santa Bar	72888	240.25	2381	3584.11 PB-D	Air Charter	1	3584.11	
Setterfield	IN10238	82.04	1130	ADV	Air Charter	5		
Setterfield	IN10238	484.89	1130	548.83 PB-D	Air Charter	5	548.83	
Setterfield	IN10238	477.48	1131	PB-D	Plane Cat	5		
Setterfield	IN10238	358.08	1131	838.58 ADV	Air Charter	5	838.58	
Signature	18253	1125	1881	PB-D	Air Charter	5		
Signature	18253	575	1881	1700 ADV	Air Charter	5	1700	
Signature	18254	1474.7	1882	PB-PP	Air Charter	5		
Signature	18254	411.58	1882	1588.28 ADV	Air Charter	5	1588.28	
Signature	IN11029	1448	2128	PB-PP	Air Charter	5		
Signature	IN11029	255	2128	1700 ADV	Air Charter	5	1700	
Signature	IN11029	731.8	2130	ADV	Air Charter	5		
Signature	IN11029	1128.2	2130	1880 PB-D	Air Charter	5	1880	
Signature	17751	477.19	1777	ADV	Air Charter	7		
Signature	17751	1222.81	1777	1703 PB-D	Air Charter	7	1700	
Signature	17750	1287.82	1778	PB-PP	Air Charter	7		
Signature	17750	370.83	1778	1888.75 ADV	Air Charter	7	1888.75	
Signature	LV-43-48	234.7	1711	PB-D	Air Charter	5		
Signature	LV-43-48	101.38	1711	338.08 ADV	Air Charter	5	338.08	
Signature	IN10108	888.78	1887	PB-PP	Air Charter	5		
Signature	IN10108	1518	1887	2404.78 ADV	Air Charter	5	2404.78	
Signature	IN10108	888.78	1888	PB-D	Air Charter	5		
Signature	IN10108	1588.82	1888	2488.41 ADV	Air Charter	5	2488.41	
Signature	158827	182.58	2320	PB-D	Plane Cat	5		
Signature	158827	818.23	2320	PB-D	Air Charter	5		
Signature	158827	637.88	2320	1848.71 ADV	Air Charter	5	314	
Signature	158828	1108.08	2321	PB-PP	Air Charter	5		
Signature	158828	274.88	2321	ADV	Air Charter	5	1280	
Signature	158828	243.02	2321	1627.02 PB-PP	Plane Cat	5	282.41	
Signature	IN08258	581.13	1588	ADV	Air Charter	7		
Signature	IN08258	1420.53	1588	2001.88 PB-D	Air Charter	7	2001.88	
Signet	112088	15727.04	7117	15727.04 PB-D	Air Charter	1	7883.52	7883.52
Stou Fall	9248	127.9	5843	127.9 ADV	Air Charter	1		127.9
Sty Chels	IN08318	1348.4	1584	1348.41 PB-D	Plane Cat	8	1348.41	
Sty Chels	IN08088	752.87	1118	PB-D	Plane Cat	7		
Sty Chels	IN08088	215.13	1118	988.11 ADV	Air Charter	7	988.11	
Sty Chels	IN08088	179.38	1118	ADV	Air Charter	7		
Sty Chels	IN08088	872.58	1118	881.84 PB-D	Plane Cat	7	881.84	
Sty Chels	IN08108	247.51	1175	ADV	Air Charter	7		
Sty Chels	IN08108	780.19	1175	1007.71 ADV	Plane Cat	7	1007.71	
Sty Chels	IN08108	194.83	1178	ADV	Air Charter	7		
Sty Chels	IN08108	823.78	1178	818.72 PB-PP	Plane Cat	7	818.72	
Sty Chels	IN08238	385.58	1547	ADV	Plane Cat	7		984.17
Sty Chels	IN08238	1375.22	1547	1740.78 PB-D	Plane Cat	7	748.81	
Sty Chels	80488	417.18	1775	328.07 PB-D	Plane Cat	7		328.07
Sty Chels	80488	110.88	1775	ADV	Plane Cat	7		
Sty Chels	80488	304.54	1778	PB-D	Plane Cat	7		
Sty Chels	80488	80.88	1778	385.48 PB-PP	Plane Cat	7	385.48	

Sheet5 AUDIT Hourly Plane Cost

Sky Harbo	MM11029	342 77	2184	ADV	Air Charter	5			
Sky Harbo	MM11029	620 28	2184	1003 PB-D	Air Charter	5		303	
Sky Harbo	MM11029	156 55	2185	PB-PP	Air Charter	5			
Sky Harbo	MM11029	29 45	2185	188 ADV	Air Charter	5			
Sky Harbo	MM11029	85 52	2187	ADV	Air Charter	5		168	
Sky Harbo	MM11029	245 48	2187	312 PB-D	Air Charter	5			312
SKYTEL	PO19138	15 59	8658	15 59 ADV	Air Charter	1		0	
Sleep Inn	PO1261-0	859 18	2339	859 18 ADV	Air Charter	7			859 18
Sorenson	90395	385 63	1725	ADV	Air Charter	7			
Sorenson	90395	1451 55	1725	1837 4 PB-D	Plane Cat	7		385 63	
Sorenson	90394	1583 03	1726	PB-D	Plane Cat	7		1451 55	
Sorenson	90394	447 39	1726	2130 42 ADV	Air Charter	7			2130 42
Southern	2145	420	1218	PB-D	Air Charter	7			
Southern	2145	275 38	1218	548 ADV	Air Charter	7		548	
Southern	2146	275 35	1219	ADV	Air Charter	7			
Southern	2146	1035 88	1219	1311 21 PB-D	Plane Cat	7			648 81
Sowell Av	121006	811 65	1156	PB-PP	Air Charter	5			
Sowell Av	121006	211 08	1156	1322 93 ADV	Air Charter	5		512 43	
Sowell Av	121007	930 05	1157	PB-D	Air Charter	5		510 5	
Sowell Av	121007	363 83	1157	1293 98 ADV	Air Charter	5			785
Stambaug	13032	487 47	1788	PB-D	Air Charter	5			528 98
Stambaug	13032	157 73	1788	655 2 ADV	Air Charter	5			855 2
Stambaug	13031	138 89	1789	ADV	Air Charter	5			
Stambaug	13031	468 51	1789	906 2 PB-PP	Air Charter	5		805 2	
Steed Av	219738	2371 84	1018	2371 84 ADV	Air Charter	5			2371 84
Steed Av	48297	658 12	1017	PB-D	Air Charter	5			
Steed Av	48297	218 38	1017	873 5 ADV	Air Charter	5			873 5
Steed Av	48298	815 94	1018	PB-PP	Air Charter	5			
Steed Av	48298	157 88	1018	773 5 ADV	Air Charter	5		773 5	
Stevens A	82388	129 99	1545	PB-D	Air Charter	7			
Stevens A	82388	34 56	1546	184 54 ADV	Air Charter	7		184 54	
Stevens A	82388	45 82	1546	ADV	Air Charter	7			
Stevens A	82388	172 75	1546	218 67 PB-D	Air Charter	7			218 67
Tech Ave	78581	848 71	1878	PB-D	Air Charter	1			
Tech Ave	78581	225 81	1878	1074 32 ADV	Air Charter	1		537 18	537 18
The Bean	9812	387 09	1183	ADV	Air Charter	5			
The Bean	9812	1173 77	1183	1580 88 PB-D	Plane Cat	5		847 89	912 92
The Beans	MM10239	535 37	1123	PB-D	Plane Cat	5			535 37
The Beans	MM10239	709 93	1123	1245 51 PB-PP	Plane Cat	5		708 93	
The Catani	MM10219	82 89	1034	ADV	Air Charter	5			
The Catani	MM10219	287 11	1034	350 PB-PP	Plane Cat	5		350	
The Catani	MM10219	162 88	1036	ADV	Air Charter	5			
The Catani	MM10219	442 12	1036	906 PB-D	Air Charter	5			906
The Catani	MM08119	258 31	1188	PB-D	Plane Cat	7			
The Catani	MM08119	77 19	1188	322 5 ADV	Air Charter	7			322 5
The Catani	MM08119	181 96	1189	PB-PP	Plane Cat	7			
The Catani	MM08119	45 58	1189	207 5 ADV	Air Charter	7		207 5	
The Laines	981014	318 04	1114	ADV	Air Charter	5			
The Laines	981014	874 62	1114	1182 86 PB-D	Plane Cat	5			1182 86
The Laines	981015	742 44	1115	PB-PP	Plane Cat	5			
The Laines	981015	163 34	1115	906 78 ADV	Air Charter	5		906 78	
The Laines	MM10119	140 78	1933	ADV	Air Charter	5			
The Laines	MM10119	281 58	1933	422 34 PB-D	Plane Cat	5			422 34
The Laines	MM10119	74 88	1934	ADV	Air Charter	5			
The Laines	MM10119	388 32	1934	438 88 PB-PP	Plane Cat	5		438 88	
The Laines	MM01004	989	3660	989 ADV	Air Charter	1		0	0
The Port	278792	118 49	2001	ADV	Air Charter	5			
The Port	278792	411 61	2001	530 1 PB-D	Air Charter	5		530 1	
The Port	MM11029	188 58	1089	ADV	Air Charter	8			
The Port	MM11029	287 8	1089	474 15 PB-D	Air Charter	8			474 15
The Port	MM11029	78 98	1089	ADV	Air Charter	8			
The Port	MM11029	447 4	1089	528 34 PB-PP	Air Charter	8		0	0
TOL Avast	MM10119	125	1938	ADV	Air Charter	5			
TOL Avast	MM10119	250	1938	375 PB-D	Air Charter	5			375
TOL Avast	MM10119	50 89	1938	ADV	Air Charter	5			
TOL Avast	MM10119	249 15	1938	300 PB-PP	Air Charter	5		300	
TOL Avast	MM08138	108 77	1250	ADV	Air Charter	7			
TOL Avast	MM08138	384 23	1250	500 PB-PP	Air Charter	7		500	
TOL Avast	MM08138	528 38	1251	PB-D	Air Charter	7			
TOL Avast	MM08138	198 81	1251	725 ADV	Air Charter	7			725
Top Flgts	MM10289	183 89	1312	ADV	Plane Cat	5		387 8	
Top Flgts	MM10289	298 44	1312	PB-PP	Plane Cat	5			387 8
Top Flgts	MM10289	315 37	1312	775 8 PB-D	Plane Cat	5			
Top Flgts	4130	1058 85	2143	PB-D	Plane Cat	1		1820 08	
Top Flgts	4130	487 34	2143	ADV	Plane Cat	1			1554 19
Top Flgts	4129	218 41	2143	1772 8 ADV	Plane Cat	1			
Top Flgts	3923	388 31	2589	ADV	Plane Cat	1			1688 21
Top Flgts	3923	1583 24	2589	PB-PP	Plane Cat	1		1000 88	
Top Flgts	3924	1243 52	2589	PB-D	Plane Cat	1			1081 58
Top Flgts	3922	218 17	2589	ADV	Plane Cat	1		1828 7	
Top Flgts	3921	472 88	2589	ADV	Plane Cat	1			
Top Flgts	3924	588 18	2589	ADV	Plane Cat	1			
Top Flgts	3921	1081 09	2589	PB-D	Plane Cat	1			
Top Flgts	3922	872 88	2589	8488 17 PB-PP	Plane Cat	1			
Top Flgts	3743	1163 77	1848	PB-D	Plane Cat	5			1873 35
Top Flgts	3742	808 58	1848	1973 35 ADV	Plane Cat	5			
Top Flgts	3744	1404 18	1847	PB-PP	Plane Cat	5			
Top Flgts	3743	424 81	1847	1828 88 ADV	Plane Cat	5		1828 88	
Top Flgts	MM10108	448 47	1801	ADV	Plane Cat	5			
Top Flgts	MM10108	1187 82	1801	1633 38 PB-PP	Plane Cat	5		1633 38	
Top Flgts	MM10108	1558 8	1802	PB-D	Plane Cat	5			2103 91
Top Flgts	MM10108	544 11	1802	2103 91 ADV	Plane Cat	5			
Top Flgts	5278	414 98	5812	PB-D	Plane Cat	1			883 48
Top Flgts	5278	268 5	5812	883 48 ADV	Plane Cat	1			
Top Flgts	MM10138	380 33	1888	ADV	Plane Cat	5			
Top Flgts	MM10138	1058 27	1888	1415 8 PB-D	Plane Cat	5			1415 8
Top Flgts	MM10138	389 26	1888	ADV	Plane Cat	5		1283 58	
Top Flgts	MM10138	888 32	1888	1283 58 PB-PP	Plane Cat	5			
Top Flgts	MM10148	548 96	2017	ADV	Plane Cat	5			
Top Flgts	MM10148	1387 38	2017	1814 34 PB-D	Plane Cat	5			1814 34
Top Flgts	MM10148	1288 32	2018	PB-PP	Plane Cat	5			
Top Flgts	MM10148	488 48	2018	1758 8 ADV	Plane Cat	5		1758 8	
Trees of	25878	115 79	3889	PB-D	Air Charter	1			
Trees of	25878	108 45	3889	PB-PP	Air Charter	1			
Trees of	25878	43 56	3889	ADV	Air Charter	1		150	
Trees of	25878	34 21	3889	300 ADV	Air Charter	1			150
Tn-City Av	MM10038	62 19	1793	ADV	Air Charter	5			
Tn-City Av	MM10038	254 88	1793	317 17 PB-PP	Plane Cat	5		317 17	
Tn-City Av	MM10038	94 53	1794	ADV	Air Charter	5			

