FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 4369

DATE FILMED 10-27-87 CAMERA NO. 2

CAMERAMAN Jm H

27044381011

PERKINS COIE
A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS
607 FOURTEENTH STREET, N.W. WASHINGTON, D.C. 20005-2011
TELEPHONE 202 628-6600 FACSIMILE 202 654-1606

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
MAY 20 4 16 PM '96

May 20, 1996

MUR 4369

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

Re: Complaint Against Jim Inhofe, et al.

Dear Mr. Noble:

The undersigned files this complaint charging violations of the Federal Election Campaign Act of 1971, as amended ("FECA" or the "Act"), 2 U.S.C. §§ 431 et seq. and related regulations of the Federal Election Commission ("FEC" or the "Commission"), 11 C.F.R. §§ 100.1 et. seq., by Senator Jim Inhofe and Friends of Jim Inhofe Committee (referred to collectively as the "Respondents").

Commission regulations require political campaigns to report the full name and address of each person to whom a campaign expenditure in an aggregate amount or value in excess of $200 is made, together with the date, amount and purpose of each expenditure. 11 C.F.R. § 104.3(b)(4)(i). According to reports filed with the Commission, Senator Inhofe's campaign made the following disbursements:

Name	Purpose	Date	Amount
Senator Jim Inhofe	Travel Expenses and Meals	8-14-95	$10,664.89
First Card Visa	Travel	10-05-95	$580.14
U.S. Senate Gift Shop	Advertising	9-29-95	$1,546.50

[04005-0001/DA961340.003]

2 7 0 1 7 8 4 4 1 0 2

Each of these expenditures raise serious concerns regarding the use and reporting of campaign funds. For example, the campaign's payment to Senator Inhofe fails to adequately itemize the expenditure with particularity as required by FEC regulations. 11 C.F.R. § 104.3(b)(4)(i)(A). By lumping both travel expenses and meals together in one line item, the campaign has obscured the portion of the $10,644.89 spent on each. Furthermore, the campaign failed to list, as memo entries, the vendors that received $200 or more of the $10,644.89. Presumably, by reporting the expenditures in this fashion the campaign hopes to frustrate the public's ability to know the vendors that actually benefited from the campaign's expenditures.

Similarly, the campaign's payment to First Card Visa provides no information that allows one to identify the actual recipient of the campaign funds, as required by the law. The law requires campaigns to itemize credit card payments so that disbursements of over $200 in the aggregate list both the credit card company as well as a memo entry, the vendor to whom the payment was made. See Federal Election Commission's Campaign Guide for Congressional Candidates and Committees, 30 (Dec. 1995). As with the payment to Senator Inhofe, simply listing a credit card company instead of the actual recipient of the campaign disbursements obfuscates the actual destination of the funds involved. This frustrates the clear intent of the reporting requirements, which is to allow the public to know who or what is actually benefiting from the expenditures.

Finally, Respondents report a $1,546.50 expenditure to the U.S. Senate Gift Shop. The purpose of the disbursement is stated to be "advertising." Upon information and belief, the Senate Gift Shop does not perform any advertising services. Thus, the FEC must determine what lies behind this use of funds and the mysterious reference to "advertising."

It is impossible to determine at this stage whether Senator Inhofe's reports are simply the product of shoddy campaign work or are part of a broader effort to avoid the complete and proper reporting of funds. In either event, the FECA was enacted to provide citizens with a mechanism to determine how campaigns spend their money. The entries noted above demonstrate a frustration of that purpose and further

9 7 0 1 8 4 4 1 0 3

investigation by the FEC to probe the exact nature of these payments by the Respondents is appropriate.

Very truly yours,

Marc E. Elias
Counsel to Democratic Senatorial
Campaign Committee

~~STATE OF~~ District DF)

~~County of~~ Columbia)

SUBSCRIBED AND SWORN to before me this 20 day of May, 1996.

Nancy D. Friedlander
Notary Public

My Commission Expires:

My commission expires on September 14, 2000

[04005-0001/DA96033040.003]

5/20/96

2704 8441 04

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 28, 1996

Marc E. Elias, Esquire
Perkins Coie
607 Fourteenth Street, NW
Washington, DC 20005-2011

RE: MUR 4369

Dear Mr. Elias

This letter acknowledges receipt on May 20, 1996, of your complaint alleging possible violations of the Federal Election Campaign Act of 1971, as amended ("the Act"). The respondent(s) will be notified of this complaint within five days.

You will be notified as soon as the Federal Election Commission takes final action on your complaint. Should you receive any additional information in this matter, please forward it to the Office of the General Counsel. Such information must be sworn to in the same manner as the original complaint. We have numbered this matter MUR 4369. Please refer to this number in all future communications. For your information, we have attached a brief description of the Commission's procedures for handling complaints.

Sincerely,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosure
Procedures

2704384415

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 28, 1996

The Honorable James M. Inhofe
U.S. Senate
435 Russell Building
Washington, DC 20510

RE: MUR 4369

Dear Mr. Inhofe:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4369. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

9704384106

If you have any questions, please contact a member of the Central Enforcement Docket at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

97043844107

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 28, 1996

The Honorable James M. Inhofe
2139 E. 32nd Street
Tulsa, OK 74105

RE: MUR 4369

Dear Mr. Inhofe:

The Federal Election Commission received a complaint which indicates that you may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4369. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against you in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

9704384148

If you have any questions, please contact a member of the Central Enforcement Docket at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

97043844169

FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 28, 1996

Richard D. Craig, Treasurer
Friends of Jim Inhofe
3035 N.W. 63rd, #201N
P.O. Box 133
Oklahoma City, OK 73116

RE: MUR 4369

Dear Mr. Craig:

The Federal Election Commission received a complaint which indicates that Friends of Jim Inhofe and you, as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint is enclosed. We have numbered this matter MUR 4369. Please refer to this number in all future correspondence.

Under the Act, you have the opportunity to demonstrate in writing that no action should be taken against the Committee and you, as treasurer, in this matter. Please submit any factual or legal materials which you believe are relevant to the Commission's analysis of this matter. Where appropriate, statements should be submitted under oath. Your response, which should be addressed to the General Counsel's Office, must be submitted within 15 days of receipt of this letter. If no response is received within 15 days, the Commission may take further action based on the available information.

This matter will remain confidential in accordance with 2 U.S.C. § 437g(a)(4)(B) and § 437g(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed form stating the name, address and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

27043844110

If you have any questions, please contact a member of the Central Enforcement Docket at (202) 219-3400. For your information, we have enclosed a brief description of the Commission's procedures for handling complaints.

Sincerely,

Colleen T. Sealander, Attorney
Central Enforcement Docket

Enclosures
1. Complaint
2. Procedures
3. Designation of Counsel Statement

9704384411

RECEIVED
FEDERAL ELECTION
COMMISSION
MAIL ROOM
JUN 17 11 56 AM '96

FRIENDS OF JIM INHOFE COMMITTEE

3035 NW 63rd Suite 201N
Oklahoma City, OK 73116
(405)848-6060

June 10, 1996

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
JUN 17 1 05 PM '96

CERTIFIED MAIL

Ms. Colleen T. Sealander, Esq.
Central Enforcement Docket
Federal Election Commission
999 E Street NW
Washington, DC 20463

Re: MUR 4369

Dear Ms. Sealander:

The Friends of Jim Inhofe Committee ("Committee") (FEC I.D. #C00207993) received your letter dated May 28, 1996, regarding MUR 4369, on May 30, 1996.

The allegations of the complaint notwithstanding, it is the Committee's desire to be in full compliance with the requirements of 11 CFR 104.3(b)(4)(i)(A) cited in the MUR, and we enclose an amendment to our 1995 year-end FEC report which reflects the following:

1. A listing of the ultimate vendors, requiring itemization, for the disbursement to First Card Visa.

2. An amended Purpose of Disbursement for the payment to the US Senate Gift Shop. The Purpose of Disbursement now reflects that this was a payment for items to be used as campaign mementos.

3. With respect to the reimbursement to Senator Inhofe, this disbursement did also include reimbursement for delivery expenses, and the Purpose of Disbursement has been amended to include this information.

Contrary to the allegation in the complaint, however, FEC regulations do not require ultimate vendor disclosure for reimbursements to individuals, as opposed to credit card disbursements.

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Rather, with this amended disclosure, we believe that as this regulation requires, we have reported "the full name and address" of "[E]ach person to whom an expenditure in an aggregate amount or value in excess of $200.00 within the calendar year" was made, "together with the date, amount, and purpose of each expenditure." This section further states that "[A]s used in 11 CFR 104.3(b)(4), purpose means a brief statement or description as to the reasons for the expenditure." In fact, "travel expenses" is included in the list of "examples which meet the requirements of 11 CFR 104.3(b)(4)".

Accordingly, we do not believe that the regulation requires any listing of ultimate vendor information with respect to this or any other expense reimbursement to an individual, and we believe that with the amended disclosure of this expenditure, no information required by 11 CFR 104.3(b)(4) has been omitted.

