

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

July 22, 1992

Mr. David Watkins  
Clinton for President Committee  
123 West 3rd Street  
Little Rock, Arkansas 72201

Dear David:

Thank you for your letter of June 30th outlining our role in the General Election campaign.

We are delighted to work as you have outlined.

Regarding our present contributions and matching funds work. You will be glad to hear that due to the heavy volume brought about by direct mail and Clinton popularity we are able to reduce our unit cost by one-quarter (25%) for processing those contributions numbering more than 5000 in a given semi-monthly billing. This is reflected in our bill for first half July services and results in a savings of \$4173. to the Committee. (Similar savings coming).

Your letter says "Since the volume of primary activity will decrease significantly, we will need to renegotiate the fees for filing the monthly primary report". We will be glad to hear what you have in mind. Our feeling is that since almost all of our charges are unit charges based on volume, costs will automatically lower as volume declines.

We do need to address the large and rapidly growing size of the Clinton database. The number of contributions has passed 100,000 and may be headed to nearly double that figure. As this vital database grows so does our responsibility and the amount of work and equipment required to keep it viable and secure and responsive to your needs. Thus, we propose to increase the management fee for this from \$1000. per month to \$2000.

But the foregoing will be offset in part by a reduction in key operator support charge from \$1000. per month to \$500. This we can do because of the quality and experience of your operators.

24035

N

Regarding work in the expenditure area, our charges have been very light - 40% off usual staff-hour rates, with no charge for computer involvement, etc. At a glance, our involvement has amounted to but 25-50 cents per voucher. We are quick to acknowledge that the excellent work and leadership provided by your Little Rock managers is the reason there has not been a need for our involvement to be at all major. (Rates to campaign 26/hr manager; 22/hr others).

As to work in preparation for the audit, we propose that our role be similar to our expenditure role, i.e. that we be paid according to the staff-hours we are called on to provide, at 40% discount.

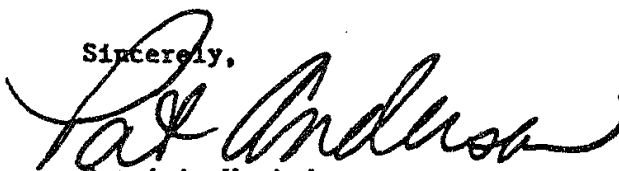
Separate from your letter you have asked for a quote for integrating general election contributor data into your existing database so that you will have a complete contributions history of each contributor. Since there will not be a matching funds aspect, we can do this for half the rate for primary contributions, i.e.  $1/2 \times 2.50$  or 1.25 each. Should the volume be very high, we may be able to cut this rate in fashion similar to that we have done for the primary contributions.

You mentioned consulting. Of course we will be delighted to provide any assistance called upon to do. We have worked hard; we feel very much a part of your campaign team. This is important to us. We want to do our part for a November victory. (Rates same as above.)

Please do not hesitate to call on us whenever we can be of help or whenever any concern might arise about our work.

With best regards.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Pat Anderson', written in a cursive style.

Patricia W. Anderson  
President

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 10, 1992

Mr. David Watkins  
Clinton for President Committee  
123 West Third Street  
Little Rock, Arkansas 72202

Dear David:

When I wrote to you on July 22nd, I said, "The number of contributions has passed 100,000 and may be headed for nearly double...." I underestimated, for now the figure has passed 200,000 and is headed for around 250,000 when all the compliance work is finished.

I point out these facts for two reasons. First, I am glad to report that the unexpectedly high volume again makes it possible to reduce our unit prices. With the last half of August bill, which you will receive shortly, we are cutting another bit from our per contribution price -- down to \$1.75, as opposed to the \$1.85 per our July reduction and as opposed to the \$2.50 pre-July price. The two reductions result in a savings to the Committee of over \$30,000 for the last half of August alone.

Similarly, we are cutting our price for thankyou letters by another 20%.

We are proud that we can offer these reductions, particularly in light of the huge surge in volume which required us to go to three shifts, seven days, to increase and train staff accordingly, and to buy and install a lot of new hardware.

Second reason to talk about database volume. Being database people, we are probably more sensitive to the care and use of same than most people. Because it was not our work but that of the Committee that brought in the money, I can say without undue bragging that the Clinton Committee has a magnificent database. It is large, it is detailed, and it is accurate. It should be so-maintained.

Thus, without any further charge to the Committee, we are going through a double-check process to seek out and tie down any remaining loose ends. Also, we have recently done a computer-rebuild as a step toward continued efficient functioning of the database. Speed of processing is very important in view of the size and the very large number of requests for products by the Committee and by the DNC.

What else needs to be done? Two things, I suggest, and we will do them with the lowest of costs, if you want us to.

24037

We understand that the Committee is anxious to exert an effort to obtain occupation/employer data from contributors who have not yet furnished same. We will be glad to write a nice letter to each such contributor soliciting this information and incorporate the results into the database, if you would like us to.

Next, regarding the results of the effort to reattribute contributions to the general election compliance fund. We suggest that the records of those accepting this option be noted appropriately so that the Committee will have complete contributor data in one central file. We will do this for very low cost if provided a list or tape of the contributions being shifted. In addition to the importance of complete individual data for compliance reasons, the file could be readily useful in case it is unexpectedly necessary to submit additional matching funds requests.

In closing, and as the campaign goes into the home stretch, we want to express our appreciation for the confidence that you and your team have shown in us, and to assure you that we stand ready to help in any way we can toward a big win in November!

Sincerely,

Patricia W. Anderson  
President

cc: Keeley Ardman  
Patti Reilly

24038



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 10, 1992

David -

The enclosed is in response to a routine affidavit mailing.

We were thinking here - what a fabulous TV spot this gentleman could make for the Clinton - Gore ticket. Maybe together with son Jeff. We noted how he looked when Jeff got the Academy award. Talk about proud father; talk about family values!

Best regards,

*Bill and Pat*

24039

5.1

P

LLOYD BRIDGES

August 28, 1992.

Dear Ellen Lowell,

I've been away making a picture in Europe or I'd have answered your letter sooner.

I remembered sending a check to Little Rock, Arkansas for \$250.00 for Clinton for President but this contribution for \$100.00 to Washington D.C. must have been another contribution I made.

Bill Clinton and Al Gore are a fabulous combination! It's America's only hope if we're to find a way out of this mess we're in.

I met Governor Clinton when he was here in L.A. and told him I'd be glad to help in any way I could. The offer still stands.

My address is: [REDACTED]  
L.A. Calif 90024 and phone [REDACTED]

Sincerely,

Lloyd Bridges



10/2  
11/1

Pat Anderson  
Public Office Corporation  
911 2nd Street, N.E.  
Washington, D.C.

Dear Pat:

Thank you for meeting with us on September 24, 1992. As we discussed, there are a number of tasks we need to accomplish as we close the primary committee and prepare for the audit. As we agreed, any and all contact with the Federal Election Commission will be exclusively with the campaign.

First, we will provide the Federal Election Commission auditors with the file layout of the contribution file. We received this from you on September 30th.

Second, we have received a partial list of contributions redesignated from the primary committee to the GELAC Fund. We are distressed to learn that contributors were instructed to back date their redesignation. In some instances, this resulted in redesignations dated months before the compliance fund was opened and months before the redesignation was, in fact, made. Of course we are immediately refunding all excessive contributions not properly or timely redesignated. In order to minimize the campaign's potential liability for these contributions, please provide a written explanation regarding these excessive contributions for our files.

Finally, we must amend the primary reports. We have agreed to the following division of responsibilities:

1. You will provide to the campaign a printout of all Schedule G activity by individual and a summary list of all "IC" contributors.
2. We will provide the primary debt schedule and voided check identification.

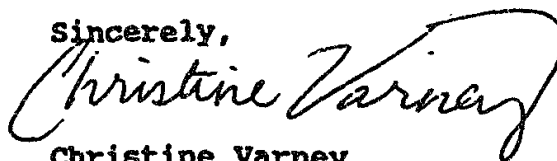
24041

Q

3. We will jointly create the monthly cash reconciliation and elimination of all previously unidentified items.

We will work with your staff to amend the reports. I am sure you understand the urgency of completing the amendments. In any event, all amendments to the primary reports must be completed by October 31, 1992.

Sincerely,



Christine Varney

cc: David Watkins  
Lyn Utrecht  
Keeley Ardman  
Patty Reilly

10/3

P.O. Box 615 • Little Rock, Arkansas 72203

**THE**

24043

Q

TO: Patty Reilly

FROM: Pat Anderson

DATE: 10/6/92

RE: Management of the redesignation of overlimit contributions to GELAC

---

Patty, it is obvious, though you have been calm about it, that you are not happy with the way that POC managed the obtaining of affidavits to redesignate overlimit contributions to the GELAC. And today I got a letter from Christine Varney stating that she is distressed about the statements obtained from contributors.

First of all I would like to say that I am very sorry to cause any additional stress on anyone. I know things have been at a hectic plateau for months and months. Also, I have seen the effects of well meaning, independent action gone sour and I regret this situation might fall in that category.

I would like to recount my actions and assumptions regarding POC's management, and, perhaps, it will at least document what and why things happened the way they did.

- Our procedure has been to resolve overlimit and reattribution issues and obtain necessary documentation on a monthly basis.
- In order to achieve compliance and maximize the next matching funds report, we typically generated our affidavits the day after the last submission was made. This kept everything current.
- We have some telephone logs dated as early as March 19, 1992, where we discussed overlimit conditions with contributors and the option of getting a refund or redesignating the overlimit amount to the legal and compliance fund that was to be setup.
- Where the contributor opted for a refund, we sent it to Little Rock for a refund; where the contributor gave us new information regarding the correct attribution, we set that up and sent out a request for the appropriate affidavit; where the contributor wanted to apply the overlimit amount to the upcoming legal and compliance fund, we so noted it and marked the computer.
- I do not know the exact date the legal and compliance fund was setup but it was about the same time that the deluge of contributions began. (On May 29th nearly 10,000 different checks were put into the bank and the volume did not let up until September!)
- I do recall my trip to Little Rock in early June; you and I sat down and went over the excessive listing; we added up the amount by hand and I believe it was around \$7800.
- I remember also talking to Christine one day around that time and assuring her that the excessives would not be an issue because we were preparing a set of affidavits; I told her that I thought (correctly) that most everyone we had talked to would return their affidavit redesignating the excess.

- At this time, I wrote a cover letter to the applicable contributors referring to our earlier conversation about redesignation; I also re-stated in this letter the fact that they could request a refund if they wished; I prepared the redesignation statement with the amount to be redesignated already filled out; I requested the contributor to date the statement as of the date of their last contribution -- this is the date that made them "overlimit" by whatever amount.
- It seemed perfectly reasonable to me to do this. All of these people had been talked to before. Almost without exception they were most anxious that the campaign derive maximum benefit from their contribution(s). In most instances they did not realize that they were overlimit. Thus, it was evident the contributors wanted to do whatever was legally proper to see that their money helped Governor Clinton.

In retrospect, I should have sought professional counsel on such factors as dating the redesignation of excessives and the interplay between that and the GELAC fund opening. I am sorry that I did not.

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 28, 1992

PERSONAL AND CONFIDENTIAL

MEMORANDUM

For: David Watkins

Re: Post-election plans for Clinton databases

Pat has just told me of the request to provide tapes of the complete Clinton database of contributors to Little Rock so that the pre-Presidential Governor Clinton file can be merged with same.

We are proceeding as requested but feel that the move indicated may prove to be 180 degrees from what is best for the Committee and our next President.

You will forgive us for telling you that our SESSION software is the best there is. Even our competitors tell us that it is the best system for tracking campaign-related people and money. The FEC has more or less made the same acknowledgment but with the restraint one would expect. There are many strengths to SESSION. It is our own product developed and refined over a fifteen year period. It is 99.99% programmer-free. It is versatile. It affords superb ability to do "householding", link spouses, avoid duplicates, use titles and do all those things necessary to cater to human egos.

For sure, all the Clinton contributors and key supporters must be brought under the same data-roof if a whole bunch of hurt feelings are to be avoided. Not just for the inauguration, but on into the future, including 1996.

I know you are busy so I will say little more than that we will go to almost any end to let you continue to benefit from SESSION and our developed technology. This could include, for example, moving this system to Little Rock and selling it together with software, training and support to whomever you choose. With all procedures, such as matching funds, FEC reports, multiple databases, etc. etc. And, we will make the cost so reasonable you will feel like it is amortized just by the inauguration and the audit. The system could provide for 32 or more simultaneous users plus a blend of printers and Pat's full time support thru the inauguration. Probably, most of the cost could go against primary funds and even some from GELAC since the audit will take place out there.

24046

S



Alternatively, you might want to consider - in addition to what you have planned in Little Rock - having us also integrate the various databases as a backup, insurance measure to call on if and when necessary.

Again, we want to thank you for the privilege of working for a superb candidate and organization. Pat and I are planning to come to Little Rock for election night. We hope to have the chance of saying "hi" to you.

With best wishes and continued good luck!

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill", with a horizontal line extending from the end of the signature.

William R. Anderson

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

February 17, 1993

## MEMORANDUM

For: Deborah Lawrence  
Clinton/Gore Post Election Committee .

Pat mentioned she had talked with you on Friday so I am taking the liberty of sending our invoice for first half of February herewith. Please let me know if these should be handled in another way. Pat also mentioned maybe a check could be processed on Friday after clearing some system problems. I hate to be a bother but we are looking at a bunch of taxes. In case it is easier to make a bank transfer, I am enclosing a voided check with our bank and account numbers. Also enclosed is a statement of outstanding invoices. Thanks very much.

Sincerely,



William R. Anderson

24048

T

THE WHITE HOUSE  
WASHINGTON

February 19, 1993

Mr. Bill Anderson  
Public Office Corporation  
911 Second Street, NE  
Washington, D.C. 20002

Dear Bill:

Thanks for your kind note of congratulations and the helpful tax input. I have passed your comments on to Secretary Bentsen for his review.

You and Pat have been wonderful to me and Anita; it will never be forgotten.

Thanks again for writing. Please keep in touch.

Your friend,



Mark Middleton  
Special Assistant to the Chief of Staff

24049

u

99-04-393-2316

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 7, 1993

Lyn Utrecht, Esq.  
Oldaker Ryan and Lewis  
Suite 1100  
818 Connecticut Avenue, N.W.  
Washington, D.C. 20006


Dear Ms. Utrecht:

I hate to trouble you with this matter but have been unable to make contact by phone or otherwise with Ms. Yates.

Our account with the Committee has unpaid invoices for work done three months ago. (Current statement enclosed.) We request that this be cleared up within the next couple of days in order to obviate a need to make a further move toward collection.

We know how busy you are but will deeply appreciate your influence and help.

Sincerely,

  
William R. Anderson  
Chairman

24050

W

**Bill Clinton**  
**FOR PRESIDENT COMMITTEE**

June 7, 1993

Public Office Corp  
911 2nd Street NE  
Washington, DC 20002

Dear Mr. & Mrs. Anderson,

Barbara Yates asked for me to mail this check to you in the amount of \$23,617.71. Barbara asked that this check be sent overnight to you so that you got this check faster than you would if it was put in the regular mail. I appreciate your patience in getting this check to you.

Thank you,

*Cathleen Cavender*

Cathleen Cavender  
Accounts Payable

2405i

W

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 15, 1993

Ms. Cathleen Cavender  
Clinton/Gore Post Election Committee  
124 West Capitol Avenue Ste 1150  
Little Rock, Arkansas 72201

Dear Ms. Cavender:

Many thanks for the check and for sending it overnight.

If you could favor us with another payment within the next few days we would surely appreciate it. We are in process of buying equipment for a governor's race (a FOB as they say), so it would help a lot.

Thanks again and best regards.

Sincerely,

  
William R. Anderson

24052

X

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

July 1, 1993

Ms. Lyn Utrecht  
Oldaker Ryan and Lewis  
818 Connecticut Avenue, N.W.  
Suite 1100  
Washington, D. C. 20006

Dear Lyn:

This is to inform you that we are discontinuing our services to the Clinton for President Committee due to non-payment of invoices.

We request full payment immediately for services already rendered through June 15, 1993, in the amount of \$43,617.26.

Upon receipt of payment, we will resume performing tasks, as requested, on behalf of the Committee.

Sincerely,

  
William R. Anderson, Sr.  
Chairman

cc: David Watkins  
Barbara Yates

24053

Y

July 2, 1993

Lyn Utrecht, Esq.  
Oldaker Ryan and Lewis  
818 Connecticut Avenue, N.W.  
Suite 1100  
Washington, D. C. 20006

Dear Lyn:

We received this afternoon, via Airborne Express, a Clinton Committee check in the amount of \$17,244.26 which covers services rendered through April 30, 1993. We thank you for your efforts toward the release of this payment and its expeditious mode of transit to us.

Further to our telephone conversation yesterday, you may or may not be aware of the part of the provision of the Committee, acting through its then-counsel, Phil Friedman, that the Committee pay POC within fifteen days of invoice receipt. This proposed Agreement was transmitted to us on January 14, 1992, and formed the basis, as amended, for all subsequent services and charges.

Thus, our request for timely payment of our invoices can be summed up as a request that the Committee pay in accordance with the schedule the Committee, itself, stipulated.

In view of the payment received today, we are willing to resume services to the Committee upon the receipt of assurance from you, either verbal or written, that we will receive payment covering all services rendered through June 15th by Friday, July 9th. Further, that we will receive prompt payment for services rendered from June 16 through work necessary to complete the FEC report.

Upon receipt of such assurance, we will press on with the work of the July 15th FEC submission and deliver it to your office on Friday, July 9th.

We await your response and hope this matter can be put behind us on an expeditious basis.

Sincerely,

William R. Anderson  
Chairman

cc: David Watkins  
Barbara Yates

24051

Z



TO: Bill Anderson  
FROM: Pat Anderson  
RE: Issues about POC "errors."

July 9, 1993

(1) ISSUE REGARDING "BACK-DATED" AFFIDAVITS.

Attached is a memo I wrote to Patty Reilly for the record regarding the way we managed the affidavits.

I wrote the memo in such a way as to take on as much responsibility for it as possible -- clearly we acted on our own, as we have in so many ways throughout this campaign.

I would say that I had every reason to believe that the management of the affidavits was correct because we did not ask the contributor to back date anything, we referred to the date as the "as of date" because it was the date that the overlimit contribution was made.

In reality, the real problem with the affidavits was that the Clinton campaign attorneys failed to establish the Legal and Compliance fund in a timely manner -- I had been told several months earlier by Phil Friedman that the fund was "in the works" -- that's the only reason we continued to call people about the upcoming fund and asked them to date their affidavit as of the date the offending contribution was made. Because the fund was so late in being established, the transfer date to the fund from the general acct was beyond the allowed time.

The "charge" for this activity came under our standard, fixed amount paid to us for each check unit. No separate charge, no telephone bills, and no staff time was charged additionally for our management of these affidavits.

(Bill, better check out our invoices to make sure notations were not made on them to conflict with above statement.)

(2) ISSUE REGARDING JULY 1992 REPORT OVERSTATED BY \$200,000.

Looking back at the figures in our working papers and the spread sheets (which were correct), we believe the error must have been a typographical error that was not caught at the time.

We regret the typo but do not charge extra for them. As for the extra work relating to that error, there was very little "extra" work on the part of anyone to resolve that error inasmuch as every single FEC report and schedule were reviewed in the same manner by the Arkansas staff; we might add that with one or two exceptions, all reports balanced exactly or within a tiny (pennies) amount. We are very proud of that record given the fact that we have no source documents in this office and given the fact that we NEVER had a balancing figure from the accounting department against which to balance. NEVER.

24055

24-Z.2

**(3) ERROR REGARDING PAYMENTS TO WORTHEN NATIONAL BANK.**

The only thing I can think of is the situation where the Committee, during the early, start-up days, wrote several checks to themselves and deposited them into the payroll account (rather than transfer money to the payroll account by an interaccount transfer). By the time we became involved with the Committee, I believe the practice had been discontinued. When I saw this prior activity, I realized, as did they, that that care had to be taken on the 4th QTR report so that expenditures would not be overstated.

