

**KANSAS CITY SOUTHERN INDUSTRIES, INC.**

114 WEST ELEVENTH STREET

KANSAS CITY, MISSOURI 64105-1804

(816) 983-1410

FAX (816) 983-1227

**PHILLIP S. BROWN**

VICE PRESIDENT

AND

ASSISTANT GENERAL COUNSEL

FEDERAL  
ELECTIONS  
COMMISSION

Nov 16 3 50 PM '98

November 13, 1998

Mr. Robert Knop  
Federal Elections Commission  
999 E Street N.W.  
Washington, D.C. 620463

Re: MUR 4832

Dear Mr. Knop:

I have for reply Mr. Thomas' letter to Linas K. Cesonis, Treasurer of Kansas City Southern Industries Employees Political Action Committee. You have previously been advised by Mr. Cesonis that I am authorized to represent him in this matter.

I have reviewed your letter and attached materials. I have also reviewed your materials with Amy Dyer, the person who now maintains the KCSI PAC and prepares and files the required reports. The facts are that the person who served as treasurer prior to January 1998 advised that she had an error in her reporting that she was unable to find. She also requested to be relieved of the obligation to prepare the monthly reports. Accordingly, I arranged for her to be replaced by Mr. Cesonis. Mr. Cesonis filed his designation as Treasurer on February 1, 1998. He then subsequently prepared and filed the January report, which was timely filed on or about February 20, 1998. Mr. Cesonis advised me that he was unable to ascertain where the error occurred and we agreed to obtain a thorough audit of the bank account and the PAC reports. Accordingly, I arranged for an auditor to obtain the records of the PAC for examination.

During this time, the records were not in Mr. Cesonis' possession and he was not focused on filing the monthly reports, inasmuch as we knew there was an error that had been carried over from 1997. Also, Mr. Cesonis was just familiarizing himself with the PAC reporting requirements and was not yet up to speed on the rules and regulations.

The error in the reports had to do with the fact that the running balance we were reporting to the FEC did not correspond to the balance in the PAC's bank account. The auditor tracked the error back to 1996. It resulted from a contribution from one of the Company's Directors for \$5,000 having been deposited in the PAC's bank account, but not included in the check register or monthly report. This error then became embedded in all subsequent monthly reports. There were also some other minor issues, such as failing to account for certain expense items paid out of the PAC funds, i.e., bank charges for stop payment orders and income tax payments on interest earned by the PAC on its bank balance.

Ultimately, we mailed an amended report for January 1998 on May 29, 1998, and original reports for February, March and April, on the same date. The May 1998 report which was due by June 20, 1998 was timely filed. In addition, amended reports for the entire year 1997 were filed at the same time.

As I have stated, we were engaged in a good faith effort to find and correct a persistent error in the PAC account. Part of the solution was to replace the person designated to maintain the records with an individual with the requisite skills. This PAC has been in existence for many years with no violations noted and I anticipate there will be no repeat of the recent history of problems.

Please advise if you require any further information.

Very truly yours,