The amended information involves only 3 of 227 disbursements requiring itemization. We believe that this response and the accompanying amendment demonstrate that there has been no desire on the part of the Committee to "obfuscate" or "frustrate", and that the Commission should take no action against the Committee.

Sincerely,

Richard D. Craig, Treasurer
Friends of Jim Inhofe Committee

Enclosures

9704384113

REPORT OF RECEIPTS AND DISBURSEMENTS

For An Authorized Committee
(Summary Page)

USE FEC MAILING LABEL OR TYPE OR PRINT

1. NAME OF COMMITTEE (in full)
Friends of Jim Inhofe Committee

ADDRESS (number and street) ☐ Check if different than previously reported
3035 NW 63rd Suite 201N

CITY, STATE and ZIP CODE — STATE DISTRICT
Oklahoma City, OK 73116 — Oklahoma

2. FEC IDENTIFICATION NUMBER
C00207993

3. IS THIS REPORT AN AMENDMENT?
☒ YES ☐ NO

4. TYPE OF REPORT

☐ April 15 Quarterly Report
☐ July 15 Quarterly Report
☐ October 15 Quarterly Report
☒ January 31 Year End Report
☐ July 31 Mid-Year Report (Non-election Year Only)

☐ Twelfth day report preceding _____ (Type of Election) election on _____ in the State of _____
☐ Thirtieth day report following the General Election on _____ in the State of _____
☐ Termination Report

This report contains activity for ☒ Primary Election ☒ General Election ☐ Special Election ☐ Runoff Election

SUMMARY

		COLUMN A This Period	COLUMN B Calendar Year-to-Date
5	Covering Period 7-01-95 through 12-31-95		
6	Net Contributions (other than loans)		
	(a) Total Contributions (other than loans) (from Line 11(e))		
	(b) Total Contribution Refunds (from Line 20(d))		
	(c) Net Contributions (other than loans) (subtract Line 6(b) from 6(a))		
7	Net Operating Expenditures		
	(a) Total Operating Expenditures (from Line 17)		
	(b) Total Offsets to Operating Expenditures (from Line 14)		
	(c) Net Operating Expenditures (subtract Line 7(b) from 7(a))		
8	Cash on Hand at Close of Reporting Period (from Line 27)		
9	Debts and Obligations Owed TO the Committee (Itemize all on Schedule C and/or Schedule D)		
10	Debts and Obligations Owed BY the Committee (Itemize all on Schedule C and/or Schedule D)		

For further information contact:
Federal Election Commission
999 E Street, NW
Washington, DC 20463
Toll Free 800-424-9530
Local 202-219-3420

I certify that I have examined this Report and to the best of my knowledge and belief it is true, correct and complete.

Type or Print Name of Treasurer

Signature of Treasurer: R. D. C[illegible]

Date: June 11, 1996

NOTE: Submission of false, erroneous, or incomplete information may subject the person signing this Report to the penalties of 2 U.S.C. §437g

FEC FORM 3
(revised 4/87)

4-00172

9704384414

Operating Expenditures For line number: 17

Any info. copied from Reports or Statements may not be sold or used by any person for purpose of soliciting contrib. or for commercial purpose, other than using name & addr. of a political comm. to solicit from comm.

Full Name of Committee: Friends of Jim Inhofe C00207993

A. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Senator Jim Inhofe 3035 Northwest 63rd #201 Oklahoma City, OK 73116	Travel Exp., Meals, Delivery Exp.	08/14/95	$10664.89

Disburs for: H

B. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Tulsa County Republican Committee			
4121 E. 31st	Advertising	09/06/95	$250.00
Tulsa, OK 74135	Advertising	09/07/95	$250.00

Disburs for: P

C. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Southwestern Bell Teleph.			
P.O. Box 24066	Phone	07/01/95	$282.11
Oklahoma City, OK 73124-0066	Phone	07/25/95	$323.35

Disburs for: P

D. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Southwestern Bell Teleph.			
P.O. Box 24066	Phone	08/17/95	$84.00
Oklahoma City, OK 73124-0066	Phone	08/23/95	$521.48

Disburs for: P

E. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Southwestern Bell Teleph.			
P.O. Box 24066	Phone	09/26/95	$475.85
Oklahoma City, OK 73124-0066	Phone	10/23/95	$363.73

Disburs for: P

F. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Southwestern Bell Teleph.			
P.O. Box 24066	Phones	11/11/95	$395.60
Oklahoma City, OK 73124-0066	Phones	12/11/95	$172.17

Disburs for: P

SUBTOTAL of Disbursements This Page $13783.18
TOTAL This Period $13783.18

97043844115

Any info. copied from Reports or Statements may not be sold or used by any person for purpose of soliciting contrib. or for commercial purpose, other than using name & addr. of a political comm. to solicit from comm.

Full Name of Committee: Friends of Jim Inhofe C00207993

A. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Mr. L. O. Ward P. O. Box 1187 Enid, OK 73702-1187	Food & Beverages	12/10/95	$750.00*
			* in-kind received

Disburs for: G

B. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Mr. & Mrs. Vernon A. Clark P. O. Box 59347 Potomac, MD 20859-9347	Food & Beverages	07/11/95	$2943.13

Disburs for: P

C. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
First Card Visa P. O. Box 5931 Carol Stream, IL 60197-5931	Travel Exp., Fuel, Delivery Exp.	10/05/95	$580.14

Disburs for: P

. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Federal Express P.O. Box 727 Federal Express, TN 38194-5741	FEDEX Account	08/16/95	$750.00
	Mail	09/13/95	$12.50

Disburs for: P

E. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Federal Express P.O. Box 727 Federal Express, TN 38194-5741	Mail	09/26/95	$38.00
	Mailing	10/05/95	$13.00

Disburs for: P

F. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Federal Express P.O. Box 727 Federal Express, TN 38194-5741	Mailing	10/17/95	$32.50
	Mailing	11/14/95	$45.50

Disburs for: P

SUBTOTAL of Disbursements This Page ..... $[illegible]4.77
TOTAL This Period $18947.95

Included in ~~the~~ MEMO disbursement to First Card VISA was a disbursement to American Airlines for $370.00

9704384116

Any info. copied from Reports or Statements may not be sold or used by any person for purpose of soliciting contrib. or for commercial purpose, ther than using name & addr. of a political comm. to solicit from comm.

Full Name of Committee: Friends of Jim Inhofe C00207993

A. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Tipton Graphic Arts 1013 North Mississippi Ada, OK 74820	Printing	09/06/95	$1594.95

Disburs for: P

B. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Our Place Restaurant Box 1342 Guymon, OK 73942	Food	09/13/95	$693.50

Disburs for: P

C. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Shawnee Color Lab & Studio P. O. Box 669 Shawnee, OK 74802	Photos	10/12/95	$309.60
	Photos	11/29/95	$359.05

Disburs for: P

D. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
AT&T Universal Card P. O. Box 9999 Columbus, GA 31997-0001	Advertising	09/15/95	$170.54
	Advertising	10/24/95	$159.82

Disburs for: P

E. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
U. S. Senate Gift Shop Room 180 Russell Senate Office Building Washington, DC 20510	Campaign Memento's	09/29/95	$1546.50

Disburs for: P

F. Full Name, Address, Zipcode	Purpose of Disbursement	Date	Disburse
Stephens County Republican Party Rt. 1, Box 206E Duncan, OK 73533	Contribution	10/10/95	$2000.00

Disburs for: P

SUBTOTAL of Disbursements This Page $5833.96
TOTAL This Period $278955.12

97043844117

COVINGTON & BURLING
1201 PENNSYLVANIA AVENUE, N.W.
P.O. BOX 7566
WASHINGTON, D.C. 20044-7566
(202) 662-6000

TELEFAX (202) 662-6291
TELEX 89-593 (COVLING WSH)
CABLE COVLING

LECONFIELD HOUSE
CURZON STREET
LONDON W1Y 8AS
ENGLAND
TELEPHONE 44 (71) 495 5655
TELEFAX 44 (71) 495 3101

BRUSSELS CORRESPONDENT OFFICE
44 AVENUE DES ARTS
BRUSSELS 1040 BELGIUM
TELEPHONE 32 (2) 512 9890
TELEFAX 32 (2) 502 5598

MICHAEL A. DAWSON
DIRECT DIAL NUMBER
(202) 662-5465

December 9, 1996

DEC 9 4 39 PM '96
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

BY MESSENGER

Stephan Kline, Esq.
Central Enforcement Docket
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 4369

Dear Mr. Morrison:

The purpose of this letter is to request an extension, through and including December 11, 1996, to submit a response on behalf of the Committee and Treasurer. The reason for this request is to allow the respondents to obtain execution of a supporting declaration for the response.

Thank you very much for your anticipated favorable consideration of this request.