As a result, the FEC report itself was correct -- expenditures were not overstated -- I allowed for the unusual management. Also, the check(s) was listed on the schedule B, along with the other checks written by the Committee, as it should have been. What we failed to do was simply make those entries on the Schedule a "memo" type entry. As I recall, no one noticed it until the FEC, seeing the obvious, reminded the Committee of the proper way to make a memo entry on Schedule B.

This oversight "error" was of no consequence to the committee whatsoever because the figures on the 4th QTR report were correct, only the Schedule B hadn't been marked with the memo notation.

Certainly, no charge was made for something we failed to do.

**(4) ISSUE OF AUDIT TAPES FOR THE FEC - WAS THE COMMITTEE CHARGED TWICE?**

The Committee was charged only for production of the tapes that should have been sent to the FEC; at no time has the committee ever been charged twice for production of any product where only one set was requested. POC invoices would bear this out.

(5) Pat is not aware of any "errors" committed by POC. It must be obvious from our record that every effort was made (1) to determine the correct way to handle the data in the reporting area; (2) to ensure proper controls and management of the data; and, (3) initiate and design programs and procedures that would simplify management but ensure accuracy of the data -- time and time again, month after month.

POC information is regarded as the source of balancing data rather than the accounting department. With, we believe, one exception, out of over \$35 million dollars of transactions, our spread sheets were perfectly accurate and kept the accounting department in line rather than the other way around, over and over again.

If other words, the leadership we have continually demonstrated, the reliability of the data we were responsible for (for which we had no source documents), and the timeliness of delivery of reports to the FEC and support materials to the Committee (under extremely heavy volume), is a record for which we are ENORMOUSLY PROUD.

We are sorry you find it necessary to solicit our guarantee that the Committee has not been charged for our "errors." But, nevertheless, we are happy to state, unequivocally, that the Clinton for President Committee has not been charged for errors and that, in fact, per item of data, number of documents managed, and products delivered, not to mention reliability, we would venture that the Committee has received the best value for services performed than any of the service providers to that Committee, past or present.

July 9, 1993

TO: Bill Anderson

FROM: Pat Anderson *Pat*

RE: Charges and credits to the Clinton for President Committee

---

There are three issues that I think should be given some additional thought:

(1) CONSISTENT POLICY:

*24-Z.2*

I have written a memo to you about the 4 issues that Lyn Utrecht raised about POC's errors during the campaign and whether or not the campaign has been charged for the time it took to "commit" these errors.

You mentioned that you must submit a response to Lyn about these issues and, if appropriate, deduct from the outstanding invoiced amount due to POC, the amount charged for services in the commission of these errors. Where they had not been unduly charged, we were to so verify, affidavit style, in a letter to her.

Certainly it has been the policy of this company to always answer the questions of a customer about issues regarding the bill. I cheerfully respect that inquiry in this instance, even though it wasn't made until after we had to abate services to the Committee for non-payment of invoices.

I believe, however, before we respond, we should understand exactly the questions because several of the references were vague and I honestly don't know exactly what she is referring to.

I am so proud of our record of service to the Committee, indeed Lyn even said she thought we had done a good job. I would be happy to explain, give details, and provide any information but I think it important to know what the questions are and the perceived "errors" are.

Also, I think it appropriate that the Committee apply the same standards of excellence of all their vendors and service providers. You told me that Lyn asked me to try and think of any "errors" we had made; she also mentioned that she would ask Keeley if Keeley could think of anything POC had done wrong and so forth.

I believe the Committee would be wise to have a stated policy about "errors" and a clear definition of an error. Also, guidelines for a vendor and service provider to adhere to when charging to the Committee any "time" that it took to "commit" these errors and the time charged it took to clean up the errors, etc.

24057

*24-Z.3*

I think to properly protect the Committee and ensure fair application of the policy that:

(a) all vendors and service providers to the Committee should be sent a copy of this policy statement,

(b) each of the vendors and service providers should be asked to comment on any errors/mistakes made not only by themselves but by other vendors and service providers and submit these in writing to the Committee,

(c) these responses should be gathered and evaluated, and that these comments must be allowed to be commented on by the vendor/service-provider alleged to have made the errors, etc.,

(d) that this process be worked back and forth until all actions/activities deemed to have been an error have been revealed and we all have a clear picture of who did what wrong and what the actual cost was (in dollars), and

(e) the appropriate amount should be applied against the offenders bill; where the vendor or service-provider has already been paid in full, the Committee should demand reimbursement from the vendor or service-provider.

I think that is a fair and equitable application of the "errors" policy as I understand it.

I hereby withdraw my comments about the issues I think Lyn is talking about until she explains in a memo exactly what she is talking about regarding any POC errors and reimbursement to the Committee.

## (2) EXCESSIVE CONTRIBUTIONS FROM A CORPORATION:

As you recall, there have been numerous and generous rebates that POC has made to the Clinton for President Committee, the extent of which, perhaps, Lyn Utrecht is unaware.

I looked up in our files the two letters that you wrote to David Watkins regarding these rebates. I believe that these should be carefully looked at by the attorney of the Committee to make sure that these do not constitute an unusual or illegal action on our part because, unless the Committee allowed or required such rebates, as a stated and consistent policy, from all vendors and service-providers, it will look like a contribution in-kind, from a corporation and, we all know, that is not allowed.

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

July 9, 1993

Ms. Lyn Utrecht  
Oldaker Ryan and Lewis  
Suite 1100  
818 Connecticut Avenue, N.W.  
Washington, D.C. 20006

Dear Lyn:

This is in reference to our telephone conversation of yesterday.

Devoted to being a "team player", recognizing the sometimes crucial cash flow problems of the Committee, and blessed after the nominating convention with a sizeable increase in work volume, we took two actions at strategically significant times:

- 1) we permitted the balance due from the Committee to rise as high as \$190,846.15
- 2) voluntarily and strictly on our own initiative we reduced prices in several increments with a total savings to the Committee of \$104,178.12

Obviously, the amount of 2) above is thousands of times more than enough to offset the four instances in which you felt there could have been charges for mistakes made on our part. Nevertheless, I will briefly address these four points and should you need further detail I will be glad to provide same.

- 1) issue re: "back-dated" affidavits

If addressed definitively, one would determine what errors were made, when. But since all charges re: affidavit work were on a unit charge basis, there were no charges added for the special handling of those in question.

- 2) issue re: July 1992 report overstated by \$200,000.

We believe this to be the result of a typographical error which was not caught in time to correct before report submission. We regret this. There were no charges for correcting the error.

- more

24059

AA

3) "error" re: payments to Worthen National Bank


We believe this stems from the early days where the Committee wrote several checks for deposit in the payroll account, rather than using inter-account transfer. By the time we became involved we believe the practice had been discontinued. We realized, as did the Committee, that care had to be taken on the 4th quarter 1991 report to make sure expenditures were not overstated. The FEC report itself was correct; the "error" was in not making the appropriate "memo" type entry on Schedule B. There were no charges related to this sequence.

4) was the Committee charged twice for any FEC tapes?

No. All tape charges were per Committee requests. Where it was necessary to process tapes more than once, only the final product was charged for.

Trusting that the above will answer your questions, we look forward to receiving the Committee's check for services through June 15, 1993 in the amount of \$26,372.90. Upon receipt of same or word from you that it is enroute we will commence the final work toward the July 15th FEC report.

Sincerely,

  
William R. Anderson  
Chairman

cc  
David Watkins  
Barbara Yates

P.S. I am enclosing a copy of our July 22 and September 10, 1992 letters to David Watkins. You may not have these; they provide additional detail on our voluntary price reductions. They may also demonstrate the flavor of our efforts to be a team player to the Committee.

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911  
February 6, 1995

Ms. Lyn Utrecht  
Oldaker Ryan & Leonard  
818 Connecticut Avenue, N.W. Suite 1100  
Washington, D.C. 20006

Dear Ms. Utrecht:

This is to confirm the instructions given to us during the meeting on January 25th between you, Barbara Yates, Alan Wegehoff, and Pat and me.

Clinton Committee 91-92 Documents:

These number 654 volumes of either two or three inch three ring binders. An inventory is enclosed. These are all to be congregated at the storage facility known as U-Store Zeta on New York Avenue, N.E., where most are now held. The storeroom is to be signed over to Oldaker Ryan & Leonard. This will be completed early next week and the key and related rental documents delivered to you.

Clinton Committee 91-92 Computer Files:

All tapes containing Committee data are to be either destroyed or processed so that no Clinton Committee 91-92 data are to be retained by us. The on-line 91-92 files are to be deleted upon receiving word that the Committee is finished with these files. (There are no other media containing Committee files other than the tapes and on-line files noted above.)

Terms:

We have never before been called upon during our 17 years in business to destroy the total of a customer's files. The complication, as we mentioned in our meeting, is that a large percentage of the 33 sets of relevant backup tapes contain other customer files that we are obligated to maintain and retain. This means that a seemingly easy job will be quite demanding of meticulous care and of system and manager resources. Thus, we can only give a rough estimate of the cost at this time. Accordingly, rather than state a self-protective overall price, we propose to bill on a time and materials basis. We believe the bottom line figure will be somewhere between \$4000. and \$8000.

Payment: In accordance with the standard practice of our industry, we will need payment for all amounts due prior to the deletion of the last set of files.

Confirmation:

If the foregoing is an accurate statement of the Committee's wishes and is agreeable to the Committee, please return the original signed copy to us.

Confirmed:

Sincerely,



William R. Anderson  
Chairman

Clinton for President Committee

Encl: Document Inventory

24061

AA.1

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

## CLINTON COMMITTEE DOCUMENTATION

Held in Storeroom 3g01 U-Store Zeta  
301 New York Avenue, N.E.  
Washington, DC 20002

<u>Number of Binders</u> <u>2 or 3 inch</u>	<u>Description</u>
456	Check copies
97	S1 thru S10 Listings & Affidavits
3	Threshold Submission
1	Affidavit Central
4	NSF
5	Deposit Slips
3	Contributions - July 92
1	In-Kind
1	State by State
2	Partnerships
[ 16	Primary Compliance ]
7	Refunds
47	Suspend
1	Suspense Account Contributions
1	NSF Suspense
2	Batch Log Book
1	Draft Account
1	Wire Receipts
2	GELAC
2	GOA Bank Record
1	General #1
5 boxes	Stationery



OLDAKER, RYAN & LEONARD

ATTORNEYS AT LAW

818 CONNECTICUT AVENUE, N.W.

SUITE 1100

WASHINGTON, D.C. 20006

(202) 728-1010

FACSIMILE (202) 728-4044

February 16, 1995

Mr. William R. Anderson  
Public Office Corporation  
911 Second Street, N.E.  
Washington, D.C. 20002

Dear Mr. Anderson:

This letter confirms the instructions issued during the meeting on January 25 between you, Barbara Yates, Alan Wegehoff, Pat Anderson and me. As I have advised you, there will be no future relationship between my client, Clinton for President Committee (the "Committee") and Public Office Corporation. The Committee is in its final stages of winding down and no longer needs the services offered by your company. The Committee is in possession of a complete set of its records and has no further need for you to maintain them. When we asked that all copies of the Committee's records be returned to us, we were advised that your system was 'backed-up' and that you could not return all copies of our data to the Committee. Since you are unable to return all existing copies of the records, we have directed that you delete all copies of the Committee's records from your files. Public Office Corporation has neither the right nor the need to keep or maintain copies of the Committee's records. Thus, we ask that you begin the project of deleting the files and also provide an estimated time frame for the project's completion. At our meeting, you discussed the possibility that this could be completed by the end of February.

All records shall be turned over to the Committee or deleted as follows:

Clinton Committee 91-92 Documents:

These number 654 volumes of either two or three inch ring binders. You have provided an inventory. These are all to be congregated at the storage facility known as U-Store Zeta on New York Avenue, N.E., where most are now held. The storeroom is to be signed over to Oldaker, Ryan & Leonard. This will be completed early next week and the key and related rental documents will be delivered to my office.

Clinton Committee 91-92 Computer Files:

24063

BB

All tapes containing Committee data are to be deleted or erased so that no Clinton Committee 91-92 data are to be retained by you. The on-line 91-92 files are to be deleted upon receiving the word from Alan Wegehoff that the Committee is finished with these files.

You have assured us that there are no other media containing Committee files other than the tapes and on-line files noted above.

Terms:

We understand that you will bill us on a time and materials basis with a bottom line figure somewhere between \$4000 and \$8000.

Payment:

You will notify us just prior to the deletion of the last set of files, and we will tender payment to you in full. Upon deletion of the final files, you will sign a certification that you no longer have any copies of Clinton for President data or records in any media or format.

Confirmation:

Please return the original signed copy of this letter to us confirming this agreement.

I am giving you these instructions as Counsel to the Committee, and instructing you that no one else have the authority to do so. As a Committee vendor, you do not have the authority to discuss the Committee's records with anyone else or allow the documents to be accessed by anyone else.

Sincerely,



Lyn Utrecht  
Counsel

Confirmed:

---

William Anderson  
Chairman

24064

10906 Lake Windermere Drive  
Great Falls, Virginia 22066  
March 24, 1995

PERSONAL AND CONFIDENTIAL

Eyes only Judge Mikva

The Honorable Abner Mikva  
The White House  
Washington, D. C. 20500

Dear Judge Mikva:

It was a good while back, but perhaps you will recall that we served together in the House for a term or two.

I have been very reluctant to contact you about the matter at hand but finally decided to do so, realizing that a low key, confidential meeting with you could be the best chance of avoiding any course of action that could be damaging to the President.

The issue at hand, very briefly, is this: Our database management company did the contributions management and related matching funds submissions and other work for the Clinton for President Committee primary '92. Our team, headed by my wife, Pat, did a record-breaking job. Despite this, the Committee Counsel went out of her way to single us out in a series of undeserved and untrue swipes in her written response to the FEC Interim Audit Report. These comments were quoted or otherwise referred to in the official FEC Final Audit Reports, which are, of course, public documents.

In sum, our company has been badly damaged and libeled by these gratuitous statements. This presents us with one of the most perplexing dilemmas we have ever had to face.

There may be very good reasons why you will choose to not meet with us, and we will understand. If you feel a meeting is in order, however, I would suggest that it be in the next few days, in confidence and away from your office at a location of your choosing.

I can be reached at [REDACTED] (home) or [REDACTED] (office).

I have followed your distinguished post-Congressional career in the press and sincerely hope this finds you and yours enjoying the best of health and happiness.

Sincerely,



William R. Anderson

Enclosures

24065

CC

## ESSENCE:

- Committee counsel took not one but four swipes at our company (POC) in her written response to the FEC Interim Audit Report
- These swipes were repeated or referred to in the FEC Final Audit Report for Clinton for President (primary) and in the Final Audit Report for Clinton/Gore & Clinton/Gore Compliance Fund (general election). POC had nothing at all to do with the general election.
- Committee counsel repeatedly defended vendors EXCEPT POC. POC was singled out.
- All of the swipes against POC were undeserved, unnecessary, and untrue.
- In fact, POC's performance for the Committee was outstanding. Records were set as to the percentage of matching submissions accepted for matching by the FEC (99.48%). Records were also set as to the amount of unacceptable contributions converted into FEC-acceptable by the meticulous review and affidavit program carried out by POC.
- Swipe number three is of particular concern. The Committee handled these redesignations, NOT POC. The implication of greed on our part is devastating. To the contrary, POC voluntarily and on its own initiative reduced its unit prices as volume increased so as to save the Committee \$110,270.21.

## ABOUT Public Office Corporation (POC):

- Founded 1978 by William R. and Patricia W. Anderson.
- Serves mainly political customers, but some commercial.
- Never had a salesperson, we always relied on a good reputation and word-of-mouth recommendations by satisfied customers.
- Has provided services to five presidential campaigns, but Clinton for President was the only one involving a nominee.
- Serves a number of Senate customers. Also the Vice President.
- Prides itself on quality, versatility, fast turnaround.

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

March 31, 1995

Lyn Utrecht, Esq.  
Oldaker, Ryan & Leonard  
818 Connecticut Avenue, N.W.  
Suite 1100  
Washington, D.C. 20006

Dear Ms. Utrecht:

The manager at the storage facility at 301 New York Avenue, N.E. advises that both parties must come to the facility in order to carry out a transfer of a rented space. I showed him your letter about the transfer but he insists on following his rules.

I will be glad to meet you or whomever will sign for your firm at the place most any afternoon. Just give me a call.

We have paid the rent up to May 1st. (Receipt enclosed.) Also, I am enclosing a copy of the facility's notice of an upcoming rent increase.

We continue to await word from Little Rock about removing the online files. They continue to access these. We need the system work space that will be cleared upon their removal in order to process the backup tapes containing Committee and other customer files.

Sincerely,



William R. Anderson

encl

24067

D D

1000

Mustafa Kemal

William Henry Harrison

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

[illegible]

7/2/45

2-100/91

224

11

1610 2111

**Bill Clinton**  
**FOR PRESIDENT COMMITTEE**

May 31, 1995

Public Office Corporation  
911 Second Street, NE  
Washington, DC 20002

Dear Mr. Bill Anderson:

Effective immediately, the Clinton for President Committee is terminating services with Public Office Corporation.

Lyn Utrecht will be contacting you within the next few days regarding final disposition of our records.

Sincerely,

*Shannon Tanner*

Shannon Tanner  
Director of Compliance

cc: Lyn Utrecht

24069

FF

**Anderson Report  
on the  
FEC Audit of the  
1992 Clinton for President Committee**

**July 1998**

**Volume Five of Five**



## **Anderson Report - Contents**

### **Volume One**

- Tab 01 Overview
- Tab 02 Documentary With References
- Tab 03 Nutshell Scenario, Background, Miscellaneous Facts & Figures
- Tab 04 Proof Clinton Primary Committee ('CPC') Obtained Redesignation Statements -- not its vendor, the Andersons' firm, as Asserted by CPC
- Tab 05 Proof Andersons Were Not Greedy, as Asserted by CPC
- Tab 06 Legal Significance of Redesignation Statements (Includes copy of first of 15 batches of redesignation statements which correlate precisely to CPC \$\$ transfers.)

### **Volume Two**

- Tab 07 More Proof \$\$ Transfers Based on Batches -- Not on 'Analysis' as Asserted by CPC
- Tab 08 Andersons' Firm POC Performed Expertly - Contrary to CPC Assertion
- Tab 09 Proof POC Did Not Prepare Debts & Obligations Schedules as CPC Asserted
- Tab 10 Andersons Maintained Good Financial Records -- Contrary to CPC Assertions
- Tab 11 POC's Matching Funds Management was 99.4% Perfect According to FEC
- Tab 12 CPC Asserts 'Privilege' Protects It From Andersons' Libel Claims

### **Volume Three**

- Tab 13 POC's Overlimit Redesignations OK by FEC - CPC's Redesignations 'not permissible'
- Tab 14 POC's 'Reconciliation' of batches - More Proof CPC Obtained Redesignations
- Tab 15 Legal Review of Andersons' Libel Suit Against CPC and Lyn Utrecht
- Tab 16 White House Connection to CPC's 'Privilege' to Make False Statements
- Tab 17 CPC Paid \$842,100 to Arkansan W.P. Malone for undisclosed 'professional services'
- Tab 18 CPC Paid \$37,500 to Campaign Worker in 1992 Sexual Harassment Episode

### **Volume Four**

- Tab 19 Other CPC Audit Anomalies
- Tab 20 POC Had Excellent Reputation in the Campaign Services Community
- Tab 21 1992 Audit & MUR 4192 Were Controversial - Legal & Other Opinions
- Tab 22 MUR 4192 and follow-up suit
- Tab 23 Lyn Utrecht's Interim Audit Response & Utrecht/Laura Shachoy MUR 4192 Response  
(The documents submitted to FEC which contained the false statements.)
- Tab 24 Correspondence Between POC/Andersons and CPC

### **Volume Five**

- Tab 25 POC/CPC Contract and POC Invoices to CPC
- Tab 26 FEC Auditors' Exit Conference Notes on CPC Audit Findings
- Tab 27 FEC Open Meeting December 1994 (Transcript of)
- Tab 28 Final Audit Report, 1992 Clinton for President Committee (CPC)
- Tab 29 General Information and Recent Articles About the FEC

**Anderson Report - Tab 25**

---

**25001-25014: POC/Anderson Contract with Clinton Primary Committee**

**25015-25074: POC Invoices to CPC from August 25, 1992 - January 24, 1994**

**25000**

99.04.393.2339

## AGREEMENT

This Agreement is made as of this 3rd day of December, 1991 by and between the Clinton for President Committee, Inc., an Arkansas corporation ("Committee"), and the Public Office Corporation, Inc., a District of Columbia corporation ("POC"). In consideration of the mutual promises hereinafter set forth and intending to be legally bound hereby, the parties hereby agree as follows:

### Section I

#### Purposes and Functions

1.1 POC agrees to undertake and perform the tasks necessary to ensure that the Committee receives the maximum matching funds to which it is entitled from the Federal Elections Commission ("FEC") under applicable law. These tasks include, but are not limited to, the functions set forth in the Proposal for the Clinton for President Committee, dated December 10, 1991, as amended by the January 22, 1992 modifications, which is attached hereto as Attachment 1 and is hereby incorporated as part of this Agreement.