ATTACHMENT 3

Attached is allocation information for GELAC expenses, based on the relative number of GELAC employees to total employees at national headquarters. A list of staff at national headquarters is attached.

GELAC's share of the campaign airplane expenses have also been factored into this summary. Summary worksheets for the airplanes are attached.

Per audit		Revised	
Acctg PR	481,842.04	Acctg PR	481,842.04
Acctg OH	677,481.41	Acctg OH	1,011,002.22
Legal PR	41,652.42	Legal PR	41,652.42
Legal OH	58,661.06	Legal OH	75,643.82
5% NHQ PR/	397,533.34	5% NHQ PR/OH	395,696.64
5% State	83,360.26	5% State	83,360.26
Total	1,740,530.52	Total	2,089,197.40
Total made	1,686,733.19	Total made	1,686,733.19
Underpaid	(53,797.33)	Underpaid	(402,464.21)
Transferred	859,000.00	Transferred	859,000.00
Returned	(256,000.00)	Returned	(256,000.00)
Total net	549,202.67	Total net	200,535.79

55 acct 21.07%
7 lgi 2.68%
199 other
261

Total HQ

Jordan	acct	gelac	Ollison	acct	gelac
Kafer	acct	gelac	Oppenhei	acct	gelac
Kilkenny	acct	gelac	Pack	acct	gelac
Bahl	acct	gelac	Pirak	acct	gelac
Baxter	Acct	gelac	Prestige	acct	gelac
Beauchamp	Acct	gelac	Purpura	acct	gelac
Billman	Acct	gelac	Purpura	acct	gelac
Blankenship	Acct	gelac	Ramsey	acct	gelac
Bodenstedt	Acct	gelac	Rebauden	acct	gelac
Coquis	Acct	gelac	Reilly	acct	gelac
Cornils	ACCT	gelac	Reilly	acct	gelac
Davidson	Acct	gelac	Rizzo	acct	gelac
Duchesne	Acct	gelac	Rovalino	acct	gelac
Fisher	acct	gelac	Salatich	acct	gelac
Foster	acct	gelac	Schwarz	acct	gelac
Frank	acct	gelac	Shipp	acct	gelac
Garahan	acct	gelac	Simon	acct	gelac
Graham	acct	gelac	Strudwick	acct	gelac
Gresbrink	acct	gelac	Thorp	acct	gelac
Harrison	acct	gelac	Tomlin	acct	gelac
Hass	acct	gelac	Waffle	acct	gelac
Hayden	acct	gelac	Koch	act	gelac
Haywood	acct	gelac	Hill	fin	gelac
Herman	acct	gelac	Barbee	lgt	gelac
Holtzman	acct	gelac	Brownell	lgt	gelac
Lanyon	acct	gelac	Hinckle	lgt	gelac
Little	acct	gelac	Marshall	lgt	gelac
Lucas	acct	gelac	Sheiton	lgt	gelac
Lynch	acct	gelac	Toner	lgt	gelac
Murphy	acct	gelac	Wurth	lgt	gelac
Nehme	acct	gelac	Rankin	acct	gelac