Sincerely,

Michael A. Dawson

97043844118

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR: 4369
DATE COMPLAINT FILED: 5/20/96
DATE OF NOTIFICATION: 5/28/96
DATE ACTIVATED: 7/22/96

STAFF MEMBER: Frances B. Hagan

COMPLAINANT: Marc E. Elias, Counsel
Democratic Senatorial Campaign Committee

RESPONDENTS: James M. Inhofe
Friends of Jim Inhofe
Richard Craig, Treasurer

RELEVANT STATUTES: 2 U.S.C. § 434(b)
11 C.F.R. § 104.3
11 C.F.R. § 116.5(b)

INTERNAL REPORTS CHECKED: Disclosure Reports, Advisory Opinions

FEDERAL AGENCIES CHECKED: None

I. GENERATION OF MATTER

Complainant Marc E. Elias, representing the Democratic Senatorial Campaign Committee ("DSCC"), alleges that Senator Jim Inhofe, Friends of Jim Inhofe Committee ("Committee") and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.3(b)(4)(i) by failing to adequately itemize certain expenditures.

PAYEE	REPORTED PURPOSE	DATE	AMOUNT
Senator Jim Inhofe	Travel Expenses and Meals	8/14/95	$10,664.89
First Card Visa	Travel	10/05/95	$ 580.14

9704384419

U.S. Senate Gift Shop	Advertising	9/29/95	$ 1,546.50

Complainant alleges that respondents failed to list the "actual recipient of the campaign disbursements" reportedly paid to the candidate and to the VISA card, thereby "obfuscat[ing] the actual destination of the funds involved." Complainant also questions the purpose of the third disbursement, stating that the Senate Gift Shop "does not perform any advertising services."

Respondents replied by amending the 1995 Year End Report (covering 7/1/95 through 12/31/95) to include more complete disbursement purposes for the three expenses noted in the complaint. As to the credit card payment, respondents expanded the purposes to travel expense, fuel, and delivery expense, and added a specific memo entry disbursement to American Airlines for an amount that required itemization. The "advertising" payment to the Senate Gift Shop was explained as being for "campaign mementos." Regarding the more than $10,000 paid to Senator Inhofe, respondents added "delivery expense" to the disbursement purposes, but asserted that the Commission's Regulations "do not require ultimate vendor disclosure for reimbursements to individuals . . ."

II. FACTUAL AND LEGAL ANALYSIS

The Federal Election Campaign Act of 1971, as amended, ("the Act"), requires that political committees report the total amounts of contributions received and expenditures made in the same reporting period in which they occurred. 2 U.S.C. §434(b). Authorized candidate committees must also separately report all contributions received from the candidate. 2 U.S.C. § 434(b)(2)(B).

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Itemization

The Act requires that political committees identify through itemization the persons or entities making contributions or receiving expenditures aggregating in excess of $200 within the calendar year. 2 U.S.C. § 434(b)(6)(A). Itemization requires providing the name and address of each such person or entity together with the date and amount of any such contributions or disbursements. The purpose of such disbursements must also be provided. 11 C.F.R. §§ 104.3(a)(4)(i) and 104.3(b)(4)(i). The Commission's regulations explain that "purpose means a brief statement or description of why the disbursement was made." 11 C.F.R. § 104.3(b)(3)(i)(A). According to the regulations, "[d]inner expenses, media, salary, polling, travel, party fees, phone banks, travel expense reimbursement and catering costs" are all examples of statements or descriptions that satisfy the requirements of Section 104.3. 11 C.F.R. § 104.3(b)(3)(i)(B).

Further, a committee must itemize a payment to a credit card company if the payment exceeds the $200 aggregate threshold for itemization. The committee must also itemize as a memo entry any specific transaction charged on a credit card if the payment to the actual vendor exceeds the $200 threshold. See Campaign Guide for Congressional Candidates and Committees, December 1995.

As discussed below, itemization rules also apply in instances when a committee reimburses a candidate for expenses the candidate paid from his or her personal funds.

Reporting/itemizing in-kind contributions/advances

The Act and regulations treat in-kind contributions the same as all other contributions, requiring committees to report them during the reporting period in which they were made.

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2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(a) and 104.13(a).[1] In addition, the Act and regulations generally require simultaneous reporting of the in-kind contribution as an expenditure on the appropriate schedule (for typical in-kind contributions this results in an artificial expenditure required on reports to avoid inflating a committee's cash-on-hand totals). 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(b) and 104.13(a)(2). However, when an individual uses his or her personal funds (or personal credit) for campaign expense payments, and will later receive the committee's reimbursement, special reporting rules apply to these transactions. Advisory Opinion 1992 - 1 provides guidance. See also Advisory Opinion 1996-20, n.3 which reiterates this guidance.

In Advisory Opinion 1992-1, the candidate inquired whether, *inter alia*, the committee could reimburse him for campaign-related expenses that he paid with his personal funds. The Commission responded affirmatively, explaining that the committee should **report advances** of the candidate's personal funds for campaign related expenses. The advances should be shown as memo entries on Schedule A to avoid inflating total reported contributions. The Commission further explained that in contrast to the way other in-kind contributions are reported, corresponding disbursements should be reported when the committee actually reimburses the candidate. Each of these disbursement items should note the related memo entry previously reported on Schedule A.

The Commission also stated in AO 1992-1 that the advances must be itemized if the outstanding aggregate amount advanced by the candidate exceeds $200 for the calendar year and the reimbursement does not bring the candidate below the $200 itemization threshold before the end of the reporting period. In addition, if the reimbursement is not made in the same reporting

[1] See also FEC v. American Federation of State, County and Municipal Employees - P.E.O.P.L.E., Qualified, et al., C.A. No. 88-3208 (RCL) (D.D.C. 1990).

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period as the original advance, the committee must also itemize the advance as a debt on Schedule D. The debt reporting applies if the advance exceeds $500 or has been outstanding for more than 60 days. 11 C.F.R. §§ 104.11 and 116.5.

Candidates receiving reimbursement payments from the principal campaign committee for campaign travel expenses must also fulfill the Act's recordkeeping requirements by obtaining a receipt (or invoice), canceled check and/or credit card statement for travel and subsistence payments exceeding $200 per transaction. 2 U.S.C. § 432(c) and 11 C.F.R. § 102.9(b). As to the committee's reporting obligations with respect to itemizing reimbursements to the candidate, Advisory Opinion 1996-20 explains that if disbursements to the individual total $500 or less, "the Committee should report the [individual] as the payee." If, however, the reimbursements exceed $500 <u>and</u> aggregate payments to any one vendor exceed $200, the vendor should be itemized as a memo entry. 2 U.S.C. § 434(b), AO 1996-20, n.3.

Conclusion

As noted above, the Committee originally failed to itemize a vendor receiving a credit card payment greater than $200, and initially misstated or omitted certain purposes of disbursements. The Committee's response to the complaint concedes that the three disbursements were not completely itemized as originally reported, and did not satisfy the requirements of the Act and Commission regulations. The response also shows that respondents acted promptly after the complaint notification to amend the itemization of these disbursement items.

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Nevertheless, it is clear that the Committee never reported the in-kind advances by the candidate at all. Because of these omissions, the public record does not reveal when the candidate advanced funds for expenses on behalf of the Committee, how long the advances were outstanding before reimbursement (requiring a debt schedule), and whether any of the candidate's $10,665 in advance payments to vendors require itemization. Therefore, the Office of the General Counsel recommends that the Commission find reason to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b). In addition, this Office recommends that the Commission enter into conciliation with these respondents prior to a finding of probable cause to believe.

As to the candidate's role in this matter, Mr. Inhofe apparently made personal loans to his Committee in the form of direct expenditures from personal funds, which entailed a recordkeeping obligation. 2 U.S.C. §§ 432(c) and 432(e)(2). However, the Committee and its treasurer bear the disclosure responsibility at issue here. Accordingly, this Office recommends that the Commission find no reason to believe that James Inhofe violated 2 U.S.C. § 434, and close the file as to this respondent.

III. DISCUSSION OF CONCILIATION AND CIVIL PENALTY

Attached is a conciliation agreement this Office is prepared to offer in settlement of this matter.

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IV. RECOMMENDATIONS

1. Find reason to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b)

2. Enter into conciliation with the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, prior to a finding of probable cause to believe

3. Find no reason to believe that James Inhofe violated 2 U.S.C. § 434(b), and close the file as to this respondent

4. Approve the attached proposed conciliation agreement and Factual and Legal Analysis, and the appropriate letter

Lawrence M. Noble
General Counsel

11/26/96
Date

BY: LGL
Lois G. Lerner
Associate General Counsel

Attachments
A. Committee Response
B. Factual and Legal Analysis
C. Proposed Conciliation Agreement

97044384125

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

MEMORANDUM

TO: LAWRENCE M. NOBLE
GENERAL COUNSEL

FROM: MARJORIE W. EMMONS/ MARY W. DOVE
COMMISSION SECRETARY

DATE: DECEMBER 3, 1996

SUBJECT: MUR 4369 - FIRST GENERAL COUNSEL's REPORT dated November 26, 1996.

The above-captioned document was circulated to the Commission on: Wednesday, November 27, 1996, 11:00 a.m.

Objection(s) have been received from the Commissioner(s) as indicated by the name(s) checked below:

Commissioner Aikens _____

Commissioner Elliott XXX

Commissioner McDonald _____

Commissioner McGarry _____

Commissioner Potter _____

Commissioner Thomas _____

This matter will be placed on the meeting agenda for TUESDAY, DECEMBER 10, 1996

Please notify us who will represent your Division before the Commission on this matter. Thank You!