### Section II

#### Term

2.1 This Agreement shall commence on the date set forth in the first Paragraph of this Agreement and shall terminate, subject to the provisions set forth in Section 2.1, on March 1, 1993. Thereafter, at the sole option of the Committee, the term may be extended for additional periods under terms and conditions mutually agreed upon by the parties.

2.2 The Committee may terminate this Agreement at any time (a) due to nonperformance by POC upon ten days prior notice to POC, (b) the paucity of contributions to be submitted to the FEC for matching fund reimbursement makes this contract uneconomical for the Committee upon fifteen days prior written notice to POC, or (c) for any other reason upon twenty days prior notice to POC. Any determination pursuant to subsections (b) or (c) shall be made at the sole discretion of the Committee.

### Section III

#### Results and Submissions

3.1 POC agrees to perform the work described in Section 1.1. POC will complete and deliver to the FEC monthly Matching Funds Submissions by the first business day of every month, monthly Receipts and Disbursements Reports by the 20th day after the last day each month, and other similar reports as required by the FEC and applicable law.

25001

25-DEC 91

Section IV  
Committee Payments and POC Performance

4.1 The Committee shall pay POC a monthly fee of \$1,750.00 to cover database management (including 24-hour on-line access, daily back-up, 24-hour hot-line number, off-site storage, and directory clean-up) and timesharing and training and support (for two video terminals and one printer).

4.2 The Committee shall pay POC a one-time fee of \$1,500.00 for two VT200 series video terminals and the necessary cables and related accessory equipment (including delivery, initial setup in Committee headquarters in Little Rock, Arkansas, and maintenance throughout the term of this Agreement). If any equipment should fail or otherwise become inoperable, POC will replace it within 48 hours at no additional cost to the Committee.

4.3 The Committee shall pay POC on a time and materials basis for reporting Committee expenditures to the FEC on a monthly basis by the date specified by the FEC and on other regularly scheduled dates as required by the FEC. The total fees to be paid by the Committee for such reports shall not exceed \$7,500.00 for reports filed through the report to be filed on March 20, 1992. The time and material charges shall be as set forth in Attachment 2 hereto. At the conclusion of the four-month period, POC and the Committee shall renegotiate the terms of this provision.

4.4 The Committee shall pay POC the following fees: (a) \$2.50 for each contribution processed, (b) \$2.00 for each affidavit sent, which fee shall include the cost of a personalized forwarding letter; and (c) \$2.00 for each affidavit executed and returned for submission to the FEC.

4.5 The Committee shall pay POC the following Incentive Fee: if any given monthly Matching Funds Submission receives an FEC grade of between 98.0% and 100%, an Incentive Fee equal to (a) an additional \$1.00 per contribution processed in such month plus (b) \$0.50 per affidavit mailed to contributors in such month. This Incentive Fee shall only be paid to POC out of funds received by the Committee from the FEC that are directly attributable to Submissions having obtained at least a 98% grade ("Incentive Funds"). Incentive Funds shall be calculated as follows: (a) the total matching contribution received in such month by the Committee minus (b) the amount that the Committee would have received in such month had the FEC grade for such monthly report been 98.0 percent. Such Incentive Funds shall be placed in an Incentive Account. POC shall only be paid out of money available in the Incentive Account. Any Incentive Fee billed by POC that is not paid in

a given month due to insufficient funds being available in the Incentive Account shall be billed to the Committee pursuant to Section 4.7 the following month (without any interest charges) in addition to any Incentive Fee that is earned by POC in the following month.

4.6 POC agrees to provide at the request of a duly authorized representative of the Committee any and all of the services listed on page 9 of Attachment 1 in the quantities and at the levels specified at the prices specified under the heading "Clinton." Such services shall be provided promptly. Billing for such services shall be as specified in Section 4.7.

4.7 POC shall submit an invoice to the Committee within fifteen (15) days following the receipt of the FEC grade. The Committee shall pay POC within fifteen (15) days of receipt of such invoice.

4.8 The Committee shall pay POC for staff hours at the rate set forth in Attachment 2 and for the cost of long-distance telephone calls actually incurred in reconciling missing or erroneous contribution or expenditure information when required for FEC compliance and/or optimization of matching funds.

#### Section V Entire Agreement

This Agreement represents the entire agreement and understanding between the parties with respect to its subject matter and supersedes and replaces any previous documents, correspondence, conversations, or other written or oral understandings between the parties related to the subject matter of this Agreement.

#### Section VI Amendments

This Agreement shall not be modified or amended except by a writing signed by an authorized representative of the Committee and POC. Waiver of any breach of any provision of this Agreement must be in writing signed by an authorized representative of both parties hereto, and such waiver shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision.

25003

PAGE

D.

Section VII  
Construction

This Agreement shall be construed under the laws of the District of Columbia, regardless of the place of execution or performance. All instruments executed pursuant to this Agreement shall also be governed by the laws of the District of Columbia. In the event of any inconsistency between the provisions of this Agreement and Attachment A, the provisions of this Agreement shall prevail.

Section VIII  
Assignment

Neither the Committee nor POC may assign its rights or obligations under this Agreement without the prior written consent of the other party.

Section IX  
Notices

Any notice, request, demand, consent, or other communication permitted or required to be given pursuant to this Agreement shall be deemed given when received, shall be in writing, and shall be delivered in person or sent by U.S. mail or by private courier service or by telecopy or telex to the other party at its address set forth below or at such other address as such party hereafter may furnish in writing to the other party.

Clinton for President  
Committee, Inc.  
P.O. Box 615  
Little Rock, Arkansas 72203

Attn: David Watkins

Public Office Corporation, Inc.  
911 2nd Street, N.E.  
Washington, D.C. 20002

Attn: Pat Anderson

Section X  
Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section XI  
Headings

The Section headings used in this Agreement are for reference purposes only and do not constitute a part of this Agreement.

Section XII  
Severability

In the event that a court of competent jurisdiction holds any provision of this Agreement to be invalid, such holding shall have no effect on the remaining provisions of this Agreement, and they shall continue in full force and effect.

Section XIII  
Arbitration

Any dispute arising between the parties hereto in connection with this Agreement that cannot be resolved by mutual agreement shall be submitted to arbitration before a single arbitrator, who shall be appointed by agreement of the parties, and shall be finally settled under the Rules of Conciliation and Arbitration of the American Arbitration Association. In the event that the parties cannot agree on the appointment of an arbitrator within 30 days of written notice by either party that arbitration of a dispute is being sought, the arbitrator shall be appointed by the American Arbitration Association. The award of the arbitrator shall be binding upon the parties and judgment may be entered thereon in any court having jurisdiction thereof. All costs of arbitration shall be borne as provided in the award of the arbitrator.

IN AGREEMENT to the foregoing, the duly authorized representatives of the parties hereby execute this Agreement.

PUBLIC OFFICE CORPORATION,  
INC.

By: William R. Anderson

Title: Chairman

Date: 02/05/92

CLINTON FOR PRESIDENT  
COMMITTEE, INC.

By: W. David White

Title: Vice President

Date: 2/8/92

25005

D

Proposal for the Clinton for President Committee

December 10, 1991

As amended by January 22, 1991 modifications

Assignment of Tasks, Responsibilities, and Price Quotation  
for Presidential Primary Campaign Contributions Management

A. LITTLE ROCK HEADQUARTERS TASKS as regards "receivables":

- collect contributions (post office, headquarters, etc.)
- open mail and scrutinize, sort, and code the checks
- balance checks to be deposited and organize into "batches"
- generate computer typed deposit slips using POC system (option)
- take deposit to bank
- generate (virtually automatic) and distribute all fund-raising reports
- organize materials that need to be documented
- reproduce check copies and deposit slips
- immediately follow-up on "missing" information  
(fund raising center, event code, solicitor code, checks with no address)
- immediately follow-up on contributions that could not be deposited
- send copy of check batches to POC in Washington

POC will train the staff and support this operation. Staff requirements and skill level for a volume of 500-800 new checks daily are:

- 1 supervisor to "keep things rolling"
- 1 key operator sitting at desk entering basic transaction data
- 4 - 6 volunteers to support (1) opening mail, (2) organizing checks,  
(3) batching for deposit, (4) running deposit slips,  
(5) photo copying 2 sets of check copies, (6) running to bank,  
(7) bundling contributor cards/direct mail cards, (8) boxing up  
check copies and contributor cards to send to POC via UPS

Note: Usually, the key operator can easily "double" as the supervisor as long as volume is 500-800 checks per day range.

As volume increases, or on extremely heavy "money" days, 2 operators, each with a terminal, could do this job simultaneously. Alternatively, on heavy money days, just cut off the day's deposit to 1000 or so and after the deposit is made, begin preparing the remaining checks as part of the "next day's" deposit.

The volunteer support would likewise expand and contract based on volume and how "fast" everyone worked. Hopefully "about" the same people could be counted on to regularly do this task.

Busiest time of day for this group is early a.m. until the deposit is made, usually before 2 p.m.

Reports: a report of the day's deposit is immediately available for distribution to the fund raising people, direct mail consultants, and anyone else on the distribution list. So as the deposit is being taken to the bank, receipts information can be made available.



**B. POC TASKS: SCRUTINY OF DEPOSITED BATCHES (included in quote)**

- Log in deposited batches from Little Rock
  - Generate the contribution's gum label and attach it to the check copy
  - Coordinate with HQ any discrepancies
- day #2

**C. POC Tasks: Initial Data Entry/Database inquiry (included in quote)**

- PASS #1: enter base record or update existing record
  - dress the transaction data and post the contribution to base record
  - generate standard thank you letter to be printed in Little Rock (standard=TextA for \$1000 contributions & TextB for less than \$1000)
- day #2
- 
- PASS #2: a more experienced operator will make a second pass through the batch and make sure that duplicates are not present and that matching funds have been maximized
  - follow-up on any "over maxed" situation is begun
  - records are "marked " for generation of affidavits
- day #2 & #3
- 
- current affidavits are generated, filled out and mailed
  - "missing" information is identified and notices sent to obtain occupation and employer
  - current matching-funds report to campaign management produced and distributed
  - any required/requested production is generated
- day #3

**D. POC TASKS: MAXIMIZING MATCHING FUNDS: (included in quote)**

- pass #2 is where matching funds are maximized using information gleaned from all documents plus experience of the operator
- scrutiny of returned affidavits, photo-copying affidavits, etc.
- database is worked and re-worked to obtain full potential of matching funds from database

**E. POC TASKS: GENERATING MATCHING FUNDS SUBMISSION: (included in quote)**

- 100% responsibility for matching funds submissions
- timely matching-funds report generated and submitted along with all documents necessary
- report, magnetic tape (required by FEC), check copies, affidavits, NSF report and refunds report

**F. POC TASKS: GENERATING FEC COMPLIANCE REPORTS: (included in quote)**

- 100% responsibility for FEC compliance reporting
- POC advises HQ of any situations that should receive special handling
- timely FEC compliance reports are generated and taken to FEC as required

25007

D

G. POC TASKS: ON-LINE COMPUTER SUPPORT TO HEADQUARTERS  
VIA LEASED/MULTIPLEXED LINE (INCLUDED IN QUOTE)

---

- tentative allocation of video terminals:

Two video terminals initially; up to four more can be installed later, if needed, in addition to one or two printers.

- POC's goal is that every user has the basic documentation and instructions that they need to do their job on the computer and that their use of the computer will require NO additional support of staff at the Clinton campaign headquarters: POC will take the responsibility of those using the data on our computer; it is assumed that the above users will make best effort at helping themselves; POC is the HELP HOTLINE.
- All users will have their own account and they will be able to access data and generate products simultaneously; they will share the two printers.
- There is virtually no limit to the products they can generate fairly easily; products that require lengthy setup will generally be established by POC as part of our base price. We will advise you should an ad hoc request be considered outside the normal support range and we can give you a quote if additional cost might be incurred.
- quote includes unlimited usage of the computer
- 24 hour hotline support for those operators identified above
- basic training on managing the laser printer
- basic training on managing the deposit (computerized deposit system)
- setup standard, daily report for Finance Chairman to be printed in Little Rock for up-to-the minute reports by STATE, and within Arkansas, by COUNTY. Format and content to be approved by Finance Chairman. POC will setup (to be run by the finance group) any report they need to do their job better.
- consult with HQ fundraisers and planners re coding systems/requirements
- POC will provide daily backup security and "failsafe" copies of all documents where we are "only" copy.
- POC will operate the computer, other than for backup, 24 hours/day and 7 days a week (no backups scheduled on weekend mornings)

1058

25008

H. LITTLE ROCK HEADQUARTERS TASKS: SUPPORT TO OVERALL EFFORT

- assist POC in tracking down missing information by keeping POC informed of all incoming data updates/changes/information
- assist POC in tracking event and fundraising information by keeping them informed of direct mail plans/codes and fundraising centers (POC can help "design")
- generally give POC a break by treating them like they are "on the team"
- where POC finds itself frequently supporting activity centers directly (other than those mentioned earlier), we reserve the right to request additional compensation.
- POC agrees to provide to the designated individuals, daily information regarding matching funds availability for the "next" submission; we will assist in any way requested to provide bankers or the like with matching funds tracking controls as regards reliability of these daily reports.

25009

1:07

D

I. ASSUMPTIONS:

- on-site training of 3 days
- on-site briefing to LR Staff (if desired) by POC of overall capabilities, approach, matching funds education, etc. (maybe 1-2 hours worth)
- on-site consultation with fundraisers and any others re ideas/procedures, etc. that might be helpful to all concerned
- documentation will be delivered / written procedures, etc.
  
- HQ will only have reliable, well trained people working in the database - it is extremely important that we be able to rely on the data as we entered it and double-checked it - it is assumed that at no time will a record be deleted that has money in it or that fiddling with the data concerning contributions will occur

J. EXAMPLES OF WHAT IS NOT COVERED IN THE QUOTE:

- DIRECT COSTS incurred by POC in behalf of the campaign (postage, UPS, FEDEX, unusual FAX charges, unusual telephone costs (like a special project or for followup on affidavits or to reconcile missing or erroneous contribution or expenditure data).
- interface with direct mail consultants and preparation of magtapes for same
- special projects (note: frequently, you might need help to do something the first time but after that, you can do it on your own, or, what additional support might be required, will fall under hotline support rather than special project)
- ad hoc production requests - cost of printing and setup only
- we will always be happy to discuss or quote on a special project, just give us a call anytime
- when POC is asked to fill in whenever necessary

K. RE TRAINING:

We would like to propose an on-site training by one person from POC going to your headquarters for three days; this seems to be the most reasonable way to accomplish training/orientation/equipment setup/etc.

- HQ pays for air fare and \$100/day expenses for three days

L. SETUP ASSUMPTIONS:

- HQ will get a leased line for up to six terminals (VT200 or VT300 DEC series) and two printers (the mix is not important)
- POC will provide multiplexing equipment for each end and general support to keep multiplexor equipment running.

25011

11/22/92

D

PRICES: Startup..... \$ No Charge  
Per contribution..... 2.50

Per affidavit sent out (when required) plus postage 2.00

Per affidavit returned (prepare for FEC submission,  
match with check copy, mark system, scrutinize) 2.00

Monthly database management fee 1,000.00  
(24-hour on-line access, daily back-up,  
24 hour hot-line number, off-site storage,  
directory cleanups)

Key operator support and services when HQ does  
not provide, per month 1,000.00

Timesharing per month 750.00  
for 2 video-terminal users & 1 printer  
as described herein

Other support if requested..... T&M  
(see fee schedule attached)

One-time, flat fee for 2 VT200 series video terminals  
(includes delivery, maintenance, cables & initial setup  
in HQ) throughout timesharing period \$1500.  
Should any equipment fail, we will replace  
it within 48 hours at no additional cost.

FEC Reporting support for the Expenditures:  
T&M for 4 months with cap of \$10,000; at the end of four months  
(Dec - Mar '92), POC and the Clinton Committee will renegotiate  
this support area; this quote includes entering and coding all  
the expenditures from inception of operation through March '92.

Four things have happened that cause us all concern vis-a-vis the original prices quoted to the Clinton Committee by POC:

- broad scope and tone of POC's responsibility;
- different (more potential) profile of the contributions and the level of effort required to manage it properly;
- implications (to POC) of open-ended support where a "strong" contact person is not present in Little Rock; and
- understandable difficulty on the part of the committee in not knowing pretty much exactly what the "bill" from POC is going to be.

We would like to make the following suggestions:

- #1 Allow an incentive and management fee of \$1.00 per contribution and \$.50 per affidavit. THIS INCENTIVE WOULD PAY FOR THE ADDITIONAL TIME IT WILL TAKE TO MAKE SURE THAT ALL POTENTIAL FROM THE DATABASE IS OBTAINED. For example:

- handling of bad copy checks (something out of POC's control)  
On the database right now is probably \$10,000 worth of checks where a "bad" photocopy prevents it from being readily matchable; we will identify all of these, write a letter to the contributor explaining the situation, request the cancelled check or photocopy, make a good copy, make a copy for AR files and DC files (3 sets), mark the computer as a good copy, and submit it for matching on the next go around, AND return the cancelled check to the contributor;
- monitoring this database like a database has never been monitored before; make calls to determine "relationships" of family contributions, mother/daughter, father/son, etc. so that maximum splitting can be accomplished;
- finding all \$250 dollar checks where it is the 'second' contribution and see if we can identify a spouse;
- follow-up on the \$500 & above contributors (more than 400 now) where the account holder is only one name -- in other words find a spouse;
- aggressively splitting contributions and continue to split as new contributions come in over time; follow-up with affidavits, pull contribution back where no affidavit can be obtained;

We expect that for each \$100 you pay us in "incentive," the committee will benefit by \$2000 or more.

- #2 Item 1 will be paid for only where "perfection" is achieved by POC's submissions to the FEC. Perfection is defined as an FEC GRADE 98%-100%.
- #3 POC will "invoice" the campaign every two weeks and we would like payment within 5 days.
- #4 The onus is on POC to IMMEDIATELY alert HQ should any situation arise where charges can possibly be different than the quotations made herein.

25013

25013

D

Ad Hoc Price List for the Clinton Campaign  
December 10, 1991  
(as amended 1/22/92)

(For requested products and services which are clearly NOT included in the preceeding sections.)