Total 62

Fanelli	ad	hq Seeger	comm	hq Boylan	Pol	hq stromer	pol	hq
Lathrop	adm	hq Shea	comm	hq Buckingha	POL	hq sutton	pol	hq
Lieder	adm	hq Stach	comm	hq Buckley	POL	hq Thomas	pol	hq
Luna	adm	hq thomas	comm	hq Canary	pol	hq Tompkins	pol	hq
Mack	adm	hq Tonner	comm	hq Carter	pol	hq Walker	pol	hq
Marriott	adm	hq Tymchuk	comm	hq Cheatham	pol	hq Well	pol	hq
Meyers	adm	hq Watson	comm	hq Koombs	Pol	hq Jones	poli	hq
Patrick	adm	hq Seinstein	comm	hq Crow	Pol	hq Kotzen	poli	hq
Paxton	adm	hq Zapesoch	comm	hq Daugherty	Pol	hq Morrison	poli	hq
Rivas	adm	hq Barazi	ehd	hq Davenport	Pol	hq Munson	poli	hq
Roe	adm	hq Davis	EHD	hq Day	Pol	hq Pasco	poli	hq
Sather	adm	hq Finlinson	ehd	hq Devine	Pol	hq Reyes	poli	hq
Scott	adm	hq Locke	ehd	hq Dweaid	Pol	hq Rockefeller	poli	hq
Stout	adm	hq Scott	ehd	hq Doyle	pol	hq Shin	poli	hq
Barsa	Admin	hq West	ehd	hq Ebel	Pol	hq Vogt	poli	hq
Chorba	Admin	hq Adler	ldr	hq Ehrenberg	pol	hq Baratta	policy	hq
Crock	Admin	hq Burke	LDR	hq Emam	pol	hq Groomes	policy	hq
Dorn	Admin	hq Collins	ldr	hq Evans	pol	hq Gross	policy	hq
Faber	Admin	hq Davis	LDR	hq Fishbach	pot	hq Hillock	policy	hq
Farris	Admin	hq Fluharty	ldr	hq Gannaway	pot	hq Craig	Polling	hq
Fields	Admin	hq Hilton	ldr	hq Glassner	pot	hq Culla	Polling	hq
Gavins	Admin	hq Larsen	ldr	hq Haffner	pot	hq Domenico	Polling	hq
Goodrich	Admin	hq Manafort	ldr	hq Hansen	pot	hq Farmer	Polling	hq
Kernodle	adv	hq Mathewso	ldr	hq Hanson	pot	hq Mincey	polling	hq
Addington	adv	hq Reed	ldr	hq Hatch	pot	hq Nave	polling	hq
Altshuler	adv	hq Sheets	ldr	hq Haynes	pot	hq Prostic	polling	hq
Baker	adv	hq Spaulding	ldr	hq Hensley	pot	hq Spencer	polling	hq
Cartwright	adv	hq Summers	ldr	hq Hudgins	pot	hq Ward	polling	hq
Morris	adv	hq Tutwiler	ldr	hq Huelsewe	pot	hq Kernus	robin	hq
O'Brien	adv	hq Fierce	med	hq Jackson	pot	hq Kerbet	rsch	hq
Skillman	adv	hq Fitzgerald	med	hq Lanier	pot	hq Mainigi	rsch	hq
Taggart	adv	hq Gillespie	med	hq Lauer	pot	hq Miller	rsch	hq
Brewster	Coal	hq Stoll	med	hq Lewis	pot	hq Moore	rsch	hq
Brostrom	Coal	hq Turner	med	hq Lippe	pot	hq Ruhkamp	rsch	hq
Oviedo	coal	hq Arena	media	hq Longwitz	pot	hq Swanson	rsch	hq
Kim	comm	hq Carlisle	media	hq Lynch	pot	hq Turney	rsch	hq
Koops	comm	hq Holland	media	hq Maddox	pot	hq Karounos	vp	hq
Buckley	COMM	hq Lybbert	media	hq Matter	pot	hq Ayeen	vp	hq
Cameron	comm	hq Moore	media	hq McDaniel	pot	hq Barnes	vp	hq
Campbell	comm	hq Nurick	media	hq McNeill	pot	hq Zelaska	vp	hq
Casse	comm	hq Otte	media	hq Mcsherry	pot	hq		
Czwartacki	Comm	hq Patel	media	hq Miller	pot	hq TOTAL		199
Dyke	Comm	hq Petersen	media	hq Moe	pot	hq		
Floyd	Comm	hq Pollard	media	hq Murphy	pot	hq		
Gerson	comm	hq Richardso	media	hq Norin	pot	hq		
Maloni	comm	hq Miller	pot	hq Ramos	pot	hq		
McConnell	comm	hq Jaso	pot	hq Rao	pot	hq		
McCreery	comm	hq Kaino	pot	hq Rice	pot	hq		
Meyer	comm	hq Kapusinski	pol	hq Schultz	pot	hq		
Moran	comm	hq Keenum	pot	hq Sepehri	pot	hq		
Millins	comm	hq Klink	pot	hq Sharma	pot	hq		
Murphy	comm	hq Adnrew	pot	hq Shoop	pot	hq		
Schiff	comm	hq Armendari	pot	hq Stetier	pot	hq		

(from audit worksheet, with airplane added)

7,950,666.70	5,381,748.49	
677,359.44	add back audit accounting OH	
(963,844.25)	take out revised accounting OH	(\$5,381,748.49 X 21.07% X 85%)
58,553.75	add back audit legal OH	
(72,115.43)	take out revised legal OH	(\$5,381,748.49 X 2.68% X 50%)
263,312.59	263,312.60	GELAC share of airplanes-see attached.
7,913,932.80	5,645,061.09	

Accounting staff on airplanes

Dole plane	1.47%	2,323,873.00	34,160.93
Press plane	3.49%	2,300,484.00	80,286.89
Kemp	3.77%	1,992,662.00	75,123.36
EHD	10.12%	728,670.00	73,741.40
Total			263,312.59

Dole Plane

2, 323, 873

1.47

34, 161

TOTAL COST

% Compliance Passengers

Compliance Allocation

Dole Plane

-	98	439275 Catering Costs
(991.39)	97	439275 Catering Costs
117,352.00	96	439275 Catering Costs
-	96 Pre	439275 Catering Costs
-		439275 Refunds (CO04)
635,359.64	98	439006 Plane Costs (in DFP cost center)
(138,184.69)	97	439006 Plane Costs (in DFP cost center)
214,952.41	96	439006 Plane Costs (in DFP cost center)
550,000.00	96 Pre	439006 Plane Costs (in DFP cost center)
(36,615.34)		439006 Refunds (CO04)
(598,233.16)		Portion of 439006 attributed to press plane**
(485,438.43)	98	439075 Plane Costs (in Press cost center)
(10,300.64)	97	439075 Plane Costs (in Press cost center)
1,725,972.94	96	439075 Plane Costs (in Press cost center)
350,000.00	96 Pre	439075 Plane Costs (in Press cost center)
-		439075 Refunds (CO04)
<u>2,323,873.34</u>		

TOTAL COST

x 1.1

2,556,260.67 Total costs at 110%*

/ 217.35 Hours Flown

\$ 11,761.03 Actual cost per hour for operating the plane at 110%

\$ 10,691.85 Actual cost per hour for operating the plane at 100%

*Of all passengers travelling on the Dole plane, press accounted for 49% of the passengers. 49% of \$2,556,260.67 is \$1,252,567.73.

Note: The FEC audit staff allows \$1,218,594.77 in plane costs to the press and \$10,301.89 per hour for operating the plane.

**[(991.39) + 117,352.00 + 635,359.64 + (138,184.69) + 214,952.41 + 550,000 + (36,615.34) + (598,233.16)] = 743,639.47 (DFP Costs)
743,639.47 (DFP costs, 32%) + 1,580,233.87 (Press/USSS costs, 68%) = 2,323,873.34 (total, 100%)

Sheet6 Dole Plane Cost

Dole Plane		ORIGIN	DESTINATION	FLIGHT TIMES		PRESS	%	Dole's STAFF/ GUESTS	%	Kemp's STAFF/ GUESTS	%	ACCT
			Total hourly flight time									
			TOTALS	144 hrs	4401 min	217.35	49%	2827	31%	86	1%	1.47%
												135
	20708161	San Diego, CA	Denver, CO	2	25	145	31%	39	46%	0	0%	0
DEN/SPI	10010817	Denver, CO	Springfield, IL	2	7	127	34%	21	27%	9	11%	0
SPI/BUF	10020817	Springfield, IL	Buffalo, NY	1	52	112	35%	21	26%	9	11%	0
BUF/PIT	10030818	Buffalo, NY	Pittsburg, PA	0	50	50	34%	21	27%	9	11%	0
PIT/DCA	10040818	Pittsburg, PA	Washington, DC	0	52	52	35%	24	29%	9	11%	0
DCA/SDF	10050820	Washington, DC	Louisville, DC	1	53	113	39%	16	24%	5	8%	0
SDF/DCA	10060820	Louisville, KY	Washington, DC	1	8	68	42%	16	23%	5	7%	0
DCA/EW	10070822	Washington, DC	Newark, NJ	1	0	60	39%	16	24%	5	8%	0
EW/PH	10080822	Newark, NJ	Philadelphia, PA	0	52	52	38%	16	25%	5	8%	0
PH/DCA	10090822	Philadelphia, PA	Washington, DC	0	48	48	38%	16	25%	5	8%	0
DCA/BN	10100823	Washington, DC	Nashville, TN	1	32	92	34%	20	26%	8	12%	1
BN/ATL	10110823	Nashville, TN	Atlanta, GA	1	2	62	36%	17	23%	8	11%	1
ATL/TPA	10120824	Atlanta, GA	Tampa, FL	1	30	90	50%	16	31%	0	0%	1
NEW/DC	10140824	New Orleans, LA	Washington, DC	2	21	141	49%	16	32%	0	0%	1
DC/AMD	10150825	Washington, DC	Chicago, IL	2	1	121	47%	17	32%	1	2%	1
MDW/PD	10160825	Chicago, IL	Portland, OR	4	36	276	43%	19	33%	0	0%	1
PDX/SBA	10170825	Portland, OR	Santa Barbara, CA	2	11	131	50%	19	28%	0	0%	2
SBA/SMX	10180829	Santa Barbara, CA	Santa Maria	0	32	32	46%	19	29%	0	0%	1
SMX/NZJ	10190825	Santa Maria, CA	Irvine, CA	0	50	50	47%	20	30%	0	0%	1
NZJ/ABQ	10200830	El Toro CA	Albuquerque, NM	1	48	108	52%	16	29%	0	0%	1
ABQ/ADI	10210830	Albuquerque, NM	Washington, DC	3	41	221	50%	16	30%	0	0%	1
DCA/STL	10220802	Washington, DC	St Louis, MO	2	18	138	45%	20	32%	0	0%	1
STL/SLC	10230802	St Louis, MO	Salt Lake City, UT	3	6	186	50%	17	30%	0	0%	1
SLC/COS	10240803	Salt Lake City	Colorado Springs	1	10	70	56%	13	24%	0	0%	1
COS/DS	10250804	Colorado Springs	Des Moines	1	46	106	56%	13	24%	0	0%	1
DSM/MIS	10260804	Des Moines	Madison, WI	1	1	61	54%	15	28%	0	0%	1
MNS/DT	10270804	Madison, WI	Detroit, MI	1	35	95	55%	15	27%	0	0%	1
STW/DA	10280804	Detroit, MI	Dayton, OH	1	10	70	55%	15	27%	0	0%	1
	10290805	Dayton, OH	Akron/ Canton, OH	0	45	45	56%	13	25%	0	0%	1
	10300805	Akron/ Canton, OH	Washington, DC	1	3	63	57%	13	25%	0	0%	1
	1031	Cancelled										
	10320807	Washington, DC	Pittsburg, PA	1	5	65	47%	17	30%	0	0%	1
	10330807	Pittsburg, PA	Scranton, PA	1	19	79	50%	15	27%	0	0%	1
	10340807	Scranton, PA	Washington, DC	0	50	50	48%	15	28%	0	0%	1

