

WASHINGTON STATE REPUBLICAN PARTY

DALE FOREMAN • CHAIRMAN

APR 30 3 17 PM '98

April 24, 1998

F. Andrew Turley
Supervisory Attorney
Federal Election Commission
Washington, DC 20463

Re: MUR 4737

Dear Mr. Turley:

This letter responds to the Commission's letter of April 10, 1998 to the Washington State Republican Party ("WSRP"), and the complaint filed by the Washington State Democratic Party.

The Washington State Republican Party maintains separate federal and nonfederal accounts. In accordance with Commission rules, the Washington State Republican Party pays all allocable expenses from the federal account and reimburses the federal account for the portion of expenses allocable to nonfederal activity.

During the 1996 campaigns the party utilized the same manual accounting and purchase order systems that had been in use for many years. Due to changes in state law the volume of activity was many times greater than for any previous campaign, the system was overwhelmed.

In the first six months of 1997, the party was able to repay \$126,000 of the excess transfers. The party was expecting to repay a similar amount in the second half of 1997. Upon preparation of the year end report it was determined that by paying its current obligations as money was raised, additional over-transfers had occurred beginning in July 1997. The excess transfers originating in 1997 totaled \$248,000.

The party reported the transfers as they occurred and took immediate steps to remedy the situation permanently. In February 1998, the party negotiated a line of credit with its bank to borrow money to repay \$200,000 of the 1997 excess transfers. The party has also been able to repay an additional \$95,000. This eliminates the 1997 over-transferred amounts and reduces the 1996 excess transfers by an additional \$47,000. As reflected in the March 31, 1998 report, the party has repaid all 1997 excess transfers, and reduced the 1996 excess amount from \$365,520.11 to \$189,520.11.

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In the course of reviewing its accounting system and practices to determine why there would have been insufficient federal funds on hand to pay the federal share of allocable expenses, the Washington State Republican Party reviewed its deposit records. In the course of the review, the Washington State Republican Party has discovered that numerous individual checks were deposited to the state account, even though the donors had not reached their eligible federal contribution limits. Other checks from unincorporated businesses were also deposited to the state account, instead of depositing the eligible funds to the federal account. The Washington State Republican Party has not yet determined the full extent to which federal eligible funds were deposited to the state account. However, it appears that a significant amount of federal money would have been available to pay the federal share of expenses.

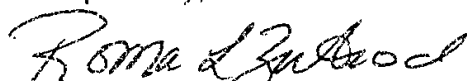
It is too late for most of these funds to be retransferred to the federal account to reduce the existing federal account deficit. While the funds are not available to cure the excess transfer, we believe the fact that the funds were federal eligible at the time of the excess transfer should be considered a factor in mitigation of the 1996 and 1997 excess transfers.

As one means to avoid future excess transfers, the party plans to begin monthly FEC reporting with the April report to be filed on May 20, 1998. Monthly reporting will serve as an additional check on the party's tracking of the nonfederal portion of payments.

In 1996 the party maintained all of its federal and state reporting systems manually. In the aftermath of the 1996 campaign, it became apparent that computerization was absolutely necessary. A computer program was used for the preparation of the June 30, 1997 FEC report. However, based on the experience of the last half of 1997, this program does not provide an adequate tracking system for allocable expenses on a quarterly basis. The Party is seeking to modify or replace the program with one that will track expenses on a daily or weekly basis to ensure that transfers are supported by allocable expenditures paid.

In light of the fact that the party has repaid all of the excess amounts which were transferred in 1997 and the fact that it appears that significant federal eligible funds were erroneously deposited in the Party's state account, we respectfully request MUR 4737 be dismissed at this time.

Respectfully,


Ronna L. Zubrod
Deputy Treasurer

cc: Al Symington, Treasurer
John White, Legal Counsel