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SENT VIA FAX

November 15, 2006

Ms Lynn Fraser  
Federal Election Commission  
999 E. Street N.W.  
Washington, DC 20463

Re: ADR 340

Dear Ms. Fraser:

This is the response of the California Republican Party (hereafter "committee") to the FEC's determination to turn this matter over to for ADR which as we understand it will lead to additional fines or penalties. The committee is perplexed by this step.

When the committee went through ADR 187 with you approximately two years ago, we made it clear that we were amending numerous reports for the 2003 and 2004 cycle. The committee amended those reports in an effort to comply with FECA. We had specifically mentioned those amendments in our response dated November 19, 2004.

In addition, the committee had agreed to take some voluntary steps in 2004 which were also outlined in our response dated November 19, 2004. The committee has undertaken and continues to comply with the voluntary steps that we stated.

Since we believe these issues were raised in our previous ADR, and in telephone calls that you and I had during the negotiations concerning the 2004 ADR agreement, we believe it is punitive for the FEC to penalize the committee again, when all of these amendments were filed as a good faith effort by the committee to comply with the Act.

To specifically address the two reports that are the subject of this ADR:

The July 2003 monthly was timely filed on July 15, 2003. The report was amended to include an extra \$90,000 of receipts on 8/12/03. The 90,000 was a transfer check from the committee's own non-federal account for a transfer dealing with joint administrative expenses. As previously disclosed in ADR 187,

the committee was having numerous problems with its software vendor. As part of the committee's effort to file accurate reports, the committee again amended this report to bring down total receipts by \$5, 000. The detailed internal audits that the committee undertook were also mentioned in ADR 187.

I want to stress that \$ 90,000 of the total \$85,000 mentioned in your letter was added by corrective amendment before the next monthly report was due. Also there was no lack of public disclosure as to outside receipts as the amount in question was an internal party committee transfer for allocable expenses.

The September 2003 issue was once again due to computer glitches, where the software did not pull out of the data entered into the database certain disbursements. In addition we had a problem with our payroll service which was communicated with our Rad analyst and described in detail on the form 99 that was filed in connection with the amendment.

Below are excerpts from our letter to you dealing with ADR 187. We have bolded the items that were from the November 19, 2004 letter

Even though the committee has taken additional steps in 2004 (outlined below), it should be noted that the committee had a proactive attitude on filing accurate reports in 2003. This is reflected in the fact that this monthly report was amended several more times in 2003 and 2004. However, none of those amendments made any material changes to the total receipts, disbursements, or debt. I believe this is another indication of the committee constantly reviewing and amending their reports to ensure that they accurately reflect the activity of the committee.

#### **ADR ITEM #2: DECEMBER 2003 MONTHLY REPORT**

In our conversation last Friday, we did not spend much time discussing this matter. It is our understanding that a box was not checked in the Aristotle program and certain categories of disbursements were omitted. However, the CRP quickly realized this omission and filed an amendment before the next monthly report was due.

I have personally attended the FEC seminar in Washington DC and have had numerous discussions over the last 17 years with different personnel at the FEC. The FEC has always stressed in both seminars and conversations the following philosophy: Always file your reports timely and then amend as quickly as possible. I believe that the CRP in its actions on these matters has followed the philosophy that is preached by the FEC. Furthermore both of these issues arose in a non-election year and because of the relatively quick turn-around in filing amendments there was no irreparable damage in the public disclosure of CRP activities.

#### **ADDITIONAL STEPS UNDERTAKEN BY CRP**

In February 2004 the Treasurer of the CRP, Douglas Boyd along with CRP's general counsel, Chuck Bell, initiated an effort to hire an outside firm to monitor and assist the CRP in all future compliance work, both for the CRP's federal and non-federal reporting requirements.

After interviewing several CPA's and CPA firms, CRP retained the services of Arjani & Stein, CPA's. Arjani & Stein were hired to specifically oversee all of the reporting requirements for CRP. As one of the partners of Arjani & Stein, I have been dealing with election reporting issues for over seventeen years. In addition to ensuring that all future reports were in compliance with the Act, Mr. Boyd instructed me to go back and perform a detailed internal audit of the 2003 reports as well. Even though this was a fairly expensive step for the CRP, the CRP committed to spend the additional dollars. This is a clear indication of CRP taking its filing and reporting issues very seriously.

As we previously have discussed, as part of the CRP internal audit of 2003, we have found several minor discrepancies, along with a payroll issue. When the CRP discovered that payroll issue, I immediately communicated and discussed it with our RAD and informed her of the problem. After several discussions with her and then a discussion with Debbie Chacon, we determined a manner in which to correct and report the payroll issue. The CRP then went back and amended every report starting with January 2003 to address the payroll issue as well as the other fairly immaterial items that were found as a result of the detailed audit that was undertaken. I want to stress that the detailed audit consisted of reviewing every single disbursement and flowing each transaction from the source document to the accounting records to the Aristotle program and thus the FEC reports.

#### Specific Voluntary Steps Taken by CRP Starting in March 2004

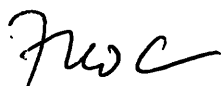
1. CPA firm reviewed internal controls and recommended some changes
2. Five step review process was put in place to review draft reports before any final reports are filed
3. Each report is physically reviewed by at least 4 persons before it is filed
4. Detailed reconciliations are done each month to ensure that every transaction is identified and reported, (this step was also done for 2003)
5. CRP staff and outside CPA will attend an FEC seminar on an annual basis
6. Frequent communication with our RAD and the FEC and a diligent effort in detail and communication in our Form 99 filings.

#### SUMMARY

I believe that the amounts being dealt with in this ADR are fairly immaterial when compared with ADR 187. In addition, since it appears that we raised and made you aware of these issues approximately two years ago, no monetary fine should be imposed at this time. The committee commits to continuing the voluntary steps outlined above in future cycles.

Thank you for your consideration of this matter.

Sincerely,



Fred T Arjani  
Certified Public Accountant