Press Plane

2,300,484

3.49

80,287

TOTAL COST

% Compliance Passengers

Compliance Allocation

Press Plane

-	98	439278 Catering Costs
(1,653.19)	97	439278 Catering Costs
61,301.87	96	439278 Catering Costs
-	96 Pre	439278 Catering Costs
-		439278 Refunds (CO04)
598,233.16		Portion of 439006 attributed to press plane
(283,771.66)	98	439078 Plane Costs (in Press cost center)
(40,343.54)	97	439078 Plane Costs (in Press cost center)
1,956,717.50	96	439078 Plane Costs (in Press cost center)
-	96 Pre	439078 Plane Costs (in Press cost center)
-		439078 Refunds (CO04)
<u>2,300,484.14</u>		TOTAL COST
x 1.1		
<u>2,530,532.55</u>		Total costs at 110%*

/ 196.87 Hours Flown

\$ 12,853.83 Actual cost per hour for operating the plane at 110%

\$ 11,685.30 Actual cost per hour for operating the plane at 100%

*Of all passengers travelling on the Press plane, press accounted for 77% of the passengers. 77% of \$2,530,532.55 is \$1,948,510.07.

Note: The FEC audit staff allows \$1,743,987.46 in plane costs to the press and \$10,882.70 per hour for operating the plane.

PRESS PLANE AIFARE PER AUDIT

Press plane

ORIGIN DESTINATION

PRESS

%

%

GUES

%

ACCT

PNOC

%

US\$

Total hourly flight time

TOTALS	4432	11812	6684	77%	20%	1	0%	298	9	0%	231
--------	------	-------	------	-----	-----	---	----	-----	---	----	-----

Press plane	ORIGIN	DESTINATION	PRESS	%	%	GUES	%	ACCT	PNOC	%	US\$	
30010817	Denver, CO	Springfield, IL	55	115	68	78%	13%	0	0%	2	0	0%
30020817	Springfield, IL	Buffalo	38	98	82	79%	10%	0	0%	2	0	0%
30030818	Buffalo, NY	Pittsburg, PA	40	40	67	76%	14%	1	1%	2	0	0%
30040818	Pittsburg, PA	Washington, DC	50	50	60	75%	15%	0	0%	2	0	0%
30050820	Washington, DC	Louisville, KY	42	102	48	79%	12%	0	0%	2	0	0%
30060820	Louisville, KY	Washington, DC	38	96	48	77%	13%	0	0%	2	0	0%
30070822	Washington, DC	Newark, NJ	3	63	37	82%	16%	0	0%	2	0	0%
30080822	Newark, NJ	Philadelphia, PA	41	41	40	85%	13%	0	0%	2	0	0%
30090822	Philadelphia, PA	Washington, DC	42	42	41	85%	13%	0	0%	2	0	0%
30100823	Washington, DC	Nashville, TN	40	100	48	76%	17%	0	0%	3	0	0%
30110823	Nashville, TN	Atlanta, GA	5	65	38	71%	22%	0	0%	3	0	0%
30120824	Atlanta, GA	Tampa, FL	20	80	31	78%	20%	0	0%	2	0	0%
30130824	Tampa, FL	New Orleans, LA	23	83	68	85%	24%	0	0%	3	0	0%
30140824	New Orleans, LA	Washington, DC	21	141	30	75%	23%	0	0%	2	0	0%
30150825	Washington, DC	Chicago, IL	33	93	28	74%	24%	0	0%	2	0	0%
30160825	Chicago, IL	Portland, OR	42	222	16	68%	29%	0	0%	2	0	0%
30170826	Portland, OR	Santa Barbara, CA	4	124	23	74%	33%	0	0%	1	0	0%
30180829	Santa Barbara, CA	Santa Maria, CA	23	23	23	74%	28%	0	0%	2	0	0%
30190829	Santa Maria, CA	Irvine, CA	47	47	21	70%	30%	0	0%	2	0	0%
30200830	Irvine, CA	Albuquerque, NM	35	95	26	69%	31%	0	0%	2	0	0%
30200830	Albuquerque, NM	Washington, DC	35	215	20	65%	35%	0	0%	2	0	0%
30220902	Washington, DC	St. Louis, MO	10	130	36	80%	18%	0	0%	2	0	0%
30230902	St. Louis, MO	Salt Lake City, UT	45	165	29	78%	24%	0	0%	2	0	0%
30240903	Salt Lake City, UT	Colorado springs, Co	20	80	32	80%	20%	0	0%	2	0	0%
30250903	Colorado springs, Co	Des Moines, IA	30	90	33	80%	20%	0	0%	2	0	0%
30260904	Des Moines, IA	Madison, WI	45	45	34	79%	19%	0	0%	2	0	0%
30270904	Madison, WI	Detroit, MI	0	60	34	79%	19%	0	0%	2	0	0%
30280904	Detroit, MI	Dayton, OH	50	50	35	79%	19%	0	0%	2	0	0%
30290905	Dayton, OH	Akron, Canton, OH	35	35	34	79%	19%	0	0%	2	0	0%

Kemp Plane

1,992,662

3.77

75,123

TOTAL COST

% Compliance Passengers

Kemp Plane

1,463.93	98	439277 Catering Costs
(460.93)	97	439277 Catering Costs
57,242.89	96	439277 Catering Costs
-	96 Pre	439277 Catering Costs
(56.52)		439277 Refunds (CO04)
233,150.04	98	439009 Plane Costs (in DFP cost center)
(10,821.14)	97	439009 Plane Costs (in DFP cost center)
605,419.57	96	439009 Plane Costs (in DFP cost center)
-	96 Pre	439009 Plane Costs (in DFP cost center)
(15.00)		439009 Refunds (CO04)
(98,104.88)	98	439077 Plane Costs (in Press cost center)
1,17,150.87	97	439077 Plane Costs (in Press cost center)
1,637,951.22	96	439077 Plane Costs (in Press cost center)
-	96 Pre	439077 Plane Costs (in Press cost center)
(550,258.09)		439077 Refunds (CO04)
<u>1,992,661.96</u>		

x 1.1

2,191,928.16 Total costs at 110%*

/ 177.95 Hours Flown

\$ 12,317.66 Actual cost per hour for operating the plane at 110%

\$ 11,197.88 Actual cost per hour for operating the plane at 100%

*Of all passengers travelling on the Kemp plane, press accounted for 31% of the passengers. 31% of \$2,191,928.16 is \$679,497.73.

Note: The FEC audit staff allows \$650,132.26 in plane costs to the press and \$10.912.76 per hour for operating the plane.