	<u>Clinton</u>
Printed Products (High quality laser, U/L case)	
Mailing labels, self adhesive each	.07
Listings/Reports per page	.15
Impact printed envelopes each	.15
Individualized letters each	.44
(same batch exceeding 500 each)	.33
Setup Charges - labels, listings, reports	
per job or job series	\$9.00
- letters text setup & proof	
per page	\$15.00
Staff Services - Senior Operator/per hour	28.00
Staff Operator/per hour	24.00
Clerk/per hour	16.80
Magnetic Tape Production	
- fixed length, fixed format for direct mail use	\$90+\$6/ 1000 recs
Reimburseable Items - special programming if required	cost/quoted
- all delivery, shipping and postage	
- supplies purchased through POC	
- long distance telephone for special,	
intense projects including those described	
on page 6.	

01002

25014.



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

August 25, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of incentive pay for matching submission 09 (of 08/03/92)  
-----

Funds left in "account" as of 08/01/92 (Total left unused  
after S08 billed)

\$ 32786.65

Re: S09:

FEC assigned grade of 99.6

31900 contributions processed during month @ 1.00

31900.00

1067 affidavits sent @ .50

532.00

Incentive pay for S09

32432.00

Amount accrued to Clinton Committee for S09 grade over  
98.0 = 1,793,791.46 x 1.6% =

28700.66

Total now in "account" for incentive pay  
(32786.65 + 28700.66)

61487.31

Amount due to be paid from "account" for S09

32432.00

25015

25-Dpc F

25016

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 10, 1992

Clinton for President  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

---

Statement of Database & FEC Compliance & Matching Services - 08/18 thru 09/02/92

---

All charges relate to Primary campaign.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
49058 contributions processed - 5000 @ 2.50	12500.00
44058 @ 1.75	77101.50

Expenditure work for FEC compliance	
20.00 staff-hrs manager @ 26.00	520.00
39.50 " " assistants @ 22.00	869.00

1746 affidavits returned & integrated into submission for	
#10 for \$175,911.65 to be matched @ 2.00	3492.00
10000 thanku letters - @ new discounted rate of .26	2600.00
10000 " envelopes addressed " " " .12	1200.00

99907.50

25017

F

25018

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 17, 1992

Clinton for President  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
AMENDED Statement of Database & FEC Compliance Services - 09/03 thru 09/16/92  
-----

All charges relate to Primary campaign:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
31590 contributions processed - 5000 @ 2.50	12500.00
26590 @ 1.75	46532.50
1511 affidavits sent @ 2.00	3022.00
5342p listings @ .14	747.88
23803 thanku letters @ discounted rate .26	6188.78
23803 " envelopes typed " " .12	2856.36
	<u>73472.52</u>

25019

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 22, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

---

## Statement of reimbursible expenses - August 2 thru September 3, 1992

---

(All of the charges herein relate to the Primany campaign)

### Postage

2643 affidavits mailed with stamped return @ 2 x .29 1532.94

### Federal Express charges per attached:

07/29 Little Rock	9.00
07/28 Nashville	14.00
08/04 Little Rock	60.75
08/07 Cleveland	23.00
08/10 Brookline, MA	18.00
08/11 Bismarck, ND	13.00
08/12 Little Rock	45.25
08/13 Kennebunk, ME	20.00
08/13 Little Rock	43.75
08/13 " "	34.25
08/14 " "	67.50
08/20 Jackson, MS	9.00
08/21 Little Rock	31.25
08/27 Chicago	27.25
08/28 Little Rock	90.00
08/28 " "	93.75
08/28 " "	90.00
08/29 " "	35.25

725.00

### Messenger deliveries per attached

73.50

### Supplies:

160 3" binders for FEC submissions @ 4.70  
28 packets index dividers @ 7.34

752.00

205.52

### Long distance charges per attached:

86.56

(No charges for calls to AR)

### Sales tax

10.99

25020 -

3386.51

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 24, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

---

Statement of incentive pay for matching submission 10 (of 09/03/92)

---

Funds left unused in "account" as of 09/01/92 after  
S09 billed

\$ 29055.31

Re: S10:  
FEC assigned grade of 98.8

68212 contributions processed during month @ 1.00  
2643 affidavits sent @ .50

68212.00  
1321.50  
69533.50

Amount accrued to Clinton Committee for S10 grade over 98.0 =  
 $2,825,181.16 \times 0.8\%$

22601.45

Total now in "account" for incentive pay  
(29055.31 + 22601.45)

51656.76

Amount due to be paid from "account" for S10

69533.50  
51656.76

25021

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911  
October 4, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

---

Statement of Database & FEC Compliance Services - 9/17/92 thru 9/30/92

---

All charges relate to Primary campaign:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
10091 "suspense" contributions processed (8/21-9/28) @ special reduced rate of 1.00	10091.00
Expenditure work for FEC compliance:	
40.00 staff/hrs manager @ 26.00	1040.00
48.00 " " assistants @ 22.00	1056.00
670 affidavits returned and integrated into system @ 2.00	1340.00
44498 thanku letters @ new discounted rate of .26	11569.48
44498 envelopes typed @ " " " " .12	5339.76
Carried forward from prior periods (see attached):	
10020 contributions processed @ 1.75	<u>17535.00</u>
	49596.24

25022



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 15, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of reimbursible expenses - September 4 thru September 30, 1992  
-----

All of the expenses herein relate to the Primary campaign.

Postage

1511 affidavits mailed with stamped return @ 2 x .29 876.38

Federal Express charges per attached:

08/31	Little Rock	32.75
09/03	" "	55.25
03	" "	9.00
03	" "	40.75
09	" "	50.25
09	" "	55.25
09	" "	59.75
12	" "	36.00
12	" "	62.75
09	" "	15.00
12	" "	24.50
14	" "	55.25
14	" "	60.75
14	" "	94.65
11	" "	86.25
11	" "	80.00
11	" "	86.25
15	" "	72.75
15	" "	77.75
15	" "	13.00
16	Encino, CA	13.00
16	Little Rock	76.75
16	" "	72.75
17	" "	9.00
17	" "	21.75
16	" "	13.00
23	" "	59.75
24	" "	27.25
29	" "	88.25
29	" "	<u>48.25</u>

25023

1509065

- continued

Additional FEDEX charges per attached:

08/31	Little Rock	80.00
31	" "	81.25
31	" "	<u>82.50</u>

243.75

SYNOPSIS inv 92-1189-0918 per attached  
(signature font for laser printing of thanku's)

370.00

Total due

2993.78

25024

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 16, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 10/01 thru 10/15/92  
-----

All charges relate to Primary campaign:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
10091 "suspense" contributions - additional processing for FEC compliance @ .50	5045.50
1832 "suspense" contributions - full processing @ 1.50 total	2748.00
319 affidavits sent @ 2.00	638.00
361 affidavits returned & integrated into system @ 2.00	722.00
30287 thanku letters @ new discounted rate of .26	7874.62
30287 " envelopes " " " " " .12	3634.44
290p reports @ .14	40.60
	<u>22328.16</u>

25025

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 21, 1992

Clinton/Gore Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Services - General Election Legal & Compliance  
-----

September 10 thru 17:

Schuh Advertising project:

Processing - 7 magtapes per specs @ 63.00	\$ 441.00
27005 records @ .007	189.03
7 9 track magtapes @ 20.00	<u>140.00</u>
	770.03

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

November 6, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 10/16/92 thru 10/31/92  
-----

All charges relate to Primary campaign:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
2305 "suspense" contributions processing @ 1.50	3457.50
451 affidavits sent @ 2.00	902.00
290 affidavits returned & integrated into system @ 2.00	580.00
35070 thanku letters @ new discounted rate of .26	9118.20
35070 " envelopes " " " " " .12	4208.40
175p reports @ .14	24.50
	<hr/>
	19915.60

25027

25027  
F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

November 11, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of reimbursible expenses - October 1 thru October 31, 1991  
-----

All of the expenses herein relate to Primary campaign.

## Postage

770 affidavits sent with stamped envelope return @ 2 x .29 446.60

## Federal Express charges per attached:

09/28	Little Rock	48.25
30	" "	60.75
30	" "	55.25
10/01	" "	59.75
01	" "	53.50
01	" "	53.50
02	" "	39.75
06	" "	64.75
06	" "	65.75
06	" "	47.50
07	" "	21.75
08	" "	20.00
10	" "	30.00
13	" "	65.75
13	" "	56.25
13	" "	40.75
14	" "	49.75
14	" "	27.25
14	" "	52.00
14	" "	68.75
14	" "	72.75
14	" "	56.25
15	" "	51.00
16	" "	52.00
16	" "	88.25
16	" "	51.00
16	" "	48.25
16	" "	48.25
17	" "	54.25
17	" "	52.00
17	" "	52.00
17 -	" "	49.75

25028

- continued

Federal Express charges continued

10/15	Little Rock	64.75
15	" "	65.75
15	" "	52.00
15	" "	48.25
15	" "	44.75
19	" "	52.75
19	" "	65.75
19	" "	72.75
19	" "	52.00
19	" "	52.00
20	" "	51.00
20	" "	51.00
21	" "	76.75
21	" "	51.00
22	" "	52.75
20	" "	88.25
21	" "	34.25
22	" "	85.75
22	" "	56.25
26	" "	<u>29.25</u>

2803.75

Total due

3250.35

25029

055

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

November 17, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services: 11/01/92 thru 11/16/92  
-----

All charges relate to Primary campaign followup & cleanup work:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
5242 "suspense" contributions processed @ 1.50	7863.00
225 affidavits sent @ 2.00	450.00
403 affidavits returned & integrated into system @ 2.00	806.00
Address updates of return mail:	
22.00 staff/hrs @ 22.00	484.00
Marking system for \$ transfers out of Primary:	
38.00 staff/hrs @ 22.00	836.00
Maintenance of Batch database:	
12.00 staff/hrs @ 22.00	264.00
17575 selfad labels (employment I.D. project) @ .07	1230.25
1448p listings " " " @ .14	202.72
Special quantity additional discount on labels (20%)	(246.05)
Expenditure work for FEC compliance (10/20 report for month of OCT - inadvertently left off last invoice):	
28.00 staff/hrs manager @ 26.00	728.00
49.00 " " assistants @ 22.00	1078.00
	<u>15320.92</u>

25030



# Public Office Corporation

911 Second Street, N E  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

December 8, 1992

Clinton for President Committee  
Primary Election Accounts Payable  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 11/17/92 thru 11/30/92  
-----

All charges herein relate to Primary campaign followup & cleanup work:

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
293 "suspense" contributions processed @ 1.50	439.50
217 affidavits returned & integrated into system @ 2.00	434.00

Marking system for \$ transfers out of Primary:	
25.00 staff-hrs manager @ 26.00	650.00
150.25 " " assistants @ 22.00	3305.50

Entry of occupational data coming in from special request for same:	
1.00 staff-hrs manager @ 26.00	26.00
45.50 " " assistants @ 22.00	1001.00

Reconciliation of data preparatory to production of FEC audit tape and FEC audit:	
55.00 staff-hrs manager @ 26.00	1430.00
206.00 " " assistants @ 22.00	4532.00

Expenditure work for FEC compliance (11/20 report)	
24.00 staff-hrs manager @ 26.00	624.00
7.00 " " assistants @ 22.00	154.00

General support Little Rock offices:	
25.00 staff-hrs manager @ 26.00	650.00
23.00 " " assistants @ 22.00	506.00

-----  
15377.00

25031

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911  
December 16, 1992

Clinton for President Committee  
Primary Election Accounts Payable  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 12/01/92 thru 12/15/92  
-----

All charges herein relate to Primary campaign followup & cleanup work  
-----

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
35 affidavits returned & integrated into system @ 2.00	70.00

Marking system for \$ transfers out of Primary:	
1.50 staff-hrs manager @ 26.00	39.00
15.75 " " assistants @ 22.00	346.50

Entry of occupational data coming in from special request for same:	
2.00 staff-hrs manager @ 26.00	52.00
99.75 " " assistants @ 22.00	2194.50

Reconciliation of data reparatory to FEC audit:	
32.00 staff-hrs manager @ 26.00	832.00
154.50 " " assistants @ 22.00	3399.00

Process reports as requested:	
1.00 staff-hrs manager @ 26.00	26.00
81.00 " " assistants @ 22.00	1782.00

Database updates incl. suspend database & returned mail:	
2.00 staff-hrs manager @ 26.00	52.00
129.25 " " assistants @ 22.00	2843.50

Audit tapes for FEC:	
Revision of databases per FEC requirements -	
24.00 staff-hrs manager @ 26.00	624.00

Processing basic records	167,000 records	
financial data	221,000 "	
offsets	270 "	
NSF's, refunds, etc.	1,800 "	
	<u>390,070</u> @ .007	2730.49
Production - 4 tapes @ 63.00		252.00

- continued

2401p reports @ .14

336.14

Total due

---

17204.13

25033

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

December 21, 1992

Clinton for President Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

---

Statement of reimbursible expenses - November 1 thru November 30, 1992

---

All of the expenses herein relate to Primary campaign.

Postage

225 affidavits sent with stamped envelope return @ 2 x .29 130.50

Federal Express charges per attached:

10/28	Little Rock	20.50	
10/28	" "	24.50	
10/29	" "	20.00	
11/03	" "	57.75	
11/06	" "	29.50	
11/09	" "	15.00	
11/10	" "	13.00	
11/13	" "	32.25	
11/19	" "	20.00	
11/20	" "	34.50	
11/23	" "	35.50	
11/24	" "	24.50	
11/25	" "	20.00	
		-----	347.00

Long distance calls per attached (no charge for calls to Little Rock)

129.58

Tax

16.46

Supplies

12 3" binders for reports to AR @ 4.70

56.40

4 packs index tabs @ 7.34

29.36

total due

709.30

25034

# Public Office Corporation

---

911 Second Street, N E  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

December 21, 1992

Clinton/Gore Committee  
Mr. David Watkins  
123 West 3rd Street  
Little Rock, AR 72201

-----  
Services - general election legal and compliance fund  
-----

Reimbursement -

Courier service - tapes to Weiland Services - Boulder, CO	
per attached - appeal for gelac funds 08/21/92	210.00

25035

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911  
January 6, 1993

Clinton for President Committee  
Primary Election Accounts Payable  
Mr. David Watkins  
124 West Capitol Street Suite 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 12/16 thru 12/31/92  
-----

All charges herein relate to Primary campaign followup & cleanup work  
-----

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
20 affidavits returned & integrated into system @ 2.00	40.00

Preparation of 12/21 FEC report for 11/30/92:	
20.00 staff-hrs manager @ 26.00	520.00
28.00 " " assistants @ 22.00	616.00

Entry of occupational data coming in from special request for same:	
41.00 staff-hrs assistants @ 22.00	902.00

Reconciliation and balancing of data preparatory to FEC audit:	
19.00 staff-hrs manager @ 26.00	494.00
227.75 " " assistants @ 22.00	5010.50

Process reports as requested:	
2.00 staff-hrs assistants @ 22.00	44.00

Database updates including suspend items & returned mail:	
71.75 staff-hrs assistants @ 22.00	1578.50

156p reports printed @ .14	<u>21.84</u>
----------------------------	--------------

Total due	10851.84
-----------	----------

25036

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

January 22, 1993

## MEMORANDUM

For: Barbara Yates

Re: Billing

We are enclosing our bill for the first half of January.

Also enclosed is a copy of our bill for the last half of November. This invoice was skipped over - possibly because the amount is very close to the bill for first half of November as follows:

11/01 thru 11/16/92	15,320.92	paid
11/17 thru 11/30/92	15,377.00	not paid

If there is any other way you would like us to handle our bills, please let me know.

It was nice seeing you yesterday.

Call on me if I can be helpful.



William R. Anderson

25037

F

# Public Office Corporation

911 Second Street, N E  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911  
January 22, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

---

## Statement of Database & FEC Compliance Services - 01/01 through 01/15/93

---

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
138 affidavits processed & sent @ 2.00	276.00
Entry of occupational data coming in from special request for same:	
26.00 staff/hrs @ 22.00	572.00
Reconciliation & balancing of expenditure & receipt data in preparation for FEC audit:	
188.67 staff/hrs managers @ 26.00	4905.42
241.00 " " assistants @ 22.00	5302.00
Process reports as requested:	
5.00 staff/hrs managers @ 26.00	130.00
16.50 " " assistants @ 22.00	363.00
Database updates including suspend items & returned mail:	
6.00 staff/hrs managers @ 26.00	156.00
65.25 " " assistants @ 22.00	1435.50
2700 pages reports printed @ .14	<u>378.00</u>
	15142.92

All of the above charges relate to the Primary campaign cleanup  
and followup work.

25038



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

February 3, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

---

## Statement of Database & FEC Compliance Services - 01/16 through 01/31/93

---

All of these charges relate to the Primary campaign cleanup and followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
97 affidavits returned & integrated @ 2.00	194.00
Entry of occupational data coming in from special request for same:	
7.50 staff/hrs assistants @ 22.00	165.00
Reconciliation & balancing of expenditure & receipt data in preparation for FEC audit:	
101.50 staff/hrs managers @ 26.00	2639.00
150.25 " " assistants @ 22.00	3305.50
Database updates including suspend items, refunds, offsets, returned mail:	
8.00 staff/hrs managers @ 26.00	208.00
77.50 " " assistants @ 22.00	1705.00
Merging Suspend database with Maindata:	
17.00 staff/hrs managers @ 26.00	442.00
70.50 " " assistants @ 22.00	1551.00
Produce tapes for FEC as directed:	
3.00 staff/hrs managers @ 26.00	78.00
830p reports printed @ .14	116.20
* 14089p of FEC Submissions copied for AR @ .035	493.11
44 3-ring binders for above @ 4.70	206.80
	<hr/>
	12728.61

\*this is all except S06 which is being prepared

0107S  
25039

F

1922p listings & reports printed @ .14  
4411p FEC submissions (affidavits S06)  
copied for AR @ .035  
9 3" binders @ 4.70  
1 1" " @ 1.30

269.08

154.38

42.30

1.30

13611.56

25040  
18081

99-04-393-2378

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

February 17, 1993

## STATEMENT

Clinton/Gore Post Election Committee

<u>Date of inv.</u>	<u>For</u>	<u>Amount</u>
12/09/92	Svcs. 11/17 thru 11/30/92	15377.00
12/21/92	Exps. 11/01 thru 11/30/92	709.30
01/22/93	Svcs. 01/01 thru 01/15/93	15142.92
02/03/93	Svcs. 01/16 thru 01/31/93	12728.61
02/17/93	Svcs. 02/01 thru 02/15/93	<u>13611.56</u>
	total due	57569.39

25041  
F  
2002

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

February 17, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

---

## Statement of Database & FEC Compliance Services - 02/01 thru 02/15/93

---

All of these charges relate to the Primary campaign cleanup & followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00

21 affidavits returned & integrated @ 2.00	42.00
--	-------

Entry of occupational data:	
23.00 staff/hrs assistants @ 22.00	506.00

Reconciliation & balancing in preparation of audit:	
98.50 staff/hrs managers @ 26.00	2561.00
103.00 " " assistants @ 22.00	2266.00

Database updates including suspend items, refunds, offsets, returned mail:	
15.50 staff/hrs managers @ 26.00	403.00
42.50 " " assistants @ 22.00	935.00

Merging SUSPEND with MAINDATA:	
2.00 staff/hrs assistants @ 22.00	44.00

Call up records, remove code, replace with GELAC code:	
20.00 staff/hrs managers @ 26.00	520.00
122.00 " " assistants @ 22.00	2684.00

Prepare affidavit copies and other records for Little Rock & attorneys:	
11.50 staff/hrs managers @ 26.00	299.00
38.50 " " assistants @ 22.00	847.00

Prepare new FEC reports:	
18.75 staff/hrs managers @ 26.00	412.50

- continued

25042

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

February 25, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

-----  
Statement of reimbursible expenses - December 1, 1992 thru January 31, 1993  
-----

All of the expenses herein relate to Primary campaign.