97043844126

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 4369
James M. Inhofe;	)	
Friends of Jim Inhofe;	)	
Richard Craig, Treasurer	)	

CERTIFICATION

I, Marjorie W. Emmons, recording secretary for the Federal Election Commission executive session on December 10, 1996, do hereby certify that the Commission decided by a vote of 4-0 to take the following actions in MUR 4369:

1. Find reason to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b).

2. Enter into conciliation with the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, prior to a finding of probable cause to believe.

3. Find no reason to believe that James Inhofe violated 2 U.S.C. § 434(b), and close the file as to this respondent.

4. Approve the proposed conciliation agreement and Factual and Legal Analysis, and the appropriate letter, as recommended in the General Counsel's November 26, 1996 report.

(continued)

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Commissioners Aikens, Elliott, McGarry, and Thomas voted affirmatively for the decision. Commissioner McDonald recused himself from this matter and was not present during its consideration.

Attest:

12-10-96
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 16, 1996

The Honorable James M. Inhofe
2139 E. 32nd Street
Tulsa, OK 74105

RE: MUR 4369
James M. Inhofe

Dear Mr. Inhofe:

On May 28, 1996, the Federal Election Commission notified you of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act").

On December 3, 1996, the Commission found, on the basis of the information in the complaint and information your committee provided, that there is no reason to believe you violated the Act in this matter. Accordingly, the Commission closed its file in this matter as it pertains to you.

This matter will become a part of the public record within 30 days after the file has been closed with respect to all other respondents involved. The Commission reminds you that the confidentiality provisions at 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) remain in effect until the entire matter is closed. The Commission will notify you when the entire file has been closed.

If you have any questions, please contact Frances B. Hagan, the staff person assigned to this matter, at (202) 219-3400.

Sincerely,

Lawrence M. Noble
General Counsel

BY: Lois G. Lerner
Associate General Counsel

9704384429

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

December 16, 1996

Richard D. Craig, Treasurer
Friends of Jim Inhofe
3035 NW 63rd, #201N
Oklahoma City, OK 73116

RE: MUR 4369
Friends of Jim Inhofe Committee
Richard D. Craig, as treasurer

Dear Mr. Craig:

On May 28, 1996, the Federal Election Commission notified the Friends of Jim Inhofe Committee ("Committee") and you, as treasurer, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to you at that time.

Upon further review of the allegations contained in the complaint and information you supplied, the Commission, on December 10, 1996, found that there is reason to believe the Committee and you, as treasurer, violated 2 U.S.C. § 434(b), a provision of the Act. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is attached for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of your receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

To expeditiously resolve this matter, the Commission has also decided to offer to enter into negotiations directed towards reaching a conciliation agreement to settle this matter prior to a finding of probable cause to believe. Enclosed is a conciliation agreement that the Commission has approved.

If you are interested in expediting the resolution of this matter by pursuing preprobable cause conciliation, and if you agree with the provisions of the enclosed agreement, please sign and return the agreement along with the civil penalty to the Commission. In that conciliation

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negotiations prior to a finding of probable cause to believe are limited to a maximum of 30 days, you should respond to this notification as soon as possible.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days before the response due date, and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 219-3400.

Sincerely,

Lee Ann Elliott

Lee Ann Elliott
Chairman

Enclosures
Factual and Legal Analysis
Conciliation Agreement

cc: Candidate

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Friends of Jim Inhofe Committee
Richard Craig, Treasurer
Senator James M. Inhofe

MUR: 4369

This matter was generated by a complaint filed with the Federal Election Commission by Marc E. Elias, counsel for the Democratic Senatorial Campaign Committee. See 2 U.S.C. § 437g(a)(1).

The Federal Election Campaign Act of 1971, as amended, ("the Act"), requires that political committees report the total amounts of contributions received and expenditures made in the same reporting period in which they occurred. 2 U.S.C. §434(b). Authorized candidate committees must also separately report all contributions received from the candidate. 2 U.S.C. § 434(b)(2)(B).

Itemization

The Act requires that political committees identify through itemization the persons or entities making contributions or receiving expenditures aggregating in excess of $200 within the calendar year. 2 U.S.C. § 434(b)(6)(A). Itemization requires providing the name and address of each such person or entity together with the date and amount of any such contributions or disbursements. The purpose of such disbursements must also be provided. 11 C.F.R. §§ 104.3(a)(4)(i) and 104.3(b)(4)(i). The Commission's regulations explain that "purpose means a brief statement or description of why the disbursement was made." 11 C.F.R. § 104.3(b)(3)(i)(A). According to the regulations, "[d]inner expenses, media, salary, polling, travel, party fees, phone banks, travel expense reimbursement and catering costs" are all

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examples of statements or descriptions that satisfy the requirements of Section 104.3. 11 C.F.R. § 104.3(b)(3)(i)(B).

Further, a committee must itemize a payment to a credit card company if the payment exceeds the $200 aggregate threshold for itemization. The committee must also itemize as a memo entry any specific transaction charged on a credit card if the payment to the actual vendor exceeds the $200 threshold. See Campaign Guide for Congressional Candidates and Committees, December 1995.

As discussed below, itemization rules also apply in instances when a committee reimburses a candidate for expenses the candidate paid from his or her personal funds.

Reporting/itemizing in-kind contributions/advances

The Act and regulations treat in-kind contributions the same as all other contributions, requiring committees to report them during the reporting period in which they were made. 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(a) and 104.13(a). In addition, the Act and regulations generally require simultaneous reporting of the in-kind contribution as an expenditure on the appropriate schedule (for typical in-kind contributions this results in an artificial expenditure required on reports to avoid inflating a committee's cash-on-hand totals). 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(b) and 104.13(a)(2). However, when an individual uses his or her personal funds (or personal credit) for campaign expense payments, and will later receive the committee's reimbursement, special reporting rules apply to these transactions. Advisory Opinion 1992 - 1 provides guidance. See also Advisory Opinion 1996-20, n.3 which reiterates this guidance.

In Advisory Opinion 1992-1, the candidate inquired whether, *inter alia*, the committee could reimburse him for campaign-related expenses that he paid with his personal funds. The

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Commission responded affirmatively, explaining that the committee should report advances of the candidate's personal funds for campaign related expenses. The advances should be shown as memo entries on Schedule A to avoid inflating total reported contributions. The Commission further explained that in contrast to the way other in-kind contributions are reported, corresponding disbursements should be reported when the committee actually reimburses the candidate. Each of these disbursement items should note the related memo entry previously reported on Schedule A.

The Commission also stated in AO 1992-1 that the advances must be itemized if the outstanding aggregate amount advanced by the candidate exceeds $200 for the calendar year and the reimbursement does not bring the candidate below the $200 itemization threshold before the end of the reporting period. In addition, if the reimbursement is not made in the same reporting period as the original advance, the committee must also itemize the advance as a debt on Schedule D. The debt reporting applies if the advance exceeds $500 or has been outstanding for more than 60 days. 11 C.F.R. §§ 104.11 and 116.5.

Candidates receiving reimbursement payments from the principal campaign committee for campaign travel expenses must also fulfill the Act's recordkeeping requirements by obtaining a receipt (or invoice), canceled check and/or credit card statement for travel and subsistence payments exceeding $200 per transaction. 2 U.S.C. § 432(c) and 11 C.F.R. 102.9(b). As to the committee's reporting obligations with respect to itemizing reimbursements paid to the candidate, Advisory Opinion 1996-20 explains that if disbursements to the individual total $500 or less, "the Committee should report the [individual] as the payee." If, however, the

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reimbursements exceed $500 and aggregate payments to any one vendor exceed $200, the vendor should be itemized as a memo entry. 2 U.S.C. § 434(b), AO 1996-20, n.3.

Complainant alleges that Senator Jim Inhofe, Friends of Jim Inhofe Committee ("Committee") and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b) and 11 C.F.R. § 104.3(b)(4)(i) by failing to adequately itemize certain expenditures:

PAYEE	REPORTED PURPOSE	DATE	AMOUNT
Senator Jim Inhofe	Travel Expenses and Meals	8/14/95	$10,664.89
First Card Visa	Travel	10/05/95	$ 580.14
U.S. Senate Gift Shop	Advertising	9/29/95	$ 1,546.50

Complainant alleges that respondents failed to list the actual recipient of the campaign disbursements" reportedly paid to the candidate and to the VISA card, thereby "obfuscat[ing] the actual destination of the funds involved." Complainant also questions the purpose of the third disbursement, stating that the Senate Gift Shop "does not perform any advertising services."

Respondents replied by amending the 1995 Year End Report (covering 7/1/95 through 12/31/95) to include more complete disbursement purposes for the three expenses noted in the complaint. As to the credit card payment, respondents expanded the purposes to travel expense, fuel, and delivery expense; and added a specific memo entry disbursement to American Airlines for an amount that required itemization. The "advertising" payment to the Senate Gift Shop was explained as being for "campaign mementos." Regarding the more than $10,000 paid to Senator Inhofe, respondents added "delivery expense" to the disbursement purposes, but asserted that the

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Commission's Regulations "do not require ultimate vendor disclosure for reimbursements to individuals . . . ."