EHD Plane

728,670.	TOTAL COST
<u>10.12</u>	% Compliance Passengers
73,741	

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	V	W	
1																					
2																					
15	Mrs. Dole	ORIGIN	DESTINATION	FLIGHT TIMES	PRESS	%	STAFF/ GUESTS	%	STAFF/ GUESTS	%	STAFF/ GUESTS	%	ACCT	RNC	%	US\$	%	TOTAL MANIFE ST	TOTAL COST OF FLIGHT		
16	Flight No.	DATE		total hourly flight time	93	4067	9647	15	1%	693	63%	0	0%	111	10.12%	0	0%	389	35%	1097	\$728,670.48
17																					
18																					
19	1:0010821	21 Aug Fl Lauderdale, FL	Washington, DC	2	20	140	0	0%	0	0%	0	0%	0	0	0%	0	0%	0	0%	0	\$10,033.33
20	70010822	08/22/1996	Washington DC	0	50	50	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$3,593.33
21	70020822	08/22/1996	Greensboro, NC	0	35	35	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$2,508.33
22	70030822	08/22/1996	Raleigh, NC	0	45	45	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$3,225.00
23	70040823	08/23/1996	Charlotte, NC	1	3	63	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$4,515.00
24	70050823	08/23/1996	Albany, GA	0	42	42	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$3,010.00
25	70060823	08/23/1996	Savannah, GA	0	20	140	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$10,033.33
26	70070824	08/24/1996	Houston, TX	0	48	46	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$3,298.67
27	70080824	08/24/1996	Tyler, TX	0	31	31	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$2,221.67
28	70090825	08/25/1996	Dallas, TX	1	58	118	0	0%	6	80%	0	0%	1	0	0%	4	40%	4	40%	10	\$8,456.67
29	70100825	08/25/1996	Chicago, IL	1	37	67	0	0%	3	75%	0	0%	1	0	0%	1	25%	1	25%	4	\$6,951.67
30	70110825	08/27/1996	Washington, DC	6	0	360	0	0%	0	0%	0	0%	0	0	0%	0	0%	0	0%	0	\$25,000.00
31	70120825	08/29/1996	Santa Barbara, CA	0	36	36	0	0%	3	50%	0	0%	0	0	0%	3	50%	3	50%	6	\$2,580.00
32	70130829	08/29/1996	Burbank, CA	0	32	32	0	0%	3	50%	0	0%	0	0	0%	3	50%	3	50%	6	\$2,293.33
33	70140830	08/29/1996	Santa Barbara, CA	0	43	43	0	0%	3	43%	0	0%	0	0	0%	4	57%	4	57%	7	\$3,081.67
34	70150830	08/30/1996	El Toro, CA	3	56	236	0	0%	4	50%	0	0%	0	0	0%	4	50%	4	50%	8	\$18,913.33
35	70160902	08/30/1996	New Orleans, LA	2	8	128	0	0%	2	100%	0	0%	0	0	0%	0	0%	0	0%	2	\$9,173.33
36	70170902	09/02/1996	Washington, DC	2	9	129	0	0%	7	56%	0	0%	1	0	0%	4	33%	4	33%	12	\$3,655.00
37	70180902	09/02/1996	St Louis, MO	0	51	51	1	6%	7	56%	0	0%	1	0	0%	4	33%	4	33%	12	\$6,593.33
38	70190902	09/02/1996	Bowling Green, KY	1	32	62	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$2,795.00
39	70200903	09/03/1996	Lexington, KY	0	39	39	0	0%	7	58%	0	0%	1	0	0%	4	36%	4	36%	11	\$8,515.00
40	70210903	09/03/1996	Knoxville, TN	1	3	63	1	8%	7	58%	0	0%	1	0	0%	4	33%	4	33%	12	\$4,515.00
41	70220904	09/03/1996	Memphis, TN	1	37	67	1	8%	7	58%	0	0%	1	0	0%	4	36%	4	36%	11	\$6,951.67
42	70230904	09/04/1996	Jacksonville, FL	0	44	44	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$3,153.33
43	70240905	09/05/1996	Orlando, FL	0	35	35	0	0%	6	60%	0	0%	1	0	0%	4	40%	4	40%	10	\$2,508.33
44	70250906	09/05/1996	Miami, FL	0	36	36	0	0%	6	60%	0	0%	1	0	0%	4	40%	4	40%	10	\$2,580.33
45	70260906	09/06/1996	W Palm Beach, FL	0	27	27	0	0%	7	64%	0	0%	1	0	0%	4	36%	4	36%	11	\$1,935.00
46	70270909	09/09/1996	Washington, DC	2	20	140	0	0%	6	60%	0	0%	1	0	0%	4	40%	4	40%	10	\$10,033.33
47	70280909	09/09/1996	Cleveland, OH	1	9	69	0	0%	6	60%	0	0%	1	0	0%	4	40%	4	40%	10	\$4,945.00
48	70290909	09/09/1996	Cleveland, OH	0	32	32	0	0%	8	67%	0	0%	1	0	0%	4	40%	4	40%	12	\$2,293.33
49	70300909	09/09/1996	Zanesville, OH	0	50	50	0	0%	8	67%	0	0%	1	0	0%	4	40%	4	40%	12	\$3,583.33



April 24, 1995

Chairman
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

Dear Mr. Chairman:

As a candidate seeking to become eligible to receive Presidential primary funds, I certify and agree to the following provisions:

- I. I am seeking the nomination of the Republican party for election to the Office of President in more than one State. I and/or my authorized committee(s) have received matchable contributions which in the aggregate exceed \$5,000 from residents of each of at least twenty States which with respect to any one person do not exceed \$250.00.
- II. I and/or my authorized committee(s) have not incurred and will not incur qualified campaign expenses in excess of the expenditure limitations prescribed by 26 U.S.C. §9035 and 11 C.F.R. Part 9035.
- III. I acknowledge that I have the burden of proving that disbursements made by me, and any of my authorized committee(s) or agents are qualified campaign expenses as defined at 11 C.F.R. 9032.9.
- IV. I and my authorized committee(s) will comply with the documentation requirements set forth in 11 C.F.R. §9033.11.
- V. Upon the request of the Commission, I will supply an explanation of the connection between any disbursement made by me or my authorized committee(s) and the campaign as prescribed by 11 C.F.R. §9033.1 (b) (3).
- VI. In accordance with 11 C.F.R. §9033.1 (b) (4), I and my authorized committee(s) agree to keep and furnish to the Commission all documentation for matching fund submissions, any books, records (including bank records for all accounts) and supporting documentation and other information that the Commission may request.

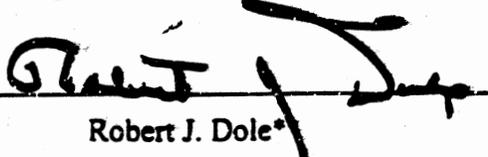
- VII. As provided at 11 C.F.R. §9033.1 (b) (5), I and my authorized committee(s) agree to keep and furnish to the Commission all documentation relating to disbursements and receipts including any books, records (including bank records for all accounts), and documentation required by this section including those required to be maintained under 11 C.F.R. 9033.11, and other information that the Commission may request. The records provided for the post-primary audit shall also include production of magnetic media containing all information required to be maintained on my authorized committee(s)' receipts and disbursements, if my authorized committee(s) maintains its records on computer. Upon request by the Commission, documentation explaining the computer software capabilities shall also be provided and such personnel as are necessary to explain the operation of the computer system's software and the computerized information prepared or maintained by the committee (s) shall also be made available. The production of all computerized information shall be in conformance with 11 C.F.R. §9033.12.
- VIII. I and my authorized committee(s) will obtain and furnish to the Commission upon request all documentation relating to funds received and disbursements made on my behalf by other political committees and organizations associated with me.
- IX. In accordance with 26 U.S.C. §9038 and 11 C.F.R. §9033.1 (b) (7), I and my authorized committee(s) shall permit an audit and examination pursuant to 11 C.F.R. Part 9038 of all receipts and disbursements, including those made by me, all authorized committee(s) and any agent or person authorized to make expenditures on my behalf or on behalf of my authorized committee(s). I and my authorized committee(s) shall facilitate the audit by making available in one central location, office space, records and such personnel as are necessary to conduct the audit and examination, and shall pay any amounts required to be repaid under 11 C.F.R. Parts 9038 and 9039.
- X. Pursuant to 11 C.F.R. §9033.1. (b) (8), the person listed below is entitled to receive matching fund payments on my behalf which will be deposited into the listed depository which I have designated as the campaign depository. Any change in the information required by this paragraph shall not be effective until submitted to the Commission in a letter signed by me or the Treasurer of my authorized principal campaign committee:

E. Allen Haywood
P.O. Box 77658
Washington, DC 20013
Signet Bank

1130 Connecticut Ave. N.W.
Washington, DC 20036

XI. Pursuant to 11 C.F.R. §9033.1 (b) (9), (10), and (11), I and my authorized committee(s) will: (A) prepare matching fund submissions in accordance with the Federal Election Commission's Guideline for Presentation in Good Order, including the provision of any magnetic media pertaining to the matching fund submissions and which conforms to the requirements specified at 11 C.F.R. §9033.12; (B) comply with the applicable requirements of 2 U.S.C. §431 et seq.; and the Commission's regulations at 11 C.F.R. Parts 100-116, and 9031-9039; (C) pay civil penalties included in a conciliation agreement imposed under 2 U.S.C. §437g against myself, any of my authorized committee(s) or any agent thereof.

Signed: _____


Robert J. Dole*

- * 11C.F.R. §9033.2(a) (1) requires the Candidate and Committee Agreements and Certifications to be signed by the Candidate.

1130 Connecticut Ave. N.W.
Washington, DC 20036

XI. Pursuant to 11 C.F.R. §9033.1 (b) (9), (10), and (11), I and my authorized committee(s) will: (A) prepare matching fund submissions in accordance with the Federal Election Commission's Guideline for Presentation in Good Order, including the provision of any magnetic media pertaining to the matching fund submissions and which conforms to the requirements specified at 11 C.F.R. §9033.12; (B) comply with the applicable requirements of 2 U.S.C. §431 et seq. and 26 U.S.C. §9031 et seq.; and the Commission's regulations at 11 C.F.R. Parts 100-116, and 9031-9039; (C) pay civil penalties included in a conciliation agreement imposed under 2 U.S.C. §437g against myself, any of my authorized committee(s) or any agent thereof.