Postage:

138 affidavits sent with stamped envelope return @ 2 x .29      80.04

Federal Express charges per attached:

11/25 Little Rock	20.00
12/02 " "	20.00
12/07 " "	27.25
12/08 " "	20.00
12/08 " "	63.75
12/09 " "	30.00
12/11 " "	13.00
12/14 " "	27.25
12/14 " "	9.00
12/14 " "	9.00
12/15 " "	13.00
12/16 " "	20.00
12/17 " "	13.00
12/21 " "	43.75
12/23 Boston	9.00
01/04 Little Rock	20.00
01/06 " "	47.50
01/07 " "	27.25
01/09 " "	21.75
01/14 " "	62.50
01/15 " "	20.00
01/18 " "	13.00
01/21 " "	13.00
01/22 " "	56.25
01/23 " "	13.00
01/25 " "	26.75
01/26 " "	30.00
01/28 " "	48.25

- continued

25043

F

01/28	Little Rock	40.75
01/28	" "	42.25
01/29	" "	37.75
01/29	" "	25.75
01/29	" "	43.75
01/29	" "	28.25
01/29	" "	49.75
01/29	" "	42.25
01/29	" "	<u>42.25</u>

1090.00

TOTAL

1170.04

25044

# Public Office Corporation

911 Second Street, N E  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

March 3, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 02/16 thru 02/28/93  
-----

All of these charges relate to the Primary campaign cleanup & followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
8 affidavits returned & integrated @ 2.00	16.00
Reconciliation & balancing in preparation of audit:	
37.00 staff/hrs managers @ 26.00	962.00
58.00 " " assistants @ 22.00	1276.00
Database updates including suspend items, refunds, offsets, returned mail:	
29.00 staff-hrs managers @ 26.00	754.00
31.75 " " assistants @ 22.00	698.50
Merging SUSPEND with MAINDATA:	
5.00 staff/hrs managers @ 26.00	130.00
Call up records, remove code, replace with GELAC code:	
36.00 staff/hrs managers @ 26.00	936.00
45.25 " " assistants @ 22.00	995.50
Prepare affidavit copies and other records for Little Rock & attorneys:	
19.00 staff/hrs managers @ 26.00	494.00
19.50 " " assistants @ 22.00	429.00
Prepare new FEC reports:	
22.00 staff/hrs managers @ 26.00	572.00

- continued

25045

F

Mark Primary database, verify by check items  
with list code identifiers each group of  
contributions transferred to GELAC. Lists  
were proofed and double-checked and are  
being reconciled:

10.50 staff/hrs managers @ 26.00	273.00
186.75 " " assistants @ 22.00	4108.50

Redo of draft audit tape:	63.00
15424 records processed @ .007	107.97
1 magtape	25.00

615p reports printed @ .14	86.10
----------------------------	-------

Carried forward from December & January:

Preparation of programs to -

- dress data for FEC audit contributor tapes
- block records by 10 per FEC request
- dress data for FEC EXPEND tape
- identify & apply unique vendor nos. to EXPEND records
- modify cost-centers to allow greater flexibility in applying fundraising deductions
- dress data to allow FEC reports to go back in time

36.75 programmer-consultant-hrs @ 50.00	1837.50
	<u>15389.07</u>



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

March 18, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 03/01 thru 03/15/93  
-----

All of these charges relate to the Primary campaign cleanup & followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
7 affidavits returned & integrated @ 2.00	14.00
Reconciliation, balancing, updates in preparation of audit:	
82.00 staff/hrs managers @ 26.00	2132.00
123.50 " " assistants @ 22.00	2717.00
GELAC transfers proofing:	
2.00 staff/hrs managers @ 26.00	52.00
100.50 " " assistants @ 22.00	2211.00
Updates, occupation/employer data:	
7.00 staff/hrs assistants @ 22.00	154.00
2163p reports printed for Committee @ .14	<u>302.82</u>
	9207.82

25047

0001

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

March 23, 1993

## STATEMENT

Clinton/Gore Post Election Committee

<u>Date of INV.</u>	<u>For</u>	<u>Amount</u>
12/21/92	Reimbursement for exp. NOV 92	709.30
02/03/93	Svcs. 01/16 thru 01/31/93	12728.61
02/25/93	Reimbursement for expenses 12/01/92 thru 01/31/93	1170.04
03/03/93	Svcs. 02/16 thru 02/28/93	15389.07
03/18/93	Svcs. 03/01 thru 03/15/93	9207.82
	TOTAL DUE	39204.84

25048

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

April 2, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 03/16 thru 03/31/93  
-----

All of these charges relate to Primary campaign cleanup & followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00

8 affidavits returned & integrated into system @ 2.00 16.00

Reconciliation, balancing, updates in preparation  
of audit:

56.50 staff/hrs managers @ 26.00	1469.00
209.50 " " assistants @ 22.00	4609.00

GELAC transfers proofing:

13.00 staff/hrs managers @ 26.00	338.00
61.00 " " assistants @ 22.00	1342.00

4303p reports printed @ .14 602.42

Process and produce 4 tapes for FEC @ 63.00	252.00
#1 contributor master 180,930 records @ .007	1266.51
#2 contributor detail 239,755 records @ .007	1678.28
#3 offset master 65 records @ .007	4.55
#4 offset and other detail 2302 records @ .007	16.11

13218.87

25049

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

April 16, 1993

## MEMORANDUM

For: Richard Williams

Re: Balancing of POC invoice totals against Committee disbursements

When we run a total of all invoices thru -  
reimbursible expenses thru 10/01 - 10/31/92 period  
services thru 02/01 thru 02/15/93 period

We get..... \$ 1052402.74

Your figure of payments... 1039674.27

The difference..... 12728.47 represents our invoice  
dated 02/03/93 for services  
01/16 thru 01/31/93 which  
has not been paid (but  
probably included in the  
check which is coming).  
12728.61 is the amount of that invoice

Thus, we compute a balance within 000.14.

Please advise of anything further needed.

Best regards,

*Bill*

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

April 16, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

---

## Statement of Database & FEC Compliance Services - 04/01 thru 04/15/93

---

All of these charges relate to Primary campaign followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00

4 affidavits returned & integrated into system @ 2.00	8.00
--	------

Reconciliation, balancing, updates in  
preparation of audit:

70.00 staff/hrs managers @ 26.00	1820.00
91.75 " " assistants @ 22.00	2018.50

GELAC transfers proofing:

22.00 staff/hrs managers @ 26.00	572.00
47.00 " " assistants @ 22.00	1034.00

04/06 tape processing (for AR hdq)	63.00
177251 records @ 6.00/1000	1063.06
Conversion to 7 diskettes	500.00

705p listings/reports printed @ .14	98.70
	<hr/> 8802.26

97072

25051

F

# Public Office Corporation

---

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

April 17, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

---

Statement of reimbursible expenses - 02/01 thru 03/31/93

---

All expenses relate to Primary campaign.

FEDEX charges	868.50
Messenger deliveries	186.85
Supplies	<u>135.67</u>
	1191.02

25052

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

May 3, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC Compliance Services - 04/16 thru 04/30/93  
-----

All of these charges relate to Primary campaign followup.

Database management	\$ 1000.00
Key operator support	250.00
Equipment rental	375.00
5 affidavits returned & integrated into system @ 2.00	10.00
Reconciliation, balancing, updates in preparation of FEC audit:	
99.50 staff/hrs managers @ 26.00	2587.00
184.50 " " assistants @ 22.00	4059.00
1150p reports printed @ .14	<u>161.00</u>
	8442.00

25053

15070 F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

May 5, 1993

## STATEMENT

### Clinton/Gore Post Election Committee

<u>Date of INV.</u>	<u>For</u>	<u>Amount</u>
03/18/93	Services 03/01 thru 03/15/93	9207.82
04/02/93	Services 03/16 thru 03/31/93	13218.87
04/16/93	Services 04/01 thru 04/15/93	8802.26
04/17/93	Reimbursible expenses	
	02/01 thru 03/31/93	1191.02
05/03/93	Services 04/16 thru 04/30/93	<u>8442.00</u>
	Balance due	40861.97

87070

25054



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

5/14/93

Summary of affidavits to date.

14706 sent

11399 ret + integrated into  
system.

77.5%

25055

25055

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

May 17, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Suite 1150  
Little Rock, AR 72201

-----  
Statement of Database & FEC compliance services - 05/01 thru 05/15/93  
-----

All of these charges relate to Primary campaign followup.

Database management	1000.00
Key operator support	250.00
Equipment rental	375.00
262 affidavits sent @ 2.00	524.00
27 affidavits returned & integrated into system @ 2.00	54.00
Reconciliation, balancing, updates in preparation FEC audit:	
50.75 staff/hrs managers @ 28.00	1421.00
125.00 " " assistants @ 24.00	3000.00
Workup of FEC resubmissions:	
48.50 staff/hrs managers @ 28.00	1358.00
32.25 " " assistants @ 24.00	774.00
2976p affidavits duplicated for Arkansas @ .05	148.80
956p reports printed @ .14	133.84
	<u>9038.64</u>

25056

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 1, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Street Ste 1150  
Little Rock, AR 72201

-----  
Statement of reimbursible expenses - 04/01/93 thru 05/31/93  
-----

All expenses relate to Primary campaign.

FEDEX shipping charges	559.50
Messenger deliveries	155.10
Supplies	<u>357.84</u>
	1072.44

25057

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 3, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 05/16 thru 05/31/93  
-----

All charges relate to Primary campaign followup.

Database management	1000.00
Key operator support	250.00
Equipment rental	375.00

182 affidavits returned and integrated into system @ 2.00	364.00
--	--------

Reconciliation, balancing, updates, preparation  
of resubmissions complete thru 03/31/93 per  
Committee guidelines:

176.25 staff/hrs managers @ 28.00	4935.00
212.25 " " assistants @ 26.00	5518.50

11388p reports printed @ 0.14	<u>1594.32</u>
-------------------------------	----------------

14036.82

25058

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 4, 1993

## STATEMENT

Clinton/Gore Post Election Committee  
Ms. Barbara Yates

<u>Date of INV</u>	<u>For</u>	<u>Amount</u>
03/18/93	Services 03/01 thru 03/15/93	9207.82
04/02/93	Services 03/16 thru 03/31/93	13218.87
04/16/93	Services 04/01 thru 04/15/93	8802.26
04/17/93	Reimbursible expenses 02/01 thru 03/31/93	1191.02
05/03/93	Services 04/16 thru 04/30/93	8442.00
05/17/93	Services 05/01 thru 05/15/93	9038.64
06/01/93	Reimbursible expenses 04/01 thru 05/31/93	1072.44
06/03/93	Services 05/16 thru 05/31/93	<u>14036.82</u>
	Total due	65009.87

25059

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

June 25, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 06/01 thru 06/15/93  
-----

All chages relate to Primary campaign followup.

Database management	1000.00
Key operator support	250.00
Equipment rental	375.00

Reconciliation, balancing, updates: 20.50 staff/hrs managers @ 28.00	560.00
---	--------

23 affidavits returned & integrated into system @ 2.00	46.00
	<u>2231.00</u>

25060

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

August 3, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 06/16 thru 06/30/93  
-----

All charges relate to Primary campaign followup.

Database management; daily backup; off site security	1000.00
Key operator support	250.00
Equipment rental	375.00

Updates, reconciliation of data, process reports: 8.50 staff/hrs managers @ 28.00	238.00
--	--------

155p reports printed @ .14	<u>21.70</u>
----------------------------	--------------

1884.70

25061

100.00

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

August 13, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 07/01 thru 07/15/93  
-----

All charges relate to Primary campaign followup.

Database management; daily backup; off-site security	1000.00
Key operator support	250.00
Equipment rental	375.00

Enter offsets, produce offsets report, produce refunds list, provide miscellaneous information requested, prepare and produce Q2-93 FEC reports, assemble, label, box, move to storage check copy notebooks, affidavit notebooks, and miscellaneous campaign & compliance records:

77.5 staff/hrs managers @ 28.00	2170.00
26.0 " " mailroom clerks @ 12.50	<u>325.00</u>
	4120.00

25062



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

August 27, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 07/16 thru 07/31/93  
-----

All charges relate to Primary campaign followup.

Database management; daily backup; off-site security	1000.00
Key operator support	250.00
Equipment rental	375.00

Produce Refund report; produce XYZ list; produce list of  
over \$1000. contributors; produce list of CA events to  
determine amounts raised:

6.5 staff/hrs managers @ 28.00	182.00
--------------------------------	--------

Archive work - assemble check copies, affidavits and other records in order, box, label and transport to storage	
15.00 staff/hrs managers @ 28.00	420.00
36.00 " " clerical @ 16.00	576.00

2803.00

25063

10 30 F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 7, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1100  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 08/01 thru 08/15/93  
-----

All charges relate to Primary campaign followup.

Database management; daily backup; off-site security	1000.00
Key operator support	250.00
Equipment rental	n/c

Process SUSPEND list & send to Little Rock:	
3.00 staff/hrs managers @ 28.00	<u>84.00</u>
	1334.00

25064.

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 14, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 08/16 thru 08/31/93  
-----

All charges relate to Primary campaign followup.

Database management; daily backup; off-site security	1000.00
Key operator support	250.00
Equipment rental	n/c

Reconcile Suspend contributions with Batch database;  
process for Maindata reconciliation; reconcile Main  
and Batch databases

25.00 staff/hrs managers @ 28.00	<u>700.00</u>
----------------------------------	---------------

1950.00

25065

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

September 15, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Street Ste 1150  
Little Rock, AR 72201

-----  
Statement of reimbursible expenses - 06/01 thru 07/31/93  
-----

All expenses relate to Primary campaign followup.

Postage for affidavits & stamped return sent first half MAY - 262 x 2 x 29	151.96
Fedex charges	99.25
Messenger deliveries	81.00
304 3"binders for archive copies @ 4.70	1428.80
287 4"binders " " " @ 5.98	1716.26
85 packets index dividers @ 7.34	623.90
07/22 Storeroom for archive records balance of July plus rent for August plus deposit of \$25.00	250.33
07/22/23 truck charge move archive records to storeroom	<u>100.00</u>
	4451.50

25066

8012

# Public Office Corporation

911 Second Street, N E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 7, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 09/01 thru 09/15/93  
-----

All charges relate to Primary campaign followup:

Database management, daily backup, off-site security	1000.00
Key operator support	250.00
Process refund list, process offsets, look up refunds, process Suspend file & refund list 9.00 staff/hrs manager @ 28.00	252.00
196p lists printed @ .14	27.44
09/14 Suspense tape, basic processing	63.00
18,186 records @ .007	127.30
1 magtape	<u>20.00</u>
	1739.74

25067

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 8, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

## STATEMENT

<u>Date of Inv.</u>	<u>For</u>	<u>Amount</u>
08/03/93	Svcs. 06/16 thru 06/30/93	1884.70
08/13/93	Svcs. 07/01 thru 07/15/93	4120.00
08/27/93	Svcs. 07/16 thru 07/31/93	2803.00
09/07/93	Svcs. 08/01 thru 08/15/93	1334.00
09/14/93	Svcs. 08/16 thru 08/31/93	1950.00
09/15/93	Reimbursement/ expenses 06/01 thru 07/31/93	4451.50
10/07/93	Svcs. 09/01 thru 09/15/93	<u>1739.74</u>
		18282.94

25068

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

October 15, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 09/16 thru 09/30/93  
-----

All charges relate to Primary campaign followup:

Database management, daily backup, off-site security		1000.00
Key operator support		250.00
09/20 2.50 staff/hrs - process various offset lists	28.00	70.00
09/29 1.50 " " - process expenditure lists	"	42.00
35p lists printed @ .14		<u>4.90</u>
		1366.90

25069

F

# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

November 12, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 10/01thru 10/15/93  
-----

All charges relate to Primary campaign followup:

Database management, daily backup, off-site security copy	1000.00
Key operator support	250.00
Equipment rental	n/c
10/15 FEC quarterly report work:	
19.00 staff/hrs managers @ 28.00	532.00
Carried forward from September:	
09/02 495p refund list @ .14	69.30
09/17 32p expenditure lists @ .14	4.48
09/20 1p offset list @ .14	.14
	<hr/>
	1855.92

25070



# Public Office Corporation

911 Second Street, N.E.  
Washington, D.C. 20002  
202 675-4900 / Fax 675-4911

November 30, 1993

Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

-----  
Statement of database & FEC compliance services - 10/16 thru 10/31/93  
-----

All charges relate to Primary campaign followup:

Database management, daily backup, off-site security copy	1000.00
Key operator support	250.00
Equipment rental	n/c
2.75 staff/hrs manager - Lookup records, print lists, FAX, check expenditures as requested @ 28.00	<u>77.00</u>
	1327.00

25071

F

PUBLIC OFFICE CORPORATION  
911 Second Street, N.E.  
Washington, D.C. 20002  
(202) 675-4900

INVOICE

Date

Number

Page

December 14, 1993 069

To: . Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

Description	Unit Price	Extended Price
Database management services: 11/01 thru 11/30/93		
All charges relate to Primary campaign followup		
Database management, daily backup, off-site security copy		2000.00
Key operator support		500.00
Equipment rental		<u>n/c</u>
		2500.00
25072		



PUBLIC OFFICE CORPORATION  
911 Second Street, N.E.  
Washington, D.C. 20002  
(202) 675-4900

INVOICE

Date Number Page  
January 24, 1994 020

To: Clinton/Gore Post Election Committee  
Ms. Barbara Yates  
124 West Capitol Avenue Ste 1150  
Little Rock, AR 72201

Description	Unit Price	Extended Price
Database management services: 12/01 thru 12/31/93		
All charges relate to Primary campaign followup		
Database management, daily backup, off-site security copy		2000.00
Key operator support		500.00
Equipment rental		n/c
0.50 staff/hrs process DIFF list	28.00	14.00
1.00 " " process check register		28.00
5.00 " " translate data as requested prior tape production		140.00
7.00 " " vendor records upgrades		196.00
4.00 " " " " "		112.00
3.00 " " process vendor list		84.00
2.00 " " translate data for tape of contributor detail		56.00
3.00 " " process list for batch database		84.00
Produce batch.tape 2363 records	.01	23.63
1 9 track tape for above		20.00
		<u>3257.63</u>
25074		

**Anderson Report - Tab 26**

**26001-26008: FEC Auditors' notes of "exit conference"**

---

The "exit" conference is the first documentation available of when Lyn Utrecht and Barbara Yates learned that the auditors were planning to recommend that the Clinton Primary Committee repay approximately \$3.8 million in overpaid matching funds.

The exit conference was held on October 19, 1993, and represented a meeting of the FEC auditors and the CPC's general counsel (Utrecht) and others involved in the audit, notably Barbara Yates, Little Rock CPA, and CPA to the CPC. It signified the end of the "on-site" audit; the auditors worked for the next several months preparing the Interim Audit Report, released in April 1994.

The CPC submitted a written response to the exit conference but at the time of publication of this volume, it was unavailable for inclusion.

The CPC submitted a written response to the Interim Audit Report in July 1994, the document in which the false statements were initially submitted to the FEC. A copy of that response is in Tab 23/23001-23043.

October 19, 1993  
10:00 AM

Exit Conference  
Conducted at the Law Offices  
Oldaker, Ryan & Leonard  
818 Connecticut Ave N.W.  
Washington, D.C. 20006

Clinton for President Committee

Present for the Committee were Lynn Utrecht, Esq.,  
Barbara Yates, CPA, and Nancy Koreen.

Present for the FEC were Lorenzo Holloway, Peter  
Blumberg and Abel Montez, Attorneys from the FEC Office of  
General Counsel, Joseph Stoltz Deputy Assistant Staff  
Director for Audit, Russell Bruner, audit manager, Leroy  
Clay, lead auditor, Joseph Swearingen, lead auditor for the  
Clinton/Gore general election audit and Marty Kuest, auditor.

Leroy Clay, the lead auditor, conducted the conference.  
He opened the exit conference explaining that we (the FEC)  
had come to explain the findings which resulted from the  
audit of the Clinton for President Committee and to elicit  
the response of the Committee to these findings.