As noted above, the Committee originally failed to itemize a vendor receiving a credit card payment greater than $200, and initially misstated or omitted certain purposes of disbursements. The Committee's response to the complaint concedes that the three disbursements were not completely itemized as originally reported, and did not satisfy the requirements of the Act and Commission regulations. Furthermore, the Committee never reported the in-kind advances by the candidate at all. Because of these omissions, the public record does not reveal when the candidate advanced funds for expenses on behalf of the Committee, how long the advances were outstanding before reimbursement (requiring a debt schedule), and whether any of the candidate's $10,665 in advance payments to vendors require itemization. Therefore, there is reason to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b).

As to the candidate's role in this matter, Mr. Inhofe apparently made personal loans to his Committee in the form of direct expenditures from personal funds, which entailed a recordkeeping obligation. 2 U.S.C. §§ 432(c) and 432(e)(2). However, the Committee and its treasurer bear the disclosure responsibility at issue here. Accordingly, there is no reason to believe that James Inhofe violated 2 U.S.C. § 434(b) in this matter.

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FRIENDS OF JIM INHOFE
3620 Barwick Drive
Norman, Oklahoma 73072-3240

January 6, 1997

JAN 10 3 13 PM '97
RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

Via Facsimile - 202/219-3923 and
Certified Mail - Return Receipt Requested

Lawrence Noble, Esq.
General Counsel, Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Re: Mur 4369

Dear Mr. Noble:

The FEC letter dated December 16, 1996, sent to the Friends of Jim Inhofe Committee ("Committee") (FEC I.D. #C00207993) regarding MUR 4369 ("Letter"), was received on December 23, 1996. The Letter was sent to the Committee's prior address and thus had to be forwarded to the new address. The Committee filed an amendment to its Statement of Organization on or around December 5, 1996, which included the Committee's new address.

The Committee's initial response is due on January 7, 1997, which is 15 days from receipt of the Letter. Due to the intervening holidays, the delay in receipt of the Letter, and my desire to appropriately respond to this matter, the Committee respectfully requests an additional 20 days to respond to the Letter, thus making the response due date January 27, 1997. The Committee appreciates your consideration.

Sincerely,

Richard D. Craig, Treasurer

RDC:vms

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FRIENDS OF JIM INHOFE
3620 Barwick Drive
Norman, Oklahoma 73072-3240

January 28, 1997

FEB 3 5 41 PM '97
FEDERAL ELECTION COMM. OFFICE OF COUNSEL

Via Facsimile - 202/219-3923
and Certified Mail Return Receipt Requested

Mr. John Warren McGarry, Chairman
Federal Election Committee
999 E Street N.W.
Washington, D.C. 20463

RE: Mur 4369

Dear Chairman McGarry:

This letter and the accompanying amendments will serve as the response to the Friends of Jim Inhofe Committee ("Committee") to the Commission's letter and proposed conciliation agreement dated December 16, 1996, which was received December 24, 1996.

In the interest of full public disclosure, and as requested by the Commission, we are amending our mid-year 1995 and year-end 1995 FEC reports to reflect a debt owed to Senator Inhofe on Schedule D, and a memo-entry for an in-kind contribution. However, the Committee feels that neither a finding of probable cause to believe nor a conciliation agreement is warranted in this matter.

The Committee has particular difficulty understanding the Commission's position with respect to the suggestion that the reimbursement to Senator Inhofe in August of 1995 requires the memo-entry listing of ultimate vendors. The Commission has offered no regulatory cite for such a reporting requirement, but rather a footnote to an Advisory Opinion issued ten months after the expenses were paid, five months after they were originally reported, and two days after the previous amendment the Committee filed in response to the Commission's first notification of MUR 4369 in a letter dated May 28, 1996.

Further, the footnote to Advisory Opinion 1996-20 cites 102.9(b)(2)(i), a **recordkeeping and documentation** regulation, not a reporting regulation. The Committee has therefore actually complied fully with both the recordkeeping and reporting requirements cited by the Commission with respect to the reporting of the payment as a disbursement.

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While in the interest of full public disclosure we previously did file an amendment listing a memo-entry ultimate vendor for the credit card payment in question, we believe that our original disclosures of the reimbursement payment to Senator Inhofe and the payment to First Card VISA met the requirements of the reporting regulations for disbursements.

Finally, the Committee wishes to emphasize to the Commission that our previous response to this MUR, filed on June 12, 1996, placed all this information on the public record almost five months before the election. No changes to amounts raised or spent are at issue here.

Therefore, the Committee respectfully requests that in consideration of the additional amendments to be filed and referenced in this letter, the Commission find no probable cause to believe, take no further action, and close the file with respect to MUR 4369.

Sincerely,

Richard D. Craig, Treasurer
Friends of Jim Inhofe Committee

RDC:vms

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

April 16, 1997

SENSITIVE

Richard D. Craig, Treasurer
Friends of Jim Inhofe Committee
3620 Barwick Drive
Norman, Oklahoma 73072

RE: MUR 4369
Friends of Jim Inhofe Committee
Richard D. Craig, as treasurer

Dear Mr. Craig:

Based on a complaint filed with the Federal Election Commission on May 20, 1996, and information you supplied, the Commission, on December 10, 1996, found that there was reason to believe the Friends of Jim Inhofe ("Committee") and you, as treasurer, violated 2 U.S.C. § 434(b), and instituted an investigation of this matter.

After considering all the evidence available to the Commission, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that a violation has occurred.

The Commission may or may not approve the General Counsel's recommendation. Submitted for your review is a brief stating the position of the General Counsel on the legal and factual issues of the case. Within 15 days of your receipt of this notice, you may file with the Secretary of the Commission a brief (ten copies if possible) stating your position on the issues and replying to the brief of the General Counsel. (Three copies of such brief should also be forwarded to the Office of the General Counsel, if possible.) The General Counsel's brief and any brief which you may submit will be considered by the Commission before proceeding to a vote of whether there is probable cause to believe a violation has occurred.

If you are unable to file a responsive brief within 15 days, you may submit a written request for an extension of time. All requests for extensions of time must be submitted in writing five days prior to the due date, and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

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A finding of probable cause to believe requires that the Office of the General Counsel attempt for a period of not less than 30, but not more than 90 days, to settle this matter through a conciliation agreement.

Should you have any questions, please contact Frances B. Hagan, the staff member assigned to this matter, at (202) 219-3400.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
Brief

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 4369
Friends of Jim Inhofe	)	
Richard Craig, as treasurer	)	
	)	

GENERAL COUNSEL'S BRIEF

I. STATEMENT OF THE CASE

On December 10, 1996, the Commission found reason to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer ("the Committee," or "Respondents"), violated 2 U.S.C. § 434(b). The Commission based its findings on respondents' initial failure to adequately itemize certain expenditures, their initial misstatement or omission of certain purposes of disbursements, and their failure to report candidate advances and/or to itemize the concomitant disbursements in excess of $200. 2 U.S.C. § 434(b). The expenditures below, shown as originally reported, were the subject of the complaint filed by Marc E. Elias, representing the Democratic Senatorial Campaign Committee:

PAYEE	REPORTED PURPOSE	DATE	AMOUNT
Senator Jim Inhofe	Travel Expenses and Meals	8/14/95	$10,664.89
First Card Visa	Travel	10/05/95	$ 580.14
U.S. Senate Gift Shop	Advertising	9/29/95	$ 1,546.50

In response to the complaint, Respondents amended reports to include more complete disbursement purposes for the three expenditures, and itemized a specific transaction charged on the credit card because the payment to the actual vendor exceeded $200. 2 U.S.C. § 434(b); See

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also Campaign Guide for Congressional Candidates and Committees, December 1995. Responding to the reason to believe findings, respondents offered to amend reports to reflect a debt owed to Senator Inhofe for the funds advanced on behalf of the campaign, along with a corresponding memo entry for the in-kind contribution. However, we have not received the promised amendments, and respondents still have not itemized the candidate advances, or the related disbursements in excess of $200.

Respondents maintain that their original reporting of the credit card payment and the lump sum reimbursement to Mr. Inhofe "met the requirements of the reporting regulations for disbursements." They base this assertion on the absence in the Commission's regulations of a specific reference to "ultimate vendor reporting."

The Commission's findings rely on Section 434(b) of the Federal Election Campaign Act of 1971, as amended, ("the Act"), which clearly requires reporting of receipts and expenditures, as well as itemization of contributions and expenditures aggregating in excess of $200 within a calendar year. 2 U.S.C. § 434(b)(6)(A). The Commission has expounded on the itemization requirement of the Act and regulations in several forums, notably through the Advisory Opinion process, through information disseminated in Campaign Guides, and by determinations in compliance actions. The Commission's guidance repeatedly requires full disclosure of disbursements to the actual recipient, as set forth below.