Signed: _____


Robert J. Dale

CHECK NUMBER

00039286

5/84

parts to 1

5/8/96 = NQCE = Senate Disc. Biz 2/42

4,815.00

5.00

0.00

3,000.37 FOR PRESIDENT EXPENDITURES ACCOUNT P.O. BOX 7788 WASHINGTON, DC 20013

UNIVERSITY BANK NA WASHINGTON, DC 20004

39286

00039286

15-01-96

PAY

TO THE ORDER OF

**** FOUR THOUSAND EIGHT HUNDRED FIFTEEN & 00/100 DOLLARS AMOUNT

09/27/96 *****94,815.00

Coopers & Lybrand PO Box 905695 Charlotte, NC 282290

⑆00039286⑆ ⑆054000607⑆ ⑆267⑆0676368⑆

Budget line item(s) consulting

Check Authorization

Division Director

09

Comptroller

Campaign Manager

An authorized Expenditure Commitment form should be submitted before any expenditure in excess of \$100 is incurred. This will allow the Committee to track approved expenditures even before invoices are received and to monitor all spending limits accurately.

Please submit 2 samples of printed materials.

For Accounting Purposes Only

Invoice #	Inv. Date	Due Date	Inv. Total	GL Code	Amount	Commit #	Full	FEC Desc.
1547000062-4	5/31/96	9/27/96	4815.00	430504	4815.00		Y	Consulting

Manual/Pre-paid

Entered Voucher

Carol Scott
Dole for President
810 1st Street, N.E. - Suite 300
Washington, D.C. 20002

Dole for President

For services rendered in connection with the attached description.

Total Invoice

\$4,815.00

Contact: Edwin C. Schenfeld (202) 822-4170
Engagement No. 931284-4943-00

Carol Scott
Dole for President
810 1st Street, N.E. - Suite 300
Washington, D.C. 20002

May 31, 1996
Invoice Number 1597-000062-4
Invoice Amount \$4,815.00

Amount Paid _____

remit to:

Coopers & Lybrand L.L.P.
P.O. Box 90695
Charlotte, NC 28290-5695

STAFF SECRETARIAT ROUTING SHEET

x 7463

FROM: LEGAL DATE: 9-26-96

TOPIC: COOPERS & LYBRAND INVOICE

ACTION

FYI

XX

ALLEN HAYWOOD

Comments:

Return To:

Comments Due By:

Dole for President

For services through May 15, 1996 related to the preparation and review of the following items:

- United States Senate Public Financial Disclosure Report for Robert J. Dole for the year ended 12/31/95
 - Part II - Earned and Non-Investment Income
 - Part IIIA - Publicly Traded Assets and Unearned Income Sources
 - Part IIIB - Non-Publicly Traded Assets and Unearned Income Sources
 - Part IV - Transactions
 - Part VII - Liabilities

- Executive Branch Personnel Public Financial Disclosure Report for Robert J. Dole for the period ended April 15, 1996
 - Schedule A - Assets and Income
 - Schedule B, Part I - Transactions
 - Schedule C, Part I - Liabilities

5 part

3 part

Total Invoices

54,815,000

total parts

Senate portion = 2/3

To: Doug Worth
From: Ed Schenfeld
Re: Luckbae Address for Federal Express

Please mark transmittal for Saturday delivery
or Monday morning delivery.

To please print

Address Name First Chicago National Processing
CEL - Atlantic 905695

Company Highland Park CONSUMER CENTER

Address 806 Tyvola Road Swire 10B
City Charlotte State NC Zip 28217

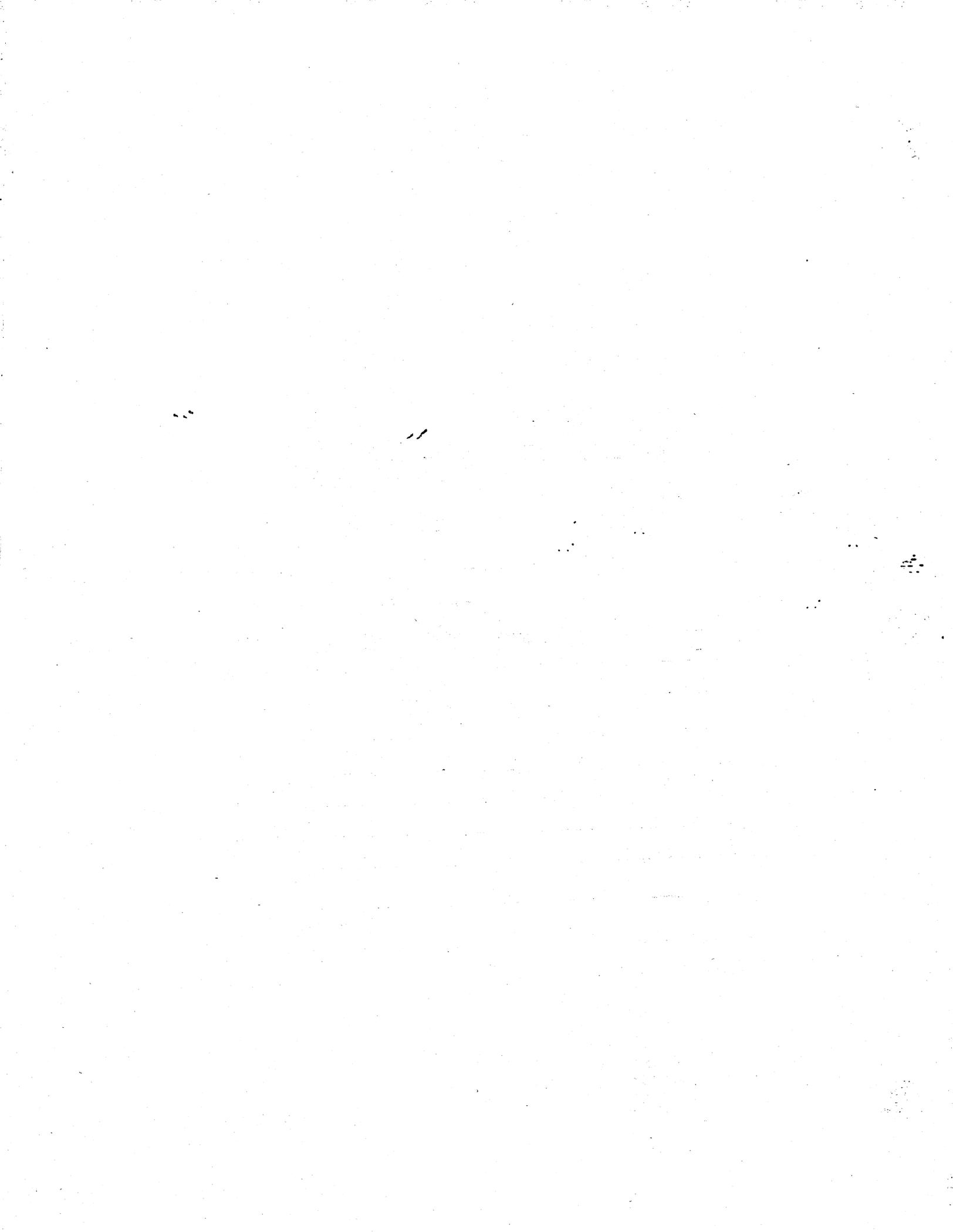
Insure
 Signature
 Return to sender
 Return to addressee

For Saturday delivery check here
 For Monday morning delivery check here

Special handling instructions: For use of this label, the recipient must be advised of the special handling instructions. For use of this label, the recipient must be advised of the special handling instructions. For use of this label, the recipient must be advised of the special handling instructions.

Address of
C + L
The World On Time

Thanks for your help
Ed





FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

2000 OCT 30 A 11:00

October 30, 2000

MEMORANDUM

TO: The Commission

THROUGH: James A. Pehrkon
Staff Director

FROM: Lawrence M. Noble
General Counsel

Kim Leslie Bright
Associate General Counsel

Lorenzo Holloway
Assistant General Counsel

Jamila I. Wyatt
Attorney

SUBJECT: Statement of Reasons for Dole for President, Inc. (LRA #467)

On October 19, 2000, the Commission rejected this Office's recommendation to determine that Robert J. Dole and Dole for President, Inc. must repay \$283,481 for a surplus of funds. The Commission directed this Office to revise the draft Statement of Reasons in accordance with this decision and circulate the redraft for Commission approval.

Accordingly, attached for Commission approval is a revised draft Statement of Reasons. The attached Statement of Reasons supports the remaining \$6,255 repayment determination for the use of public funds to defray non-qualified campaign expenses.

RECOMMENDATIONS

The Office of General Counsel recommends that the Commission:

1. Determine that Robert J. Dole and Dole for President, Inc. must repay \$6,255 within 30 days to the United States Treasury pursuant to 26 U.S.C. § 9038(b)(2) and 11 C.F.R. § 9038.2(b)(2);

2. Approve the attached Statement of Reasons; and
3. Approve the appropriate letters.

Attachment

Proposed Statement of Reasons (attachments omitted)

1

2 **BEFORE THE FEDERAL ELECTION COMMISSION**

3 In the Matter of)
4)
5 Robert J. Dole and)
6 Dole for President, Inc.) LRA #467

7

8 **STATEMENT OF REASONS**

9

10

11

On _____, 2000, the Federal Election Commission

12

(the "Commission") determined that Robert J. Dole (the "Candidate") and Dole for

13

President, Inc. (the "Primary Committee") must repay \$6,255 to the United States

14

Treasury. The Commission's repayment determination is based on the use of \$20,231 in

15

public funds to defray non-qualified campaign expenses. *See* 26 U.S.C. § 9032(9). The

16

Committee is ordered to repay this amount to the United States Treasury within thirty

17

(30) calendar days after service of this determination. *See* 26 U.S.C. § 9038(b)(2);

18

11 C.F.R. § 9038.2(d)(2). This Statement of Reasons sets forth the factual and legal basis

19

for this Post Administrative Review Repayment Determination. 11 C.F.R.