The first finding LC discussed was the material  
misstatement of financial activity [2 U.S.C. §434(b)] for  
disbursements in committee's reports for 1992. He noted that  
the reports for May and July had been particularly distorted.  
The May Report overstated disbursements by \$349,921.99. The  
July Report understated disbursements by \$217,850.35.  
Because the Amended Reports filed by the committee on July 2,  
1993 corrected this problem, the audit staff was recommending  
no further action be taken by the committee. The CFP made no  
response. However, the matter will be discussed in the audit  
report.

Next LC addressed the committee's failure to itemize  
contributions from individuals and failure to itemize inkind  
contributions [2 U.S.C. §434(b)(3)(A)]. In the disbursement  
sample, an 8% error rate occurred for the itemization of  
contributions from individuals. In the 100% review of inkind  
contributions, the auditors found that committee failed to  
itemize 34.7% of the inkind contributions. Because the  
Amended Reports filed by the committee on July 2, 1993  
corrected this problem, the audit staff was recommending no  
further action be taken by the committee. However, the issue  
will be addressed in the Audit Report. The CFP made no  
response.

LC pointed out that while the committee had itemized

26001

TAB 24

①

large sums from World Wide Travel which had been collected for press travel, the committee failed to itemize refunds as required from the individual press organizations. Also refunds and rebates from January 1992 were not itemized. Itemization of refunds and rebates are required by 2 U.S.C. §434(b)(3)(F). Amended reports filed July 2, 1993 correctly itemized the January 1992 refunds and rebates and for this matter the audit report would recommend no further action. With respect to the refunds from World Wide Travel for the press organizations, the audit staff recommended that the committee amend its reports by attaching memo entries to the Schedule A reports itemizing the refunds from individual

press organizations and secret service and show any fees charged by World Wide travel as offsets to the memo entries. LU said the committee had received advice from the Commission that press and secret service refunds for travel were not required to be itemized individually in the Schedule A's. The committee chose not to discuss the source of that advice.

LC then raised the issue of the committee's failure to disclose occupation/name of employer ( 2 U.S.C. §104.8(a) or 2 U.S.C. §432(i)) as indicated by a sample error rate of 49%. He acknowledged that the committee's supplemental mailing of seventeen thousand pieces of correspondence which included the correct request (i.e. "federal law requires ...") which was done in November 1992 substantially supported the committee's position that they had made what constituted best effort. Additionally, he noted that on the amended reports filed on July 2, 1993 to which the sample errors were traced was found additional occupation/name of employer entries not included previously. The audit staff recommended no further action to be taken by the committee. The CFP made no response. However, the matter will be discussed in the audit report.

LC went on to mention that the auditors were still waiting for documentation from World Wide Travel and Great American Media. Items specifically requested and still due:

1. The totals for refunds/rebates for TV Spots/Radio/Cable.
2. The amount the Primary Committee is due from the General for Primary refunds applied to General Committee activity.
3. The trial balance of the Primary General production costs.
4. For each Committee a worksheet breakdown of total billed, total applied to production, total applied to media and total received.
5. Invoice billed to DNC for "Man From Hope" production and any documentation that may go with it.
6. Documentation to support that invoices totaling \$93,026.61 were paid.
7. Escrow bank statements post 04/09/93 to the present.

--2--

26002

(2)

8. Detailed explanation of the factoring of the Secret Service Accounts Receivable.
9. Provide Copies of the Exhibits noted on the check stubs from World Wide Travel for Secret Service Travel.
10. Written procedures detailing billing of Press and Secret Service from receipt through ultimate transfer to the committee.
11. Also provide written detail of how the Business Travel Account works. (bta card through Amex)
12. Provide a reconciliation of Press and Secret Service Travel.
13. Explain the treatment of Flight #124C on May 4, 1992 Los Angeles to New York City as prepaids.
14. If advance payments by press were made to World Wide Travel, explain how they were applied to travel.
15. Advanced payments were received by the committee in the early part of 1992 for press travel. Were those payments applied to Travel billed by the committee or World Wide Travel? If applied to travel billed by the committee, please explain how the money was applied and for which flights.
16. The following worksheets were missing from committee worksheet binders:  
Hillary Clinton Flights - #32  
Press Charter Flights - #'s 25, 26, 27, 43, 75, 169 & 174

During the review conducted at World Wide Travel it was noted that some of the worksheets missing from the Committee's binders were found to exist there.

Use of corporate transportation as governed by 11 C.F.R. §114.9(e)(1) was discussed next. LC outlined the possible use of an apparent corporate aircraft owned by Truman Arnold for flights on January 27, and May 1 of 1992. The January 27 flight invoice was paid in September 1992. Also because there is no record that the invoice for the May 1 flight has ever been paid there is the possibility that this billing remains an outstanding liability. The Audit staff recommends that Committee demonstrate that the use of this aircraft is/was not a corporate contribution. LU responded that she was not familiar with matter.

LC gave the committee a listing of individuals who may have made excessive contributions to the committee by making advances on behalf of the campaign which were untimely reimbursed as outlined in 11 C.F.R. §116.5. The audit staff requests that the committee demonstrate that these advances do not constitute excessive contributions. LU responded that each individual's circumstance was unique and believed that the CPF had adequate information to adequately address this matter and this information would be provided to the FEC at a later date. This answer was given even though the analysis is not yet complete.



Next discussed was the use by the committee of Traveler's checks. The audit staff feels that traveler's checks are cash equivalents and therefore prohibited under 11 C.F.R. §102.10, 2 U.S.C. §432(h)(1) & 2 U.S.C. §432(h)(2). The audit staff recommends that the committee demonstrate that the use of traveler's checks is not the same as the use of cash. LU responded that the committee had a discussion with an unidentified individual at the FEC who had said that the use of traveler's checks was permissible. LU also asked if the use of traveler's checks was ever encountered in other political campaigns. JFS responded that not to his knowledge. Of course if an individual takes an advance and purchases traveler's checks that would be permissible and in many cases not detectable. Also it was noted that we had review the Committee's log of who had received the traveler's checks. Even if the payment of advances for their travel was permitted, some individuals had received large blocks which would likely still be a problem. LU disagreed strongly that traveler's checks were not the same as cash.

Extension of credit by commercial vendors as governed under 11 C.F.R. §116.3 was then discussed. RB explained that this matter involved services provided by companies to the campaign. In the first instance, companies whose normal course of business was not the providing of services to political campaigns such as those services performed for the committee by Goldman Sachs and Occidental Petroleum. In the second instance, the services provided were those the company provided in the normal course of business, but were reimbursed only for expenses incurred in the process of providing the service to the campaign such as Mozark. RB felt that terms such as these deviated from the requirement companies treat campaigns as they would any other customer in the usual and customary in the normal course of business. LU stated the position of the committee, that 11 C.F.R. §114.9 specifically allows the campaigns to use of corporate/labor facilities and allowing for reimbursement after the fact. LU said she would have review the matter and respond later.

LC then discussed stale dated check issue as outlined in 11 C.F.R. §9038.6. LC provided a schedule of stale dated checks to the committee which listed a total of \$76,964.03. The audit staff recommended that the committee demonstrate the checks are not stale dated or repay the stale dated amount to the U.S. Treasury.

Non-Qualified campaign expenses as outlined in 11 C.F.R. §9033.11 and 11 C.F.R. §9034.4(b) were next discussed. Included in this category were duplicate/overpayments, inadequately documented disbursements and fines (parking violations). The audit staff made these recommendations to address these problems. The committee should demonstrate

that the duplicate/overpayments did not occur or that the funds have been recovered. The committee should provide documentation which would demonstrate that disbursements in question were in fact qualified campaign expenses. Absent the above remedies, the committee should make repayment to the U.S. Treasury.

MR provided to the committee schedules of duplicate/overpayments, of disbursements lacking adequate documentation, of deposits paid, not refunded and for which no other accounting was provided and the documentation from the committee's files to support these schedules. LU said the committee would review and respond to the material provided.

RB then made his presentation to the committee. He mentioned that some of the questions he had left with the committee when the audit team left the field had not as yet been answered. LU replied some of the questions had been addressed and the answers for other questions had yet to be formulated. RB provided the committee with a list of questions and problems still outstanding at the time of the exit conference. He had additional question for the following vendors.

RB stated he still needed additional documentation for work done for the committee by A.B. Data for invoice #31745 and copies of solicitation material for job # 1667.

RB then went on to address the issue of adequate documentation versus the attorney client privilege. RB stated his concern that without knowing more about the work performed for the committee by the Allen Law Firm, Jack Paladino, Rothergerber, Patten or Kathryn Graves, a determination as to whether the services rendered were qualified campaign expenses is not possible. The committee's position is that these people's work is protected by the attorney client privilege. Further, LU said she felt that the FEC auditors had all the information they needed to have to make a determination. The committee had after all explained that each instance the people had performed work for the campaign and that therefore these were indeed qualified campaign expenses. LU offered to provide something written, slightly more specific, to add to the material already provided to further support the committee's contention that these were indeed qualified campaign expenses. The committee would not however provide the work file or work product. RB expressed concern that information was being withheld. LU stated that nothing was being withheld, that we had been provided access to the complete billing file which is all that is required. LU reiterated that we are not being provided the work file because we do not require the information contained therein to make our determination. LU also contended that these circumstances

were not fundamentally different from payments for services (which were accepted as qualified campaign expenses by the FEC) rendered by other political consultants who did not provide the detail of their work for the committee. She further stated that the mere presence of the attorney client privilege seems to prompt requests for more information. JFS suggested that the committee send letters as specific as possible explaining the work done for the committee by these people.

RB then asked about a reference to a "trust fund balance remaining \$10,000.00" in the Rothergerber, Appel, Powers and Johnson file. LU suggested that such an account may have been used to handle a retainer for the services to be rendered by Jack Paladino. She went on to explain that holding funds in escrow is a common practice for law firms and used as means to prevent the commingling of the firm's operating capital from funds yet to be earned. RB purpose in discussing the \$10,000.00 was to determine the source of the funds.

RB asked about the role the firm Patten, McCarthy and McCarthy played in the vice-presidential search for the campaign for which they had bill the committee for \$29,909.83 and about Jim Lyon's connection with the campaign. LU responded that the services were consulting in nature and covered by attorney client privilege.

RB next discussed the need for more documentation from Opinion Research. In particular, RB requested five polling scripts. LU thought the remaining five scripts were now in the committee's possession. The auditors had already received three scripts. The committee was reluctant to provide the remaining scripts given that the scripts, which according to the vendor were proprietary in nature, would become subject to possible public disclosure as a result of future freedom of information requests. LU suggested that mutually agreed upon detailed summaries could be substituted to circumvent the possible future release of the scripts under FOIA. JFS concurred that some sort of agreed upon summaries could probably be written that would work.

RB then expressed the need for documentation to support the bonuses paid to Carville, Begala, Rahm Emanuel, Amy Zisook and others were negotiated prior to the date of ineligibility. LU said the committee would at some time in the future provide something in writing to support the bonuses.

RB requested information about Worthen National Bank and the traveler's check logs. RB pointed out that the log lacked specificity and for example noted the entry regarding one P. Jamieson to whom two blocks of traveler's checks, one totaling \$12,400.00 and the other \$3,090.00, were issued. LU

wanted to review the matter.

RB next addressed the failure of the committee to report as a debt state and federal taxes owed. BY began by expressing her disapproval of this matter even being raised by describing any contact the auditors may have had with the IRS on behalf of the CFP as out of line. [auditor's note: It should be pointed out that BY's assertion is inaccurate in that at no time did the auditors contact the IRS on behalf of the CFP or when requesting information from IRS, identify themselves as FEC auditors. Thus the auditors were merely taking advantage of publicly available information in order to evaluate specific transactions.] RB wanted the committee to explain why the taxes had not been paid and explain why no penalties had been assessed or paid. He alluded to the explanation offered by the committee during a teleconference held in Little Rock in August. The committee had attributed their lateness in paying their withholding to a combination of a computer problem and a failure on the part of committee personnel who were now no longer with the committee. RB pointed out that the signatories throughout the campaign had remained the same and wanted more details as to how problem could have occurred. LU offered that the people involved/responsible had been lower level people. RB expressed the need for all documentation regarding this matter including records of phone conversations and correspondence with the taxing authorities and dated tax returns. BY stated that it was sufficient for the auditors to know that although some interest may have been paid or may be paid in the future by the committee, no penalties have been paid nor are any penalties owed at the present. BY said that should penalties be assessed and paid, they would be listed as non qualified. RB expressed concern about how the federal tax payments had been applied to both the primary and general campaigns and that the same amount may have been applied twice. BY explained that although the campaigns were separate, the IRS had treated both campaigns as a single entity, the primary account was rolled into the general and it was for that reason it might have appeared as though a deposit was applied twice between the primary and the general. LU observed that committee could not report a debt whose existence it was not aware of. RB noted that all the copies of 941's provided by the committee were undated and specifically requested the auditors be provided with dated copies. BY responded that if the copies of 941's given to the auditors were not dated, then in fact that was all that was available and that no dated copies exist.

LC next presented the NOCO which called for a repayment of approximately \$3,872,000.00 of matching funds and a total repayment, including non-qualified disbursements and stale dated checks of approximately \$4,500,000.00. LU objected to the inclusion of the Bonuses and lost equipment on the noco

--7--

26007

as being non-qualified. The repayment resulting from amounts received in excess of entitlement resulted from applying private contributions to the NOCO up to the last matching fund payment. The Committee had instead transferred much of the post date of ineligibility contributions to the Clinton for President General Election Compliance Fund (GELAC). BY noted that at a certain point the committee determined that it was solvent and the transfers were permissible. JFS noted that such a calculation worked only if the matching funds to be generated in the future were considered an accounts receivable. BY agreed. LU stated the committee strongly disagreed that any repayment was due and no further discussion was held.

LC reiterated to the committee that documentation that has been requested now for some time and as yet not received by the FEC was becoming a problem. He explained that it may become necessary for the FEC to resort to the use of subpoenas. LU pointed out that one could not very well subpoena some work product that at this time does not exist (apparently referring to reconciliations and schedules that the committee was in the process of preparing). (Auditor's note: FEC agrees it would be futile to subpoena non-existent work products, but source documentation from which such work products are to be derived could be subpoenaed.)

LC explained that the committee had until close of business November 10, 1993, ten working days to respond to the material discussed in the exit conference. He further went on to say that the Interim Audit Report would be issued in March of 1994.

The conference concluded with the FEC representatives stuffing their pockets with CFP supplied donuts at around 12:20 P.M.. The committee promised to make good on the dry cleaning bills should any stains result from the cream puffs.

Note: As the auditors were leaving, LU asked if the auditors were finished with the offices in Oldaker, Ryan and Leonard's building? LU had in the past noted some dissatisfaction with the committee having provided space which was then not used. JFS noted that some records which were needed to finish the work were yet to be provided. He also noted that unlike other times during the summer, staff was now available and would begin work when the records were. LU said that she would notify the auditors when the records became available. JFS added that the auditors offered to have records delivered to their offices at the FEC in lieu of having the committee incur the expense of providing space. The committee preferred to rent separate space.

**Anderson Report - Tab 27**

**27001-27088: Transcript of Overpayment Discussion at FEC Open Meeting 12/15/94**

---

References of particular interest regarding "significance" of redesignation statements are:

**Comment by Mr. Stoltz (FEC Audit Division) :** "and that therefore, the redesignations were unnecessary to transfer these amounts, and were a mix-up of some sort with the Committee's computer vendor and should not have been sent to begin with." (Tab 27, page 34/27006)

**Comment by Democratic Com. Thomas:** "Their vendor went so far as to cover themselves and get what they were calling redesignations." (Tab 27, page 56/27028)

**Comment by Mr. Noble (FEC general counsel):** "Yes, but if the seeking of a redesignation is to mean anything, and the Committee claims it was a mistake, but if it is not looked at as a mistake, then what it shows is that they [the Primary Committee] first recognized these as primary contributions, and then as Com. Aikens says, the regulation comes into play and says that they cannot redesignate these as long as they had debt." (Tab 27, Page 90/27062)

**Comment by Democratic Com. McGarry:** "I think even if it was wrong to get the redesignation, that they properly did within 60 days, it wasn't something that the contributor wasn't a party to." (Tab 27, page 91/27063)

**Dialogue beginning with comment by Com. Thomas:** "Joe, aren't all the monies that are at issue that were moved over to GELAC in fact redesignated?"

**Mr. Stoltz:** They are, assuming that the redesignation was permissible, however, if it is assumed they were primary [contributions] to begin with and required a redesignation, then I think 9003.3 comes into play, and the redesignation wouldn't have been permissible to start with.

**Com. Thomas:** If.

**Mr. Stoltz:** If. (Tab 27, page 92/27064)

**FEDERAL ELECTION COMMITTEE**

**OPEN MEETING**

**Thursday, December 15, 1994**

**Transcribed From Provided Tapes By:**

**CASET Associates, Ltd.  
10201 Lee Highway, Suite 160  
Fairfax, VA 22030  
(703) 352-0091**

**27001**

TABLE OF CONTENTS

	Page
Report of the Audit Division on Clinton for President Committee, Nonqualified Expenses:	
Traveler's Checks	1
Payments to W.P. Malone, Inc.	16
Miscellaneous	28
Receipt of Matching Funds in Excess of Entitlement	32

PARTICIPANTS:

Democratic Commissioners:	Scott Thomas Danny McDonald, Vice Chairman John McGarry
Republican Commissioners:	Trevor Potter, Chairman Joan Aikens Lee Ann Elliott
Staff:	Lawrence Noble, General Counsel Joe Stoltz Bob Costa



calculation for the traveler's check monies. Is that an accurate statement?

[Flip Tape C-2, Side A to Side B, text lost.]

COM. POTTER: Madame Secretary, the motion passes by a vote of six to zero.

[Whereupon the motion was unanimously passed.]

COM. POTTER: That brings us to as I see it receipt of matching funds in excess of entitlement.

Russ?

RUSS: Before we get to that, I would like to just mention, on the NOCO on page 76, we show the net campaign obligations of debt of \$7,878,678.

COM. POTTER: Where are you?

RUSS: Page 76.

COM. POTTER: The figure you have just stated is \$7,878,678?

RUSS: At the bottom of the page.

COM. POTTER: Yes?

RUSS: Footnote H, which starts on page 77 and finishes on page 78, the Committee has filed -- this report itself cut off at June 30, 1994. The Committee has filed a third quarter 1994 report, and their winding down expenses have increased substantially from what they provided as far as the estimates that came in at the time of the interim audit report.

We are requesting they provide us with a lot more information on these additional expenses. Right now we are not including these amounts in the winding down expenses. We are just including the original estimates.

We would also need an updated estimate from the Committee, because I believe based on their payments to date, based on their last estimate that came in with the interim audit report, they would only have about \$139,000 in winding down left according to their own figures. As far as the third quarter report goes, we have not included the amount above the original estimate.

COM. POTTER: So who is going to present receipt of matching funds in excess of entitlement?

MR. STOLTZ: I guess I'll take a run at this one.

**Agenda Item: Receipt of Matching Funds in Excess of Entitlement**

MR. STOLTZ: This finding relates to the Committee received matching funds after the date of ineligibility. The calculation of matching fund entitlement after that date requires us to take the non-outstanding campaign obligations and as of the date of any payment of matching funds, to add private contributions received to that date, and matching funds previously received, subtract it from the NOCO, and see what is left. If what is left is smaller than the payment, we'll certify the amount of what is left. If it is

larger, we will certify the full request.

In this case we have done a calculation like that, and it is found on page 90 -- now again, this is going to be adjusted, because some of the things we have already done will affect that NOCO number -- and concluded that of the payment that the Committee received on September 2, 1992, they would have been entitled to \$615,000 less than received, and then the subsequent payment on October 2nd of \$2.8 million, they would also have not been entitled to receive that.

Much of this revolves around the treatment of post date of ineligibility contributions that were received by the Committee, and subsequently redesignated to the general election compliance fund. Initially, they had mailed to the contributors redesignation letters, asking them to redesignate this contribution to the legal and accounting compliance fund.