II. ANALYSIS

The Act requires that political committees report the total amounts of contributions received and expenditures made in the same reporting period in which they occurred. 2 U.S.C.

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§434(b). Authorized candidate committees must also separately report all contributions received from the candidate. 2 U.S.C. § 434(b)(2)(B).

Itemization

The Act requires that political committees identify through itemization the persons or entities making contributions or receiving expenditures aggregating in excess of $200 within the calendar year. 2 U.S.C. § 434(b)(6)(A). Itemization requires providing the name and address of each such person or entity together with the date and amount of any such contributions or disbursements. The purpose of such disbursements must also be provided. 11 C.F.R. §§ 104.3(a)(4)(i) and 104.3(b)(4)(i). The Commission's regulations explain that "purpose means a brief statement or description of why the disbursement was made." 11 C.F.R. § 104.3(b)(3)(i)(A). According to the regulations, "[d]inner expenses, media, salary, polling, travel, party fees, phone banks, travel expense reimbursement and catering costs" are all examples of statements or descriptions that satisfy the requirements of Section 104.3. 11 C.F.R. § 104.3(b)(3)(i)(B).

Further, a committee must itemize a payment to a credit card company if the payment exceeds the $200 aggregate threshold for itemization. The committee must also itemize as a memo entry any specific transaction charged on a credit card if the payment to the actual vendor exceeds the $200 threshold. The Campaign Guide for Congressional Candidates and Committees, December 1995, explains how to itemize credit card payments on disclosure reports. 2 U.S.C. § 434(b).

As discussed below, itemization rules also apply in instances when a committee reimburses a candidate for expenses the candidate paid from his or her personal funds.

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Reporting/Itemizing in-kind contributions/advances

The Act and regulations treat in-kind contributions the same as all other contributions, requiring committees to report them during the reporting period in which they were made. 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(a) and 104.13(a). In addition, the Act and regulations generally require simultaneous reporting of the in-kind contribution as an expenditure on the appropriate schedule (for typical in-kind contributions this results in an artificial expenditure required on reports to avoid inflating a committee's cash-on-hand totals). 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3(b) and 104.13(a)(2). However, when an individual uses his or her personal funds (or personal credit) for campaign expense payments, and will later receive the committee's reimbursement, special reporting rules apply to these transactions. Advisory Opinion 1992 - 1 provides guidance. See also Advisory Opinion 1996-20, n.3, which reiterates this guidance.

In Advisory Opinion 1992-1, the candidate inquired whether, *inter alia*, the committee could reimburse him for campaign-related expenses that he paid with his personal funds. The Commission responded affirmatively, explaining that the committee should report advances of the candidate's personal funds for campaign related expenses. The advances should be shown as memo entries on Schedule A to avoid inflating total reported contributions. The Commission further explained that in contrast to the way other in-kind contributions are reported, corresponding disbursements should be reported when the committee actually reimburses the candidate. Each of these disbursement items should note the related memo entry previously reported on Schedule A.

The Commission also stated in AO 1992-1 that the advances must be itemized if the outstanding aggregate amount advanced by the candidate exceeds $200 for the calendar year and

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the reimbursement does not bring the candidate below the $200 itemization threshold before the end of the reporting period. In addition, if the reimbursement is not made in the same reporting period as the original advance, the committee must also itemize the advance as a debt on Schedule D. The debt reporting applies if the advance exceeds $500 or has been outstanding for more than 60 days. 11 C.F.R. §§ 104.11 and 116.5.

Candidates receiving reimbursement payments from the principal campaign committee for campaign travel expenses must also fulfill the Act's recordkeeping requirements by obtaining a receipt (or invoice), canceled check and/or credit card statement for travel and subsistence payments exceeding $200 per transaction. 2 U.S.C. § 432(c) and 11 C.F.R. § 102.9(b). As to the committee's reporting obligations with respect to itemizing reimbursements paid to the candidate, Advisory Opinion 1996-20 explains that if disbursements to the individual total $500 or less, "the Committee should report the [individual] as the payee." If, however, the reimbursements exceed $500 and aggregate payments to any one vendor exceed $200, the vendor should be itemized as a memo entry. Advisory Opinion 1996-20, 2 Fed. Elec. Camp. Fin. Guide (CCH) ¶ 6203, at p. 12,204; 2 U.S.C. § 434(b).[1]

The Commission's guidance on this itemization issue, based on the Act and regulations, clearly requires a committee to itemize the entity that actually receives the expenditures. The presence of a middleman -- be it a credit card or an individual -- does not negate this specific reporting obligation. Without such common-sense reporting, a committee could virtually run its

[1] In AO 1983-25, the Commission reached a different conclusion. There, the Commission determined that, when a presidential candidate's principal campaign committee made direct payments to its media consultants, the presidential committee was not required to itemize payments the consultants made to other vendors working for the committee, provided the disbursement records were maintained. Advisory Opinion 1983-25, 1 Fed. Elec. Camp. Fin. Guide (CCH) ¶ 5742, at p. 11,023. This Opinion is distinguishable from AO 1996-20 in that the presidential committee--a matching funds recipient--was subject to a mandatory audit which would reveal the actual recipients of committee funds. 26 U.S.C. 9007 and 9038. See 11 C.F.R. §§ 9003.5, 9033.1(b)(7) and 9033.11.

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campaign from the candidate's checking account or credit card, reporting only disbursement totals while effectively disclosing nothing.

As noted above, the Committee originally failed to itemize a vendor receiving a credit card payment greater than $200, and initially misstated or omitted certain purposes of disbursements. The Committee has yet to report candidate advances as a debt outstanding on Schedule D, or the corresponding memo entry for an in-kind contribution. Furthermore, the Committee never reported the in-kind advances by the candidate at all. Because of these omissions, the public record does not reveal when the candidate advanced funds for expenses on behalf of the Committee, how long the advances were outstanding before reimbursement (requiring a debt schedule), and whether any of the candidate's $10,665 in advance payments to vendors require itemization. Therefore, the Office of the General Counsel is prepared to recommend that the Commission find probable cause to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b) in this matter.

III. GENERAL COUNSEL'S RECOMMENDATION

1. Find probable cause to believe that the Friends of Jim Inhofe Committee and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b).

9/16/97
Date

Lawrence M. Noble
General Counsel

97044841447

FRIENDS OF JIM INHOFE
3620 Barwick Drive
Norman, Oklahoma 73072-3240

May 5, 1997

MAY 6 12 56 PM '97
FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

Via Facsimile - 202/219-3923
and Overnight Mail

Mr. Frances B. Hagan
Office of General Counsel
Federal Election Commission
999 E St. N.W.
Washington, D.C. 20463

Re: MUR 4369: Friends of Jim Inhofe Committee ("Committee")

Dear Mr. Hagan:

The Committee respectfully requests an extension of time of twenty (20) days to respond to the Commission's responsive brief received by the Committee on April 22, 1997. This would result in an initial due date of May 7, 1997, with an extended due date of May 27, 1997.

The Committee has been working diligently to prepare a response within the original 15 day time frame, but has been unable to do so. Therefore, as mentioned, the Committee requests an extension of 20 days so that the Committee's response may be as complete and accurate as possible.

Please call if you have any questions or require any additional information.

Sincerely,

Richard D. Craig, Treasurer

RDC:vms

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

May 8, 1997

Richard D. Craig, Treasurer
Friends of Jim Inhofe
3620 Barwick Drive
Norman, Oklahoma 73072-3240

RE: MUR 4369
Friends of Jim Inhofe

Dear Mr. Craig:

This is in response to your letter dated May 5, 1997, which we received the same day, requesting an extension of 20 days to respond to the General Counsel's Brief. After considering the circumstances presented in your letter and discussing it with you by telephone, the Office of the General Counsel has granted an extension of 14 days. Accordingly, your response is due by the close of business on May 21, 1997.

If you have any questions, please contact me at (202) 219-3400.

Sincerely,

Frances B. Hagan

Frances B. Hagan
Paralegal Specialist

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MAY 22 10 27 AM '97

FRIENDS OF JIM INHOFE
3620 Barwick Drive
Norman, Oklahoma 73072-3240

FEDERAL ELECTION COMMISSION SECRETARIAT
MAY 21 10 23 AM '97

May 20, 1997

Via Federal Express

Ms. Marjorie Emmons
Commission Secretary
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20004

Re: MUR 4369: Friends of Jim Inhofe Committee
Richard Craig, as Treasurer

Dear Ms. Emmons:

This letter is filed on behalf of the Friends of Jim Inhofe and Richard Craig, as Treasurer ("Respondent" or "Committee") in response to the General Counsel's Brief of April 16, 1997. The General Counsel's Brief recommends that the Commission find probable cause to believe that the Respondent violated 2 U.S.C. § 434(b) of the Federal Election Campaign Act of 1971, as amended ("Act"). The Committee urges the Commission to reject this recommendation, and find in lieu thereof, no probable cause to believe any violation occurred.