20

§ 9038.2(c)(3).

21

I. INTRODUCTION

22

The Primary Committee registered with the Commission on January 12, 1995 as

23

the principal campaign committee for Senator Robert J. Dole, a candidate for the 1996

24

Republican Party's nomination for the office of President of the United States.

25

Attachment 1, at 3. Senator Dole was determined eligible to receive matching funds on

26

May 31, 1995. *Id.* The Primary Committee received \$13,545,771 from the United States

27

Treasury for the purpose of seeking the Republican Party nomination. *Id.* The

1 Commission conducted an audit of the Primary Committee pursuant to 26 U.S.C.
2 § 9038(a).

3 On June 3, 1999, the Commission approved the Audit Report and determined that
4 the Primary Committee must repay a total of \$289,736 to the United States Treasury. *See*
5 Attachment 1.¹ The Commission's repayment determination was based on its findings
6 that the Primary Committee had a surplus of funds in the amount of \$916,828² and used
7 \$20,231 in public funds to defray non-qualified campaign expenses. 11 C.F.R.
8 § 9038.2(b)(4) and (2).

9 On August 30, 1999, the Primary Committee submitted a written response to the
10 Commission seeking an administrative review of the repayment determination and
11 requesting an oral hearing as permitted under 11 C.F.R. § 9038.2(c)(2)(i).³ Attachment 2.
12 The Commission granted the Primary Committee's request for an oral hearing and heard
13 an oral presentation by the Primary Committee on December 15, 1999. *See* Attachment
14 4. Following the oral hearing, the Primary Committee submitted additional
15 documentation on December 22, 1999.⁴ *See* Attachment 5.

¹ The repayment determination does not include a payment of \$225,536 that the Commission determined was due to the United States Treasury for stale-dated checks. 11 C.F.R. § 9038.6.

² In the context of the Administrative Review, the Commission rejected a staff analysis recommending a repayment of \$283,481 (\$916,828 x .309198) for a surplus of funds resulting from the Primary Committee's payment of the Dole/Kemp '96, Inc.'s winding down expenses.

³ On July 30, 1999, the Commission granted the Primary Committee a fifteen-day extension of time to respond to the Commission's repayment determination.

⁴ The additional documentation was submitted as a follow-up to the oral presentation made to the Commission by both Dole for President, Inc. and Dole/Kemp '96, Inc. At the oral hearing, Dole/Kemp '96, Inc. contested a Commission determination that Dole/Kemp '96, Inc. must repay \$3,168,097 to the United States Treasury. Inasmuch as the additional documentation submitted on December 22, 1999, relates only to issues addressed by Dole/Kemp '96, Inc., it is not discussed herein.

1 **II. REPAYMENT NOTIFICATION**

2 As a preliminary matter, the Commission addresses a procedural argument raised
 3 by the Primary Committee for the first time at its oral hearing. The Primary Committee
 4 argued that it was not timely notified of the Commission's repayment determination.
 5 Attachment 4 at 7-8. The Primary Committee challenged the timeliness of notification of
 6 the Commission's repayment determination as follows:

7 ... we preserved our procedural and due process defenses, and we
 8 are preserving or making the argument herein that the notices for
 9 repayment are not timely at this point because we don't believe
 10 that the notices that had been provided to us in the form of the
 11 exit conference memorandum is sufficient to fulfill the three-year
 12 requirement under the statute.

13 That was not ripe at the time of our response to the exit
 14 conference memorandum because we responded in August. The
 15 three-year period ran in November after that at that time, but we
 16 did preserve that right for both the committees

17 Attachment 4 at 7-8.⁵ The Primary Committee's written response stated that in addition
 18 to the arguments contained in the written response, the Primary Committee "preserves all
 19 constitutional, procedural and jurisdictional claims that may be available to it."
 20 Attachment 2 at 1.

21 The Commission concludes that the Primary Committee failed to raise the issue of
 22 repayment notification in a timely fashion. Section 9038.2(c)(2)(i) of the Commission's
 23 regulations provide that a candidate who disputes the Commission's repayment
 24
 25

⁵ As noted above, at the oral hearing, the Primary Committee stated that it did not believe that notice "in the form of the Exit Conference Memorandum" was sufficient, and that it responded to the Exit Conference Memorandum in August. The Commission presumes that the Primary Committee is referring to the Audit Report, not the Exit Conference Memorandum, with regard to its notification claim because it is the Audit Report, approved by the Commission on June 3, 1999, to which the Primary Committee responded in August 1999. It is also the Commission's issuance of the Audit Report, not the Exit Conference Memorandum, that constitutes notification for purposes of the 3-year notification requirement. See 11 C.F.R. § 9038.2(a)(2).

1 determinations shall submit in writing, within 60 calendar days after service of the
2 Commission's notice, legal and factual materials demonstrating that no repayment, or a
3 lesser repayment, is required. 11 C.F.R. § 9038.2(c)(2)(i). A candidate's failure to timely
4 raise an issue in written materials will be deemed a waiver of the candidate's right to raise
5 the issue at any future stage of proceedings including any petition for review filed under
6 26 U.S.C. § 9041(a). *Id.* However, the Primary Committee did not raise the issue of the
7 Commission's repayment notification in its written response to the Commission's
8 repayment determination. *See* Attachment 2.

9 Based on the Primary Committee's failure to raise its challenge with respect to the
10 repayment notification in its written materials, the Commission concludes that the
11 Primary Committee waived the right to present such challenge at the oral hearing or any
12 future stage of proceedings pursuant to 11 C.F.R. § 9038.2(c)(2)(i). 11 C.F.R.
13 § 9038.2(c)(2)(i). *See Americans for Robertson v. Federal Election Commission*, 45 F.3d
14 486, 491 (D.C. Cir. 1995); *see also Explanation and Justification for § 9007.2(c)(2)(i)*,
15 60 Fed. Reg. 31864 (June 16, 1995) (Candidate's failure to timely raise an issue in the
16 written materials presented pursuant to paragraph (c)(2)(i) will be deemed a waiver of the
17 candidate's right to raise the issue at any future stage of the proceedings).

18 Although the Primary Committee claims that it raised the repayment notification
19 issue in its written response, the Primary Committee's written response merely states that
20 the Committee "preserves all constitutional, procedural and jurisdictional claims that may
21 be available to it." Attachment 2 at 1. This catchall statement provides the Commission
22 with no notice of the nature of the Primary Committee's challenges to the repayment
23 determination as it brings within its ambit an endless array of possible arguments. Simply

1 including such a broad and vague prescription in the written response cannot be construed
2 as having raised or preserved any particular issue inasmuch as this does not give the
3 Commission timely notice of the nature of the challenges to its repayment determination
4 as required by 11 C.F.R. § 9038.2(c)(2)(i).

5 The Commission notes, however, that it is not requiring a perfect pleading in a
6 written response to a repayment determination. Nonetheless, the written response must
7 be sufficient to place the Commission on timely notice as to the nature of the Primary
8 Committee's challenges. *See Fulani for President v. Federal Election Commission*, 147
9 F.3d 924, 927 n.5 (D.C. Cir. 1998) (court denied Committee's petition for rehearing for
10 not setting forth clear and convincing grounds why new questions of fact and law were
11 not and could not have been presented during the earlier determination process, and the
12 court noted that the Committee may have been barred from raising the new theory at the
13 oral hearing pursuant to 11 C.F.R. § 9038.2(c)(2)(i) where the issue had been generally,
14 but not specifically, raised by the Committee in its written submissions).

15 The Primary Committee also proffers the argument that the repayment notification
16 issue was not "ripe" as justification for not raising the issue in its written response.
17 Attachment 4 at 7-8. The Primary Committee appears to argue that the notification issue
18 was not "ripe" until the 3-year notification period expired. However, the 3-year
19 notification period expired on August 14, 1999, three years following the end of the
20 primary matching payment period.⁶ *See* 11 C.F.R. § 9032.6. Subsequently, on August

⁶ The primary matching payment period ended on August 14, 1996, the date on which the Republican Party nominated Senator Dole as its candidate for the office of President of the United States. *See* 11 C.F.R. § 9032.6 (matching payment period may not exceed date on which party nominates its candidate). Thus, the Commission was required to notify the Primary Committee of any repayment determination on or before August 14, 1999. *See* 2 U.S.C. § 9038(c). On June 3, 1999, the Commission

1 30, 1999, the Primary Committee filed its written response to the Commission's
2 repayment determination. Thus, the repayment notification period expired before the
3 Primary Committee submitted its written response. Nevertheless, the Primary Committee
4 did not raise the issue in its written response.⁷ The Commission accordingly rejects the
5 Primary Committee's assertion that the timeliness issue was not ripe.