In doing this, the private contributions were not applied to the debt when determining remaining outstanding campaign obligations. Thus, the payments that we made on 9/2 and 10/2.

The Committee has put forward a number of arguments as to why this would be permissible. We have laid those out as best we can in the ten pages or so that go between page 80 and page 90. The initial argument was that

under 9003.3 Committees are permitted to redesignate nonexcessive contributions to the compliance fund once they have reached a point where no further primary expenses are to be paid.

The Committee read that to say if I can include in a calculation of when I have no matching fund or no primary expenses left to be paid, matching funds I anticipate based on contributions I have collected, that they could reach that point sometime in August of 1992, and then redesignate the contributions.

In our opinion, this does not conform to the regulations that the Commission has in place, as well as our practice for a number of years. The regulation in particular that I refer to is 9034.1(b), which as I mentioned earlier, requires the application of all private contributions and matching payments up to the point where the next payment is to be received.

In response to the interim audit report on the matter, the Committee has raised another argument. That argument contends that these contributions are undesignated contributions received by the campaign after the primary date, and under the provisions of 110, would be by definition, general election contributions, and that therefore, the redesignations were unnecessary to transfer these amounts, and were a mix-up of some sort with the

A

Committee's computer vendor and should not have been sent to begin with.

In this area we also believe that the Committee's arguments fail, because these contributions are solicited by the primary campaign; are with few exceptions made payable to the primary campaign; received by the primary campaign; deposited; and up through the 5th of August, submitted for matching.

To conclude that they are undesignated contributions, even though they are made payable to a specific campaign, in this case the primary campaign, would also seem to run counter to some of the other provisions in the Commission's regulations. Once again, I mention 9034.1(b); 9034.2, the definition of a matchable contribution. The matchable contribution is made payable to the candidate, or one of his authorized committees, and received by the end of the year in which the election occurs. There are a number of other conditions as well, but those are the relevant ones to this discussion.

Further, 9038 in the joint fund raising regulations in Title 26 -- the same provision doesn't appear in Title 2 -- but in Title 26, specifies that in a joint fund raising situation, a check made payable to a particular participant is considered to be designated to that participant.

We think that there is an analogy to be drawn here between that situation and a situation where you have a primary and general election campaign with distinct names that are separate entities, separate solicitations, separate funding mechanisms.

The Commission's history in this area also argued against the Committee's interpretation. In reviewing the history of our regulations, the recurring theme in support of 9034.1(b) is this encourages campaigns to pay their debt after the date of ineligibility with private contributions to the extent possible. Allowing campaigns to consider these types of contributions to be undesignated, and thereby general election, would appear to work opposite that goal.

All of this taken together leads us to conclude that these were primary contributions properly applied to the primary debt, reducing the Committee's matching fund entitlement, and resulting in the repayment that we have put forward in the report as adjusted for some of the actions the Commission has taken so far.

COM. POTTER: Thank you. I think that's about as concise as you can get on this one.

Commission McGarry?

COM. MC GARRY: Joe, all the money we're talking about now relates to the period of ineligibility, is that right?

MR. STOLTZ: The vast majority of it does. It was all deposited after the date of ineligibility. There is some percentage of it, and I couldn't tell you how much without going back through all the checks, that is likely dated before the date of ineligibility.

COM. MC GARRY: So some of the contributions were dated before July 16th, the beginning of the date of ineligibility?

MR. STOLTZ: Yes.

COM. MC GARRY: In your report you lay out certain figures from beginning with July 16th, which is the beginning of the period of ineligibility, through and including October 2nd in the election year. I'm wondering if we can focus on the precise amount of money. There are very substantial sums of money here. I'm wondering if we can come close to focusing on the precise amount of money involved that you believe was impermissibly transferred.

We know the ineligibility period ran from the day after the convention, July 16th, up to and including December 31st of election year 1992. We know the publicly funded presidential candidates can continue to receive public money, matching funds on the condition that they have net outstanding campaign obligations. Is that correct?

MR. STOLTZ: That is correct.

COM. MC GARRY: We know that shortly after -- and

we know this from your report, which is a public document before us -- shortly after the beginning of the ineligibility period, this campaign opened an account called the suspense account.

MR. STOLTZ: That's correct, on August 21st was the first deposit.

COM. MC GARRY: The money that contributions that were coming in were for the most part, deposited in this suspense account, is that correct?

MR. STOLTZ: They were beginning in mid-August, when they opened it. There was a substantial amount received between July 16th and that date in August that was deposited into the regular accounts that the Committee had been using all along.

COM. MC GARRY: In your report you note that \$2,444,000 and some change was transferred from the suspense account to the general election account, Joe?

MR. STOLTZ: To the compliance fund.

COM. MC GARRY: To the compliance fund. You note in the report, of that \$2,400,000, \$1,025,000 came in after September 2nd.

MR. STOLTZ: That is correct.

COM. MC GARRY: This campaign got three matching fund payments in that period from -- where was it, from July 16th up including and ending on October 2nd.



MR. STOLTZ: That is correct. Yes.

COM. MC GARRY: It is the last payment, if I read your report correctly, of \$2,825,000 and some change that you take the position they were not entitled to?

MR. STOLTZ: That payment, as well as a portion of the previous payment. The figure in the report is \$615,000. That would be reduced rather substantially as a result of the Commission's previous actions. So what we will be dealing with is, for the most part, that 10/2 payment.

COM. MC GARRY: You're saying a portion of the second payment they were not entitled to as well?

MR. STOLTZ: That is correct.

COM. MC GARRY: What was that amount? Do we know offhand? It didn't amount to much.

MR. STOLTZ: That one was \$615,000 before the Commission considered the earlier recommendations in the report. That will decrease to probably in the neighborhood of \$200,000 as a result of your earlier decisions.

COM. MC GARRY: In your calculation in the report you say that \$1,025,000 that came in between September 2 and October 2, you did not factor into this calculation that we're going to be looking at right now.

MR. STOLTZ: We didn't because the only individual contributions that you would consider would be those which

were received up to the point where they would have gotten the last matching fund payment that they were entitled to. So since we concluded that a portion of the 9/2 payment was received in excess, then we wouldn't include contributions received after the 9/2 payment.

COM. MC GARRY: The substantial monies that we are looking at, the \$2,444,000 and some change that was transferred, we take out of that the \$1,025,000.

MR. STOLTZ: That's correct.

COM. MC GARRY: We're then left with \$1,419,153. Now there is some adjustment to that. I don't think that amounts to -- you talk in the report about -- I believe your final conclusion was that they could have legally transferred of the \$2,444,000, \$135,000.

MR. STOLTZ: I believe it is --

COM. MC GARRY: It is that figure that we're going to be talking about, whether or not it was lawfully transferred?

MR. STOLTZ: Which figure now? You are correct on the \$135,000 that we are saying --

COM. MC GARRY: And correct also on the \$1,025,000. You take those out of the \$2,444,000. I believe what we are left with is \$1,284,153. That is what we are going to be talking about. Now whether or not you say that was -- and you give credit, I note in the report,

to not only that \$135,000 that was properly designated, but the excessives, because they were minimal, I understand from your report, the excessive contribution.

MR. STOLTZ: That is correct. They were about \$35,000.

COM. MC GARRY: Then there were some contributions that were, in your opinion, explicitly designated?

MR. STOLTZ: There were \$56,000 we saw, as we went through, that were explicitly general election.

COM. MC GARRY: How much of the \$1,200,000 roughly, are we talking about with reference to the impermissible transfer were improperly designated? The designation, redesignation portion that money, what percentage of that would we be talking about?

MR. STOLTZ: I'm not sure I follow the question.

COM. MC GARRY: We're down now to \$1,200,000 roughly that was impermissibly transferred.

MR. STOLTZ: Correct.

COM. MC GARRY: You were explaining to us with reference to the major portion of it, about designation and redesignation.

MR. STOLTZ: The majority of those funds the Committee had gone back to the contributor and obtained a redesignation.

COM. MC GARRY: You say the majority of the money?

MR. STOLTZ: We tested it on -- we didn't look at every one of them. We tested it and concluded that for the vast majority of it was there, and would have been timely under 110 in the regulations.

COM. MC GARRY: It appears to me that a major preoccupation in this item before us is going to be the interpretation of that section you just mentioned, 110.1(b)(4)(i), (ii), and (iii).

MR. STOLTZ: That, along with the interplay between that regulation, 9003.3 and 9034.1(b).

COM. MC GARRY: But that is what, for the most part, we are going to be in, and it's going to turn on how people interpret that, whether the money transferred was susceptible to transfer through designation or redesignation, proper designation or redesignation?

MR. STOLTZ: There are a couple of points there. One, we believe that under 9003.3, those monies weren't entitled to be redesignated to begin with. Second, we also believe --

COM. MC GARRY: For what reason on that score?

MR. STOLTZ: Because that regulation states that contributions received after the date of ineligibility by the primary Committee can be redesignated to the general election compliance fund if it meets one of four tests. The relevant one here is there were no primary expenses left to

be paid.

Under that regulation we do not believe that these were eligible to be redesignated in the first place. That regulation is there because if such contributions are allowed to be redesignated when there are still primary expenses to be paid, we run the risk of having a campaign maximizing their matching fund entitlement by dissipating private contributions that could otherwise be applied to liquidating their net outstanding campaign obligations.

COM. MC GARRY: Well, I'm going to yield now, but for my own purposes, what I have been trying to do is focus more clearly on precisely what is going to preoccupy us here in the next several moments. I'll yield, certainly wanting to return as the discussion unfolds here.

Thank you, Mr. Chairman.

COM. POTTER: Joe, what is the amount of federal funds, of taxpayer funds that were received by the Committee that under your calculation should not have been?

MR. STOLTZ: A rough estimate after the earlier votes would be about \$3 million. I wouldn't want to be held to that until we get a chance to go back and do the numbers, but that is my best guess at this point.

COM. POTTER: So what we are talking about here is that your recommendation is that there is \$3 million of Treasury money there that should be returned to the

Treasury?

MR. STOLTZ: That is correct.

COM. POTTER: Mr. Vice Chairman, and then Com.

Aikens.

COM. MC DONALD: Thank you, Mr. Chairman.

On that point right now -- we will have ample opportunity to discuss many points I gather -- but on that point let me be sure. I think the Chairman asked a very important question. The issue is not whether any campaign could have had a maximum amount of money. It is how the money was taken in and dispensed out at any given time, is that not right? The truth is that any of these campaigns can, in terms of matchability, they have a certain ceiling, which under the law, they are certainly permitted to have, is that not correct?

MR. STOLTZ: During the pre-ineligibility period there is an absolute ceiling on how much in matching funds any campaign can collect.

COM. MC DONALD: What was that one for you say?  
Remind me.

MR. STOLTZ: In the neighborhood of \$13 million, I believe, equal to 50 percent of the expenditure limits.

COM. MC DONALD: What did this Committee ultimately ask for in that regard?

MR. STOLTZ: We've got that figure back on page 2

or 3 of the report. The maximum was \$13,810,000. This Committee received \$12,536,000. Now the entitlement program changes at the date of ineligibility. At the date of ineligibility, the only time a campaign can get further matching funds is if on the date they are paid those matching funds, they have remaining net outstanding campaign obligations.

So at that point, there are really three limits on what they can do --

COM. MC DONALD: Joe, I apologize. Let me interject just a minute. I want you to go ahead and finish that. I think you explained that to me before, but tell me one more time, how much money was the Committee entitled to under optimum conditions under the law? Thirteen what? I'm sorry.

MR. STOLTZ: That's the maximum any campaign could receive.

COM. MC DONALD: Right, and how much was that?

MR. STOLTZ: Thirteen million, eight hundred and ten thousand.

COM. MC DONALD: And they asked for how much ultimately?

MR. STOLTZ: We paid them \$12,537,000 I think the number was.

COM. MC DONALD: So really as a practical matter,

there is about roughly what, a little over \$1,300,000 or \$1,200,000 that they would have had left under the correct financing scheme that they could have availed themselves of?

MR. STOLTZ: If they had been able to obtain the contributions and make the submissions prior to the date of ineligibility, that would be correct.

COM. POTTER: Would you finish your answer though, Joe? You were explaining how it worked after the date.

MR. STOLTZ: At that point there were three limits on the amount that they can get; one which always exists, and that is how much they can raise in matchable contributions. The second one is the absolute ceiling, in this case, \$13,810,000. In the third being --

COM. MC GARRY: What was the second one? I'm sorry.

MR. STOLTZ: The absolute ceiling on matching. The third being their financial condition at the time of payment. That is, the net outstanding campaign obligation calculation.

COM. POTTER: I recognize Com. Aikens --

COM. MC GARRY: One quick thing. A follow-up to Vice Chairman McDonald. Prior to ineligibility the campaign did not need to have net outstanding campaign obligations for matching purposes, is that correct?

MR. STOLTZ: That is correct. Prior to the date



of ineligibility, as long as you haven't gotten more than the maximum, and you have got the matchable contributions, there is no needs test.

COM. MC GARRY: In those several weeks following the date of ineligibility they received something like \$5,800,000 in contributions. If that had come in several weeks before instead of several weeks after, they would have been entitled to it?

MR. STOLTZ: They would have been entitled up to the \$13.8 million number.

COM. MC GARRY: Fine, thank you very much. Thank you, Com. Aikens.

COM. AIKENS: Thank you, Mr. Chairman.

I think Joe has gone through a very, very clear and lucid explanation of where we are. I just want to say that I think this is where we have been since 1976. This is a classic case of a presidential committee, upon becoming aware that the primary committee could have a major surplus of funds, attempting to eliminate the surplus by virtue of transmittal to the GELAC.

This same Commission discussed this exact activity, and the resultant repayment implications in a meeting on January 23, 1990, during the discussion of the Dukakis audit. I would like to read a quote from that audit report. It is a quote of a commissioner prior to the point

where we reached the decision on the recommendation of the audit report.

It says after a preliminary introduction, "On its face the regulation would seem to allow the redesignation of post-primary designated contributions, even if the primary would have a debt afterward." This is based on the regulations passed in 1983, which were different from the ones prior to that.

"However, it would be inconsistent with the Commission's congressional mandate to allow a committee to in essence, create debt that would lead to entitlement for post-ineligibility matching funds. In other words, a committee should not be able to claim a net debt, and hence entitlement to post-ineligibility matching funds if it dissipated its permissible primary contributions to do so."

"Taken to its extreme, a committee could redesignate all of its unmatched contributions. The redesignation of matched contributions would result in other problems such as loss of entitlement, and unnecessarily create a huge deficit, with a resulting claim for more matching funds."

"The current language of 9003.3(a)(1)(iii) pertaining to redesignation of post-primary designated contributions, effective April 8, 1987, evolved from a somewhat similar provision in the previous version of

9003.3, however, the prior version made clear that such redesignations were permissible only if the primary committee retained sufficient funds to pay its remaining debts."

"Contributions which are made after the beginning of the expenditure report period, but which are designated for the primary election may be deposited in the legal and accounting compliance fund provided that the candidate already has sufficient funds to pay any outstanding campaign obligations incurred during the primary campaign." Those regulations were effective July 11, 1983.

"Though the current language did not retain this protective phrasing, there appears to have been no intent to alter the prior approach. Indeed as noted, it would be contrary to public policy to allow the creation of debt, and the consequent entitlement to post ineligibility matching funds. Accordingly, the committee should be permitted to redesignate and transfer out to the GELAC only so much of the contributions as would not leave the committee in a net debt position."

"The remaining amount in question cannot be redesignated and transferred out. It must be repaid by GELAC, and must therefore be included in committee's cash on hand figure."

That audit report was approved six to nothing.

And in the subsequent revision to the regulations we added the language back in so that the current regulations read as Joe stated. I would find it inconceivable to think that the Commission would do a 180 degree change in that position, since it has been upheld in audits since 1976, and allow a committee to hoard private donations that should be used to pay primary debts, at the expense of public funds.

What is being proposed here is over \$2.4 million of taxpayer funds to be used contrary to all of our prior decisions, instead of the private funds that were raised.

I thought you might recognize the quote, Com. Thomas.

COM. THOMAS: I am delighted you brought it up, because I don't think anybody disagrees with that wonderful, lucid analysis. I think the Committee agrees -- all of us, I assume, would agree that that policy, as reflected in our current regulation means that a committee can't move primary contributions over to GELAC if the effect would be to in essence create entitlement.

So I am delighted you brought that up. In the Dukakis audit we all will recall, it wasn't quite what we had before us today. What was happening there was something that was totally unaddressed by the regulations, and it was something we had never reached before, and that was what about where they receive a bunch of money during the primary

and want to move it over.

So what we were doing there, and my long explanation there was an effort to point out well, the same policy that seems to be applicable when you are talking about moving post-primary designated contributions to GELAC should probably be applied in a situation where they want to move pre-nomination contributions over to GELAC.

In either case they shouldn't be able to dissipate their assets such that they in essence, create more matching fund entitlement. That to me, still makes as much sense today as it did then.

What I see here is sort of a fundamental question of are these contributions that we can fairly, given the state of the law, call primary contributions? What we are talking about here, unlike Dukakis, are contributions that came in after the convention. Money, as we can tell from what is before us, just was pouring in for this campaign. They were very popular, and they were getting lots of private contributions.

What we are talking about is money that came in after the nomination. So we have to look at our existing rules. What is that money? Our existing rules are very, very clear. We say that if a contribution comes in after an election, unless it is designated in writing for the election that it follows, it will be deemed to be for the

next election.

We have applied that rule time and time again. In our enforcement cases for example, money comes in after a primary. If it is designated to pay off primary debt, and there is in fact some remaining primary debt, we will say it can be attributed as a primary contribution. If on the other hand it is undesignated and comes in after the primary, we say that is a general election related contribution. It is not a primary election related contribution.

So the real issue here is how do we interpret the existing law on this question? Commission McGarry alluded to the applicable regulation. If the applicable regulation is our designation rule, which is set out on page 80 of the audit report. It says that if something is going to be considered designated for a particular election, and in this case if these are going to be viewed as contributions that are designated for the primary, they have to meet one of those three criteria that are set out there.

It has to be a contribution made by check, money order, or other negotiable instrument which clearly indicates the particular election with respect to which the contribution is made. Or the contribution is accompanied by a writing, signed by the contributor, which clearly indicates the particular election with respect to which the

contribution is made. That is really the heart of what we are going to have to deal with here.

I don't see it as a particularly easy question. I think that in this case certainly a large portion of the money at issue here is money that did not, on the check, have any clear indication as to whether it was to be primary related versus general related.

The Committee's response, if you look at their response, included an analysis that the Committee officials themselves performed, which went through each and every one of these, not just the approximately \$1.4 million that are at issue for repayment purposes, but the full amount that they moved over to GELAC. They have provided information to the effect that none of them came back with contributor cards that were signed by the contributor.

As you can see, that is required if you are going to use that as an indication that it is designated for the primary election. The mere fact that these were made payable to something like "Clinton for President," I don't think we can actually rely on that as a legal basis for saying that they are designated for the primary.

The Commission will recall that we have never relied on the payee line on a check as some sort of cut and dried rule as to how the contribution is to be attributed. The dark horse candidacy issue in the Gary Hart matter

several years, the issue came up as whether or not checks made payable to the dark horse candidate could be considered proper contributions toward the Gary Hart presidential campaign, and we ultimately concluded that well, yes, the name of the payee on the check is simply not a determining factor.

In the context of a presidential campaign, where they do have to set up a separate compliance fund, and invariably they will give it some sort of specific name like the Clinton-Gore Compliance Fund, I don't think is something that we can hold the contributors responsible for in terms of how they make their check payable.

From a contributor's perspective, they are trying to help the Clinton campaign. These contributors are giving contributions after the nomination. It seems to me that if anything, it is a safe assumption they were trying to help out . . .

[Tape change from C-2, Side B to C-3, Side A, text lost.]