I. FACTS

This matter involves three minor alleged reporting violations all of which, had they been brought to the Committee's attention through a Request for Additional Information, would have been dealt with in the normal course of business and been resolved outside of the enforcement process. Instead, purely as a political act by the Democratic Senatorial Campaign Committee on behalf of its losing candidate, this complaint was filed. The complaint involved the detail of three reported entries totaling $12,791.53 in expenditures out of more than $2,500,000.00 in expenditures over the course of the 1995-1996 election cycle: a payment to Senator Inhofe in the amount of $10,664.89, a credit card payment in the amount of $580.14; and a payment to the U.S. Senate Gift Shop in the amount of $1,546.50. In total, these three items account for less than ½ of 1% of the Committee's expenditures.

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As the General Counsel's Brief acknowledges, the Committee immediately responded to the complaint by making necessary amendments to the reports.[1] The General Counsel's office now appears to have no problem with the amendments to the credit card entry or the U.S. Senate Gift Shop entry.[2] Rather, the remaining dispute revolves around the proper reporting of the payment to Senator Inhofe. Specifically, it is the position of the General Counsel's Office that the payment to Senator Inhofe must be further itemized by ultimate vendor if any one vendor received more than $200. As shown below, there is no basis for this recommendation.

II. DISCUSSION

According to the General Counsel's Brief, the General Counsel's findings rely generally on § 434(b) of the Act, and more specifically on § 434(b)(6)(A). However, the General Counsel's Brief cites to no regulations in support of its position that ultimate vendors must be reported, and there are none. Instead, the General Counsel's Brief asserts that the Commission has expounded on the itemization requirement "in several forums, notably through the Advisory Opinion process, through information disseminated in Campaign Guides, and by determinations in compliance actions." General Counsel's Brief at 2. Furthermore, as seen below, the brief makes the unsupported statement that "[t]he Commission's guidance repeatedly requires full disclosure of disbursements to the actual recipient." Id.

A The Committee's Reporting of Each Disbursement Complies with Section 434 (b).

While § 434(b) of the Act addresses broadly the "*[c]ontents of reports*," it supports the Committee's position and not the General Counsel's Report. Specifically, § 434(b)(4) states that all disbursements in four categories must be reported. This section translates into Part II of the Detailed Summary Page to be filed by Committees. One of those categories is "expenditures made to meet candidate or committee operating expenditures." There is no dispute that the Committee has met this requirement. Reading further, § 434(b)(5) requires committees to report

> the name and address of each –
>
> (A) person to whom an expenditure in an aggregate amount or value in excess of $200 within the calendar year is made

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[1] The General Counsel's Report also states that the Committee "offered to amend reports to reflect a debt owed to Senator Inhofe for funds advanced on behalf of the campaign, along with a corresponding memo entry for the in-kind contribution," but that the Commission had not received the amendments. In fact, the amendments were filed on April 22, 1997.

[2] The General Counsel's Brief does address the alleged reporting violations associated with these two entries. However, it would be unwarranted and unprecedented for the General Counsel's Office to pursue this matter based on those minor issues. Thus, this Response will address only the reimbursement to Senator Inhofe.

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> by the reporting committee to meet a candidate or committee operating expense, together with the date, amount, and purpose of such operating expenditure.

This provision translates into line 17 of the Committee's Detailed Summary Page for "Operating Expenditures." Again, the Committee has reported the disbursements at issue in compliance with this requirement.

Finally, § 434(b)(6)(A), upon which the General Counsel's Brief relies (at 2 & 3), states only that "for an authorized committee, the name and address of each person who has received any disbursement not disclosed under paragraph (5) in an aggregate amount or value in excess of $200 within the calendar year, together with the date and amount of any such disbursement." This provision translates into line 21 of the Committee's Detailed Summary Page for "Other Disbursements." It does not relate to any of the disbursements at issue in this matter. Instead, each of the three disbursements which are the subject of this complaint were properly reported as operating expenditures on line 17. On its face, therefore, § 434 (b) (6) (A) is not applicable to this matter. Thus, the General Counsel's reliance on § 434 (b) (6) (A) as giving it authority to mandate increased reporting is misplaced and undermines its position in full. Rather, as seen above, the Committee fully met the requirements of § 434 (b).

B. The Commission Cannot Regulate Through The Advisory Opinion Process.

There are several additional flaws in the General Counsel's position. First, as to the threshold argument that the Commission has expounded on the itemization requirement through Advisory Opinions, campaign guides, and enforcement actions, this is contrary to the Act. Specifically, the Commission is prohibited from regulating other than through the regulation process, § 437f (b), and the General Counsel's Brief cites to no regulation which would require the breakdown of payments to candidates by vendor if the $200 threshold is exceeded. Section 437f (b) states:

> *Procedures applicable to initial proposal of rules or regulations, and advisory opinions.* Any rule of law which is not stated in this Act . . . may be initially proposed by the Commission only as a rule or regulation pursuant to procedures established in section 438 (d) of this title.

Thus, Advisory Opinions do not carry the weight of regulations, nor, clearly do the FEC campaign guides, nor do the FEC enforcement actions. The most any of these sources can do is interpret existing regulations. But, there is no existing regulation that requires the itemization of candidate reimbursements.

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C. The Only Preexisting Advisory Opinion Does Not Require Itemization.

Second, even if an advisory opinion could regulate, the General Counsel's Brief (at 4-5) cites to only one Advisory Opinion that preexisted the filing of this complaint, Advisory Opinion 1992-1, Fed. Election Camp. Fin. Guide (CCH) § 6044 (1992). However, that opinion does not require itemization as called for in the General Counsel's Brief. Instead, Advisory Opinion 1992-1 establishes only that a campaign may reimburse a candidate for actual expenses incurred and that the campaign should report as yet unreimbursed expenses as "advances" which should be shown as memo entries only. Furthermore, that opinion states that there should be no corresponding disbursements reported until the candidate is reimbursed. The opinion does not state that when a reimbursement is made to a candidate memo entries must also be included if the payment to an actual vendor exceeds $200.[3]

Furthermore, Advisory Opinion 1996-20, Fed. Election Camp. Fin. Guide (CCH) § 6203 (1996), which addresses payments to a Chief of Staff, was issued after the complaint in this matter was filed and cannot be retroactively applied to this matter without extreme prejudice to the Committee. The General Counsel's Brief does not recognize this fact. Moreover, the fact that the Brief is relying on a single sentence in a footnote regarding itemization and does not cite to a regulation on point underscores that this is not a widely held principal of law. Nothing in the opinion suggests that this was the previous interpretation of the Commission or that any regulation requires such reporting.[4]

To the contrary, the very same Campaign Guide relied upon in the General Counsel's Brief for explaining how the Commission wishes credit card contributions to be reported does not call for itemization of candidate contributions in the manner argued

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[3] While this procedure has been adopted by the Commission with respect to credit card contributions, again the General Counsel's Brief cites to no regulation requiring such a result. Rather, the Brief cites only to the Campaign Guide for Congressional Candidates and Committees. However, the Campaign Guide does not have the force of law and thus even the Commission's position with respect to credit card contributions is unenforceable as a matter of law. The fact that committees have acceded to the Commission's informal guidance on how to report such contributions does not rise to the level of a statutory or regulatory requirement.

[4] In fact, the General Counsel's Brief acknowledges (at 5, n.1) that the Commission reached a different conclusion in 1983-25 finding that payments to media consultants did not have to be itemized by the ultimate vendor. The General Counsel's Brief claims that that opinion was distinguishable because presidential committees are subject to mandatory audits which reveal the actual recipient of committee funds. Id. However, this distinction is irrelevant because presidential committees are subject to the same reporting provisions of 2 U.S.C. § 434 (b) as are any other committee and, in fact, must certify that they will comply with those provisions. See, e.g., 11 C.F.R. § 9033.1. Thus, if presidential committees are not required to itemize ultimate vendor, then there is no reason that congressional candidates should be required to itemize in this fashion.

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for in the General Counsel's Brief. Instead the Campaign Guide is silent as to this point, presumably because there was no preexisting requirement that candidate reimbursements be itemized in this fashion.

D. Itemization By Vendor Of Candidate Disbursements Is Unprecedented.

Finally, the Committee is not aware of a single other Committee which reports reimbursements to candidates in the manner now being asserted as the law by the General Counsel's Brief.[5] This can only be because there is no such legal requirement, but rather an uncodified desire on the part of the Commission that candidate expenditures be reported in this fashion.[6] This Committee should not be the "example" by which all others must follow. Rather, the Commission should follow the normal and required rulemaking procedures in order to achieve this sort of new reporting.

III. CONCLUSION

This is not the type of matter which warrants the use of the Commission's valuable, but limited resources. The alleged infractions are extremely minor and the Committee has been completely cooperative in addressing any potential reporting violations to the extent required by the law. Accordingly, the Commission should find no probable cause to believe any violation occurred.

Sincerely,

Richard D. Craig, Treasurer

RDC:vms

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[5] The General Counsel's Brief cites to no enforcement action in which a finding of itemization of candidate expenditures was required.

[6] This Brief is not addressing the Commission's ability to require such reporting through its regulations. Rather, the Brief is addressing only the fact that such reporting is not now required.

RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

BEFORE THE FEDERAL ELECTION COMMISSION

SEP 15 3 55 PM '97

In the Matter of	)	
	)	
Friends of Jim Inhofe and	)	
Richard Craig, as treasurer	)	MUR 4369
	)	

SENSITIVE

GENERAL COUNSEL'S REPORT

I. BACKGROUND

On December 10, 1996, the Commission found reason to believe that the Friends of Jim Inhofe and Richard Craig, as treasurer ("the Committee," or "Respondents"), violated 2 U.S.C. § 434(b). The Commission based its findings on Respondents initial failure to adequately itemize certain expenditures, their initial misstatement or omission of certain purposes of disbursements, and their failure to report candidate advances and/or to itemize the related disbursements in excess of $200. The Commission offered to enter into pre-probable cause conciliation at that time, but the Committee responded that a conciliation agreement was not warranted in this matter. The Office of the General Counsel sent a Probable Cause Brief to Respondents on April 16, 1997, and received Respondents' reply brief on May 21, 1997.[1]

II. ANALYSIS

This Office's analysis of the Committee's reporting of the disbursements at issue in this matter is contained in the General Counsel's Brief dated April 17, 1997. The General Counsel's Brief concludes that Respondents failed to itemize vendors receiving a credit card payment greater than $200, failed to report candidate advances and the related debt outstanding to the

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[1] MUR 4369 was reassigned to current staff on August 14, 1997.

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candidate on Schedule D, failed to report a corresponding memo entry for an in-kind contribution, and omitted certain purposes of disbursements. Respondents in their reply brief, however, do not present any arguments to refute the conclusions reached by this Office, but simply assert that the disbursements were reported properly. Thus, the instant report addresses the single new argument made by Respondents' reply brief in connection with this Office's use of Advisory Opinion ("AO") 1996-20 in the General Counsel's Brief.

Footnote 3 of AO 1996-20 explains that if "the total amount [of a candidate reimbursement] exceeds $500 and payments to any one vendor used for the expenses aggregates in excess of $200, the payments to that vendor should be reported as a memo entry in order to achieve full disclosure but not inflate disbursement figures." Respondents object to this footnote on grounds that there is no existing regulation that requires the itemization of candidate reimbursements. Thus, they argue that the Commission improperly seeks to regulate through the advisory opinion process. Moreover, Respondents contend that even assuming AO 1996-20 established that committees must itemize some candidate reimbursements, that advisory opinion cannot be applied to this matter without extreme prejudice to the Committee because it was issued after the complaint in this matter was filed.

Respondents are mistaken in the belief that the Commission seeks to regulate through the advisory opinion process. The Commission does not create additional reporting requirements by its pronouncement in footnote 3 of AO 1996-20, but merely affirms and applies a requirement that flows from the Federal Election Campaign Act of 1971, as amended ("the Act"), and the Commission's regulations. *See* 2 U.S.C. § 434(b), 11 C.F.R. §§ 102.9(b)(2), 104.3(b), and 104.13(a)(2). Advisory Opinion 1992-1, which was issued prior to the filing of the complaint in

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this matter, explains the Commission's view with respect to the reporting of advances to committees: advances are expenditures/disbursements by the committee and are subject to 2 U.S.C. § 434(b)(4)(a) and (5)(A). However, AO 1992-1 also introduces a "timing" exception with respect to the reporting of corresponding disbursements to certain in-kind contributions; that is, in contrast to 11 C.F.R. § 104.13(a)(2) transactions, the "corresponding disbursements should not be reported until the committee subsequently reimburses . . . ." Advisory Opinion 1996-20, as opposed to creating additional reporting requirements, simply reaffirms the obligation to itemize disbursements which correspond to in-kind contributions, and which are reported under the "timing" exception introduced in AO 1992-1. Thus, Respondents cannot argue persuasively that the Commission seeks to retroactively apply a suspect reporting requirement to the Committee when, in fact, what has been applied is a longstanding reporting obligation established by the Act and the Commission's regulations.

On the basis of the foregoing, this Office recommends that the Commission find probable cause to believe that the Friends of Jim Inhofe and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b). However, this Office also recommends that the Commission take no further action.

Moreover, the disbursements at issue in this matter were filed timely by Respondents -- albeit incorrectly -- and Respondents attempted to amend their disclosure

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reports to correct improperly reported disbursements. While Respondents' amended reports continue to fall short of disclosing the vendors that received the $10,664.89 advanced by Senator Inhofe between October 1994 and July 1995, the advances represent a small portion of the over $236,000 disbursed by the Committee during the first half of 1995, and an even smaller portion of the over half a million dollars raised. This Office will instruct Respondents to correct their reports and admonish them to take steps to ensure that they properly report disbursements in the future.

III. RECOMMENDATIONS

1. Find probable cause to believe that the Friends of Jim Inhofe and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b) and take no further action.

2. Approve the appropriate letters.

3. Close the file.

9/19/97
Date

Lawrence M. Noble by AAS
Lawrence M. Noble
General Counsel

Attachment:
Respondents' brief

Staff assigned: Eugene H. Bull

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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	
Friends of Jim Inhofe and	)	MUR 4369
Richard Craig, as treasurer.	)	

CERTIFICATION

I, Marjorie W. Emmons, Secretary of the Federal Election Commission, do hereby certify that on September 25, 1997, the Commission decided by a vote of 4-0 to take the following actions in MUR 4369:

1. Find probable cause to believe that the Friends of Jim Inhofe and Richard Craig, as treasurer, violated 2 U.S.C. § 434(b) and take no further action.

2. Approve the appropriate letters, as recommended in the General Counsel's Report dated September 19, 1997.

3. Close the file.

Commissioners Aikens, Elliott, McGarry, and Thomas voted affirmatively for the decision; Commissioner McDonald recused himself in this matter and did not vote.

Attest:

9-25-97
Date

Marjorie W. Emmons
Marjorie W. Emmons
Secretary of the Commission

Received in the Secretariat: Fri., Sept. 19, 1997 3:55 p.m.
Circulated to the Commission: Mon., Sept. 22, 1997 11:00 a.m.
Deadline for vote: Thurs., Sept. 25, 1997 4:00 p.m.

lrd

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 9, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Marc E. Elias, Esq.
Perkins Coie
607 Fourteenth Street, N.W.
Washington, D.C. 20005

RE: MUR 4369

Dear Mr. Elias:

This is in reference to the complaint you filed with the Federal Election Commission on May 20, 1996, against Friends of Jim Inhofe ("Committee") and Richard D. Craig, as treasurer. Based on the complaint, the Commission found, there was reason to believe that respondents violated 2 U.S.C. § 434(b), a provision of the Federal Election Campaign Act of 1971, as amended, and instituted an investigation in the matter.

After an investigation was conducted and the General Counsel's and the respondents' briefs were considered, on September 25, 1997, the Commission found there was probable cause to believe respondents violated 2 U.S.C. § 434(b). In consideration of the circumstances of the matter, however, the Commission determined on September 25, 1997, to take no further action against the Committee and Richard Craig, as treasurer, and closed the file in this matter. At the same time, the Commission admonished respondents that it is a violation of the Act to file disclosure reports containing information that is inaccurate or incomplete. This matter will become part of the public record within 30 days.

The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

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If you have any questions, please contact Eugene Bull, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

Lawrence M. Noble
General Counsel

Enclosure
General Counsel's Report

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

October 9, 1997

Richard D. Craig, Treasurer
Friends of Jim Inhofe Committee
3620 Barwick Drive
Norman, OK 73072

RE: MUR 4369
Friends of Jim Inhofe and
Richard D. Craig, Treasurer

Dear Mr. Craig:

This is to advise you that on September 25, 1997, the Federal Election Commission found probable cause to believe that Friends of Jim Inhofe ("Committee") and you, as treasurer, violated 2 U.S.C. § 434(b), a provision of the Federal Election Campaign Act of 1971, as amended, by failing to itemize certain expenditures, misstating or omitting certain purposes of disbursements, and failing to report candidate advances and/or itemize the related disbursements in excess of $200. After considering the circumstances of this matter, however, the Commission also determined to take no further action against the Committee and you, as treasurer, and closed its file in this matter.

The Commission reminds you that it is a violation of the Act to file disclosure reports containing information that is incorrect or incomplete. Further, you are instructed to correct the improperly reported candidate reimbursements that appear on your 1995 Year End Report; your amendment to this report, filed on April 22, 1997, also incorrectly reports the candidate reimbursements.

The confidentiality provisions at 2 U.S.C. § 437g(a)(12) no longer apply and this matter is now public. In addition, although the complete file must be placed on the public record within 30 days, this could occur at any time following certification of the Commission's vote. If you wish to submit any factual or legal materials to appear on the public record, please do so as soon as possible. While the file may be placed on the public record before receiving your additional materials, any permissible submissions will be added to the public record upon receipt.

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If you have any questions, please contact Eugene Bull, the attorney assigned to this matter, at (202) 219-3690.

Sincerely,

Lawrence M. Noble
General Counsel

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 4369

DATE FILMED 10-27-97 CAMERA NO. 2

CAMERAMAN JMU

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