6 **III. NON-QUALIFIED CAMPAIGN EXPENSES**

7 In the context of the Audit Report, the Commission determined that the Primary
8 Committee made disbursements totaling \$20,231 for non-qualified campaign expenses
9 and must, therefore, repay \$6,255 ($\$20,231 \times .309198$) to the United States Treasury.
10 These non-qualified campaign expenses include a \$4,000 refund of an unpaid
11 contribution check, a \$3,009 payment for the preparation of a United States Senate
12 financial disclosure statement, \$6,465 in payments to local jurisdictions for tax penalties,
13 \$1,703 in duplicate payments to two vendors, and \$5,054 that was paid for the personal
14 travel of campaign staff. Attachment 1 at 50. The Primary Committee's response
15 challenges only the Commission's determination that the Primary Committee must repay
16 \$1,237 ($\$4,000 \times .309198$) for refunding an unpaid contribution and \$930 ($\$3,009 \times$
17 $.309198$) for paying for the preparation of a United States Senate financial disclosure
18 statement, leaving a \$4,088 ($\$13,222 \times .309198$) balance of unchallenged non-qualified
19 campaign expenditures.

approved the Audit Report and determined that the Primary Committee must repay a total of \$289,736 to the United States Treasury. See Attachment 1. The Audit Report, along with a letter from the Commission notifying the Primary Committee of its repayment determination, was mailed to the Primary Committee on June 10, 1999, and received by the Primary Committee by June 14, 1999, within the three-year notification period.

⁷ As noted previously, the Commission granted the Primary Committee a fifteen-day extension of time to respond to the Commission's repayment determination.

1 The Commission reviewed the Primary Committee's response and concludes that
2 the Primary Committee must repay \$6,255 for its use of funds to defray non-qualified
3 campaign expenses, including \$1,237 for the refunded contribution, \$930 for the
4 preparation of the financial statements, and \$4,088 for the balance of unchallenged non-
5 qualified campaign expenses.

6 **A. Refund of a Contribution**

7 In the context of the Audit Report, the Commission determined that the Primary
8 Committee's disbursement of \$4,000, purportedly paid by the Primary Committee to
9 refund an excessive contribution check that was never paid to the Primary Committee due
10 to insufficient funds in the contributor's account, was a non-qualified campaign expense
11 and, therefore, repayable to the United States Treasury.

12 In its written response to the repayment determination, the Primary Committee
13 argues that it is unfair to require a repayment in connection with a disbursement that it
14 made to purportedly refund the excessive portion of a contribution. The contribution was
15 in excess of the contribution limitation of the FECA. Attachment 2 at 2-3. The Primary
16 Committee explains that it received a \$5,000 contribution check from Skilled Healthcare
17 PAC, and that it "refunded" \$4,000 after realizing that the PAC had not qualified as a
18 multicandidate committee.⁸ Attachment 2 at 3. However, the Primary Committee
19 explains, the bank would not honor the original \$5,000 contribution check from Skilled
20 Healthcare PAC due to insufficient funds. Attachment 2 at 2-3. The Primary Committee

⁸ The FECA permits multicandidate committees to make contributions to a candidate and his or her authorized committee which, in the aggregate, do not exceed \$5,000. 2 U.S.C. § 441a(a)(2). However, political committees that do not qualify as multicandidate committees may only make contributions to a candidate and his or her authorized committee which, in the aggregate, do not exceed \$1,000. 2 U.S.C. § 441a(a)(1).

1 asserts that despite repeated efforts, it was unable to retrieve the \$4,000 from the PAC,
2 which it understands no longer exists. Attachment 2 at 3. The Primary Committee
3 asserts that under these circumstances, the Commission should not consider the \$4,000
4 disbursement a non-qualified campaign expense as it would be unfair to penalize the
5 Committee for a second time with a repayment when it has already suffered a \$4,000 loss.

6 *Id.*

7 The Commission concludes that the \$4,000 erroneously paid by the Primary
8 Committee to Skilled Healthcare PAC was a non-qualified campaign expense, and that a
9 pro rata portion of this disbursement is repayable to the United States Treasury. The
10 funds were not spent in connection with the candidate's campaign for nomination because
11 the original contribution check was never paid to the Primary Committee; thus, the
12 Primary Committee's \$4,000 disbursement was lost. While the Primary Committee may
13 have made a mistake in making the \$4,000 disbursement, committees must exercise a
14 duty of care when disbursing taxpayer funds. *See generally* 11 C.F.R. § 9034.4(b)(8)
15 (Commission considers factors indicating whether committee exercised duty of care in
16 determining whether lost or misplaced items are considered non-qualified campaign
17 expenses). The factual record indicates that the Primary Committee did not exercise the
18 duty of care in failing to ascertain the propriety of making the \$4,000 disbursement. The
19 Primary Committee first deposited the contribution check from Skilled Healthcare PAC
20 in April, 1995; redeposited the check in May, 1995; and did not disburse the \$4,000 until
21 September, 1995, *see* Attachment 3 at 5. In light of the Committee's failure to exercise a
22 duty of care by making the \$4,000 disbursement after unsuccessful attempts to collect on
23 the original contribution check, the Commission concludes that the \$4,000 disbursement

1 was a non-qualified campaign expense. Therefore, a pro rata portion of the \$4,000 must
2 be returned to the United States Treasury. Thus, the Primary Committee must repay
3 \$1,237 ($\$4,000 \times .309198$) to the United States Treasury.

4 **B. Payment for Services to Prepare Financial Statements**

5 In the context of the Audit Report, the Commission determined that a \$3,009
6 payment by the Primary Committee for the preparation of a United States Senate financial
7 disclosure statement was a non-qualified campaign expense and is therefore repayable in
8 pro rata portion to the United States Treasury. Attachment 1 at 50. The Primary
9 Committee challenges the Commission's determination, asserting that Senator Dole was
10 required to file a financial statement both as a presidential candidate and as a Senator, and
11 that there is overlap between these reporting requirements and the same information is
12 used to prepare the presidential and the Senate disclosure statements. Attachment 2 at 3.
13 Therefore, the Primary Committee argues that it was appropriate for the Primary
14 Committee to pay "its portion" of gathering and reporting the financial information; thus,
15 there should be no repayment in connection with the Primary Committee's payments for
16 services to prepare Senator Dole's financial statements. *Id.*

17 The total cost to prepare the financial statements was \$4,815. An invoice reflects
18 that three-eighths of the cost of the financial services ($3/8 \times \$4,815 = \$1,806$) related to
19 Senator Dole's campaign for the Republican presidential nomination, while the remaining
20 five-eighths of the cost ($5/8 \times \$4,815 = \$3,009$) related to Senator Dole's responsibilities
21 to the United States Senate. Attachment 7. However, the record reflects that the Primary
22 Committee paid the total cost of \$4,815 for the financial services. The \$3,009 portion of
23 the cost was not spent in connection with the Candidate's campaign for nomination

1 because it was related to Senator Dole's responsibilities to the United States Senate.

2 Although the Primary Committee claims that the same information was used for both the
3 presidential and Senate statements, the Primary Committee did not provide any
4 documentation to support an allocation different from that reflected on the invoice,⁹ see
5 11 C.F.R. § 9033.11(a). Therefore, the Commission concludes that the Primary
6 Committee's \$3,009 payment for the preparation of a United States Senate financial
7 disclosure statement is a non-qualified campaign expense, and that the Primary
8 Committee must repay \$930 ($\$3,009 \times .309198$) to the United States Treasury. See
9 *Robertson v. Federal Election Commission*, 45 F.3d 486, 492 (D.C. Cir. 1995)
10 ("recipients of matching funds bear the burden of accounting for allocation and
11 documentation of campaign expenses").

12 V. CONCLUSION

13 For the foregoing reasons, the Commission determines that Senator Robert J. Dole
14 and Dole for President, Inc. must repay \$6,255 to the United States Treasury pursuant to
15 26 U.S.C. § 9038(b)(2). The Commission determined that Robert J. Dole and Dole for
16 President, Inc. must, within 30 days, repay to the United States Treasury \$6,255 for the
17 use of public funds to defray non-qualified campaign expenses pursuant to 26 U.S.C.
18 § 9038(b)(2) and 11 C.F.R. § 9038.2(b)(2).

19
20
21

⁹ The Primary Committee has not stated whether its argument that the same information was used for Senator Dole's presidential campaign and his Senate disclosure statement supports a 50/50 allocation or some other allocation.

1 **Attachments**

- 2 1. Report of the Audit Division on Dole for President, Inc. dated
3 June 3, 1999.
4
- 5 2. Request of Dole for President, Inc. for an Administrative Review
6 of the Repayment Determination dated August 30, 1999.
7
- 8 3. Memorandum from the Audit Division to the Office of General Counsel (Analysis
9 of the Administrative Review Request) dated October 7, 1999.
10
- 11 4. Transcript of the Dole for President, Inc. Oral Hearing before the Federal Election
12 Commission on December 15, 1999.
13
- 14 5. Supplemental Submissions of Dole for President, Inc. dated December 22, 1999.
15
- 16 6. Candidate Certification Letter (and Amended Page Three)
17
- 18 7. Invoice for Financial Services