As a legal matter if what is at stake is what kind of treatment these particular contributions can get, I don't see that we really have a clear cut legal basis for the proposition that the staff is giving us.

I just would further note that on this issue of whether something is designated or not, I hate to keep



falling back on our own law, but in the Helms advisory opinion several years ago we were very clear that there had to be very, very, clear expressed written evidence that something was in fact designated for a particular election where they were trying to pay off debts of a preceding election.

You will recall that the Helms Committee in that opinion request, 1990-30, asked whether they could treat post-election contributions as debt retirement contributions if they went so far as to put in their solicitation mailings that the use of the donations would be to pay the 1990 general election debt. The solicitations would repeat the same on the contribution slips enclosed, and also on the disclaimer that they put on the materials, they would indicate that it was for 1990 debt retirement. They also said they weren't going to be soliciting for any other purpose.

We proceeded then to cite the very regulation that I talked about, and ultimately said that the Commission concludes that the Committee will not meet the designation requirements if it takes the steps proposed. Although we said the proposed steps would satisfy some of those elements, donor intent requires that the contributor's signature appear on the same document that contains the words of designation, i.e., the check for the contributor's

IA

slip.

That is a very tough rule, I grant you, but that is the rule. It may be that everyone in this room, or maybe half of the people in this room would assume that these contributions should be treated as primary contributions when they came in the door, but I tend to believe that equally half could conclude very reasonably that these kinds of contributions, coming in the way they did after the nomination, could be viewed as undesignated contributions, and hence if anything, general election related.

I think the Committee did about everything they could to be careful on this issue. They realized that there was going to be a point where all this money coming in the door was going to exceed what they needed. They set up a suspense account, a separate type of account to keep track of this.

They even went the extra mile. Their vendor went so far as to cover themselves and get what they were calling redesignations. They went back and wrote to all of these people, and got all of them to write back within 60 days that, yes, I want that money to go to the GSLAC fund.

I don't know, I don't have a sense that given all of the complications that we have dealing with the NOCO calculations and what not, that it is fair or legally accurate to say that these were designated post-primary

A

contributions.

Thank you.

COM. POTTER: Vice Chairman, and then the general counsel.

COM. MC DONALD: Mr. Chairman, thank you.

Just really more of a question of clarification about the names. I know that Joe had mentioned earlier the distinct names and distinct accounts. I think he is right about that.

Joe, in the Bush/Quayle situation I gather that their name was the same throughout, is that correct?

MR. STOLTZ: I can't tell you off the top of my head exactly what the title was on the compliance fund. There was a Bush-Quayle '92 General Election Compliance Committee, something to that. Then the Primary --

COM. MC DONALD: Bush-Quayle '92 check, how would you have treated that?

MR. STOLTZ: That issue never came to us. That campaign didn't submit any contributions collected after the date of ineligibility.

COM. MC DONALD: They didn't have any Bush-Quayle '92 checks after the date of ineligibility?

MR. STOLTZ: I'm sure that they did. We didn't see any in the matching fund submissions. The contributions that were received by the primary were applied to the NOCO

in the same way it was done here.

COM. MC DONALD: And how would that have been treated, Bush-Quayle '92 check?

MR. STOLTZ: The ones that came into the primary, unless Bob can correct me, are applied to the primary debt.

COM. MC DONALD: Then those after the primary?

MR. STOLTZ: The ones that were solicited by the compliance fund were deposited over into the compliance fund account.

COM. MC DONALD: If it had Bush-Quayle '92 on it after the primary?

MR. STOLTZ: It is my understanding they followed the solicitation it came back with.

COM. MC DONALD: Just try to help me just a minute. Just answer my question if you can. If it had Bush-Quayle '92, and it came in after the primary, and let's just say that maybe they didn't have a designation, how would it be used? Would it be like every other check we have ever had?

MR. STOLTZ: If it didn't come back with a solicitation or some way for them to tell?

COM. MC DONALD: After the primary?

MR. STOLTZ: That I can't answer. Perhaps --

COM. MC DONALD: How have we handled it for years?

MR. STOLTZ: It has always gone into the primary

account if it comes into the primary.

COM. MC DONALD: Joe, I apologize. I'm not making myself very clear. It is after the primary. You get a Bush-Quayle '92 check after the primary, after the date of ineligibility. How has it always been handled?

MR. STOLTZ: Those that are received by the primary at the primary's post office box, with a primary solicitation on it, to the best of my knowledge they go into the primary account. The others will go into the compliance fund account.

COM. MC DONALD: Those after the primary?

MR. STOLTZ: After the primary that have a compliance fund solicitation on them or the compliance fund's address will go into the compliance fund.

COM. MC DONALD: In essence a general campaign. All right, thank you. So another advantage would be to have the same name throughout, I gather.

MR. STOLTZ: It does create a complication --

COM. MC DONALD: If you do not?

MR. STOLTZ: If you have the same name, in distinguishing the two.

COM. MC DONALD: So in no small part, as far as the contributor is concerned, who probably is not as good at making these distinctions as we are, but for a contributor it is a problem, but if the committee has the same name in

the primary and the same name in the general, it would be much more helpful in regard to these kind of problems?

MR. STOLTZ: Depending on the solicitations and all the rest of it, it could.

COM. MC DONALD: If the Committee had used Clinton for President throughout as opposed to say Clinton-Gore --

MR. STOLTZ: It would be a far more difficult decision.

COM. MC DONALD: Thank you.

COM. POTTER: General counsel?

MR. NOBLE: Thank you, Mr. Chairman.

I think that last point is a crucial point, because my understanding here is that these were made out to the Committee name. With regard to Com. Thomas' statement about the applicable law, I am not aware of a situation where we have had checks made out to a committee in the committee's name where, as most of these were, were solicited for that committee, where we have said that they were not contributions to that committee.

If you want to look at contributor intent, my understanding is that these were solicited for the primary Committee. The only distinction drawn on them is that they are post-DOI. The same information on the check, and the same solicitation gave rise to their being matchable if they came in earlier. I think if we now declare that they are

not primary Committee checks, we have a problem with declaring the earlier ones were sufficient to be matched as primary Committee checks.

The situation, going back to the statement that Commission Aikens read from Com. Thomas earlier, I think the same principle applies here. If in this situation where you have a check made out to the Committee's name, Clinton for President, and if you say that that is not sufficient designation, but it is matchable, you then give rise to the situation where a committee can, on its own, just wait and decide how much it needs to transfer after DOI, and thus get rid of its repayment.

So it in effect goes against the principle that we have talked about of trying to insure that the private money goes to pay the debts, and not the public money to the exclusion of the private money.

I recognize the problems that have been talked about, and all the questions of committee names and if the name was different, but I think here you have a pretty straightforward case where it was solicited for the primary in most cases. It was made out to the primary. In most of these cases they deposited in the primary account, and then they transferred the money out. So I think for me it is a relatively clear legal issues that these are in fact primary contributions.

COM. POTTER: Joe, a question. Does the primary Committee have an address or a post office or something that you have?

MR. STOLTZ: Leroy may have something on that.

COM. POTTER: Would any of their contribution solicitations indicate where their contributions should have gone.

MR. STOLTZ: We have the street address on the reports.

COM. POTTER: Do you have any primary solicitations there of the sort we are talking about?

MR. STOLTZ: The Committee submitted some copies in response to the interim audit report. We have a few of them here. Here is one that is addressed to: Bill Clinton, Clinton for President, Post Office Box 8802, Little Rock, Arkansas. The same thing on those two.

COM. POTTER: Do we have any indication if the compliance fund used the same address and post office box, or did they have their own?

MR. STOLTZ: Let me look. We have a compliance fund solicitation. There are a couple of them attached to the audit report. This particular one is \$128. It uses: 112 West Third Street, Post Office Box 8802. So it's the same post office box.

COM. POTTER: So all the Committee mail was



received in the post office box regardless of whether it was primary, general compliance fund? Do we know that?

MR. STOLTZ: I can't tell you for certain whether that was a constant throughout the campaign or not. The examples we have all have the same post office box on them. There is another one here, Clinton-Gore Compliance Fund. It says: Department 3224. I don't know the significance of that, whether that identifies a particular solicitation or what it does.

COM. POTTER: The other compliance fund said Department 3824.

MR. STOLTZ: Thirty-two twenty-four.

COM. POTTER: Thirty-two twenty-four, as an address?

MR. STOLTZ: It's part of the address line. It is the same post office box, so I would presume it was a way the Committee used to identify particular --

COM. POTTER: I take it there were specific solicitations for the compliance fund?

MR. STOLTZ: Yes.

COM. POTTER: We've got some in the attachments?

MR. STOLTZ: You've got some in the attachments.

NOBLE: Those say that the checks should be made out to the Clinton-Gore Compliance Fund. They are addressed to Bill Clinton, Clinton-Gore Compliance Fund.

COM. POTTER: Com. Aikens?

COM. AIKENS: Joe, none of those are included in this figure, is that correct?

MR. STOLTZ: The compliance fund? No.

COM. AIKENS: Those have been all taken out. Any contribution that was in excess of entitlement for the primary has been taken out of this equation, is that correct?

MR. STOLTZ: Excuse me?

COM. AIKENS: Any individual contribution in excess of the limitation of the primary has been taken out?

MR. STOLTZ: Yes.

COM. AIKENS: So none of that is in this?

MR. STOLTZ: That is correct.

COM. AIKENS: The bottom line is that the Committee took contributor checks from the same solicitations, deposited them in a primary account, and submitted some of them for matching, while taking other contributions from the same solicitation, claiming they were designated all along for the GELAC, and redesignated them for the GELAC.

They used an arbitrary cut off date of August 5th, which has no relevance to the date of ineligibility or anything else, and was determined by the Committee and not the donors to be the date when some of the contributions

from those solicitations would be submitted for matching, and some would be transferred to the GELAC.

I fully concur that contributions given at the beginning of the general expenditure report period may be redesignated for the GELAC, but only if the primary Committee contributions represent funds in excess of any amount needed to pay any primary expenses remaining.

Our 1992 regulation, 9003.3(a)(1)(iii) make this perfectly clear, as does the explanation and justification, and as does the guideline for presentation in good order, and it always has. These contributions were solicited for the primary Committee. The checks were made out to Clinton for President, the primary Committee. They were deposited in a primary Committee account, and the Committee sought and received matching funds for some of them, and redesignations for others.

We didn't make up this scenario. These were actions that the Clinton primary Committee took. It was their affirmative action to do this. For us to take the position that some of them were supposed to be GELAC contributions all along, and that the donors who responded to a primary solicitation and made their checks out to Clinton for President, the primary Committee, but later really didn't mean it, or even better didn't realize that Clinton-Gore was now running in the general election, flies

in the face of reason, and in the face of our position on this Commission for the last 19 years.

The reality of the situation is that millions of dollars of primary contributions, made out to the primary Committee, deposited in the primary account, were transferred out to the GELAC, while a multimillion dollar primary debt still existed, which then allows the primary Committee to claim a net debt and hence entitlement to millions of more dollars in post-ineligibility taxpayer funds.

We never allowed this to happen, going all the way back to 1976, when Sen. Howard Baker was required to pay back funds for this same situation. How it can be proposed now is beyond me.

COM. POTTER: Vice Chairman McDonald.

COM. MC DONALD: Thank you, Mr. Chairman.

Well, I would like to get an account of the taxpayers money for just a minute. I certainly concur with Com. Aikens on one point, there certainly have been a lot of decisions come out of here that are beyond me. I wouldn't disagree with her on that point. I would be happy to go over a list of them.

But on this particular point, Joe, how much money did each general election campaign get, public finance dollars?

MR. STOLTZ: Fifty-five million dollars and change.

COM. MC DONALD: They were eligible for what in the primary, \$13.8 million each?

MR. STOLTZ: Maximum.

COM. MC DONALD: Maximum. This Committee tried to get \$12 million -- what did you tell me?

MR. STOLTZ: Twelve five thirty-seven if I remember.

COM. MC DONALD: Twelve five -- I'm sorry?

MR. STOLTZ: Thirty-seven.

COM. MC DONALD: Thank you. Then President Bush, how much did he get, just roughly. I realize we're in an approximate figure.

MR. STOLTZ: I would have to ask somebody in the -

PARTICIPANT: Ten something.

MR. STOLTZ: Ten million in the primary, and then the \$55 million in the general.

COM. MC DONALD: So in dispute today, after we get into the millions of dollars of the taxpayers' money -- I just want to be sure I'm getting this right -- so the taxpayers gave \$110 million in the general election to these two candidates alone. Do you have any idea how much we gave out in all the overall primary matching money? Could

somebody tell me that?

PARTICIPANT: Thirty-seven million plus.

COM. MC DONALD: Roughly about \$150 million of taxpayers' money. So when we get through disputing whichever way we come out, how much money would you say is in dispute today in terms of the taxpayers' money in this area I'm talking about, this specific area?

MR. STOLTZ: In this area it is probably going to be in the neighborhood of \$3 million.

COM. MC DONALD: Be in the neighborhood of \$3 million.

COM. THOMAS: But on this issue.

COM. MC DONALD: On this issue I gather it is how much?

MR. STOLTZ: We figured without this issue -- we have done a calculation what it would be without issue, and it was about \$1.4 million.

COM. MC DONALD: I'm sorry, Joe, I can't hear.

MR. STOLTZ: If we don't apply any of the post-DOI contributions that weren't matched, and redid the calculation, we got about \$1.4 million rather than \$3 million. That would again, be adjusted by things that went on.

COM. MC DONALD: Sure. I'm just trying to get a rough estimate, because I want to be clear. When I see and

read some of the assessments, or when I hear some of the assessments about the millions of dollars in taxpayer money, I realize that is fairly dramatic. I think all taxpayer money is fairly critical. I note again that I gather that the taxpayers are committed under the law, at least allowed under the law to allow both campaigns to have about \$13.8 million, and neither of them, I gather, availed themselves of the max. 11A

I just kind of wanted to set the framework, because one of the things that concerns me a little bit is that whatever the issue -- and as I say, I think all dollars, we just had the president's case yesterday in which those folks that aren't happy with our finding would say that we cut off about half of that, and those are all taxpayer dollars too. So I don't want to get confused about it. I'm just trying to get an overall framework for what we've got before us.

Joe, let me just ask you this. In terms of the convention itself, the nomination -- you all would know much better than I, and I'm sure Com. Aikens would, because she has witnessed all of these, but I have not did -- I gather right after the election the campaign had an incredible amount of money come in, right after the nomination?

MR. STOLTZ: The fund raising I guess beginning probably in June/July and then continuing through

August/September was very, very heavy. We had a figure where I think they raised, if I remember correctly, close to 25 percent of their money, deposited after the date of ineligibility.

COM. MC DONALD: So they were fairly successful at bringing money in?

MR. STOLTZ: They were.

COM. MC DONALD: One of their problems ultimately is not so much whether we debate how the taxpayers are to fare or not to fare, but one of their real problems is that they brought in a record amount of money, because they had that kind of support?

MR. STOLTZ: I couldn't tell you how that compares with other campaigns in the past, but they did have a huge influx of contributions right before and right after the convention.

COM. MC DONALD: If you had the good fortune not to have any debt obligations in the primary, and then you continued to receive these checks as Bush for President, Clinton for President, Whomever for President -- I send you my check; what happens to it?

I write the day after the convention, Clinton for President. There is no outstanding debts. I haven't even designated how is going to be the vice president, or we have just decided who the vice president is. Do I return that



money? How does it work, would be a more accurate question.

MR. STOLTZ: If you are at that point, in a surplus position or let's say zero net outstanding campaign obligations, you would be able to redesignate that check to the compliance fund, because you had no remaining primary expenses.

COM. MC DONALD: Thank you.

COM. POTTER: Commission McGarry, and then the Chairman.

COM. MC GARRY: As a follow-up to that, Joe, do we know how much of the money came in that is in dispute or in question, came in after the convention?

MR. STOLTZ: It was all deposited after the convention.

COM. MC GARRY: I'm sorry?

MR. STOLTZ: It was all deposited after the convention.

COM. MC GARRY: All deposited after the convention?

MR. STOLTZ: That's correct.

COM. MC GARRY: And I believe the Commission has taken a stand in an advisory opinion that donor intent is a relevant factor. Is that true, Mr. General Counsel?

MR. NOBLE: Yes. Normally we look at donor intent -- first where the check is made out to will reflect donor

intent, what committee it is made out to.

COM. MC GARRY: So in the report, the audit division points out with reference to some aspect of the overall audit that the candidate before us' popularity really increased dramatically. You mentioned in the audit report somewhere was plus 20 percent in the polls.

MR. STOLTZ: I don't know if we have that figure. Actually, I think it was in the Bush-Quayle discussion that that was pointed out.

COM. MC GARRY: That is absolutely right. You are refreshing my memory. That was part of the reasoning for the Bush campaign making an argument that even though it appeared that the Bush campaign had the convention locked up, and they argued among other things that they were working -- many of the delegates were not committed under law to vote for Bush.

Even though it appeared to most everybody that he had the convention locked up, they used that as an argument, and said that as a matter of fact, right in the month since the Democratic National Convention, the Democratic nominee's popularity rose dramatically, and he was 20 percent plus in the polls.

I mention all these things. If donor intent is a factor, is it inconceivable that people after the convention or as a result of the convention were stimulated and

persuaded to go for the Democratic nominee, and send money to help the campaign if donor intent is a factor?

If they have the name of a committee, Clinton for President, the average person out there isn't distinguishing between the GELAC account and the primary account, and the fact that it is coming in after the convention, during this period of ineligibility?

I only point those out that I think perhaps it would be worthwhile to, if we can -- have you categorized the various contributions that were impermissibly redesignated over to the GELAC account, so-called general election compliance account?

MR. STOLTZ: We have categorized them by the way they are made out.

COM. MC GARRY: So you would have one category for example, they were made out to Clinton for President, which we know is the primary Committee?

MR. STOLTZ: That is correct. Now this was done, the Committee references in their response copies of the contribution checks and so forth, that they had grouped and made available for our review. This comes off of those copies. They begin on August 6, because before that they have been submitted for matching. So the Committee began their analysis on August 6.

I have got an amount here. These may not have

been complete batches either. These are only the ones that they are saying were not primary contributions -- a total of \$1.922 million. Of that, 76 percent, or \$1.474 million is made payable to Clinton for President.

COM. MC GARRY: No indication on the check other than that, and no specific indication of primary Committee?

MR. STOLTZ: Made payable to Clinton for President.

COM. MC GARRY: Did you have a category where primary Committee was clearly indicated? For example, there was a primary solicitation, and the solicitees were asked to check that box off I believe, and sign the card in that solicitation. I think you have a copy of it there before you.

I'm trying to understand --

MR. STOLTZ: Leroy is too efficient. He put it away.

While he is looking at that, the other categories that we --

COM. MC GARRY: Did you have a category, Joe, that indicated primary was -- like for example, with reference to the primary solicitation, primary was not only indicated, it was checked, and it was signed?

MR. STOLTZ: The examples that we have don't have a box for primary.

COM. MC GARRY: It states primary on the card?

MR. STOLTZ: These particular ones -- and I don't know how complete a cross-section this is. The first one I'm looking at is "Important information for pre-convention team members." It talks about under current law, "Every dollar you can contribute up to \$250 will be matched by the Federal Election Commission dollar-for-dollar. That means your check could be worth twice the amount you contribute." Then there is a name, address, occupation, name of employer box.

This one pretty much says the same thing, pre-convention team members, and says the same thing.

This one says "U.S. message service, urgent reply."

This one says, "Yes, Bill, I accept your invitation to become a special associate producer of America Speaks Series of national television broadcasts. I understand how critically important your June media strategy is." This one apparently must have gone out somewhat earlier. "And agree with you strongly that we must get our message out early in spite of the obstacles the media or anyone else puts in our way. I'm rushing you my personal check. Please make your personal check payable to: Clinton for President." Then it also talks about matching funds.

This third or fourth one is identical to the first

two.

COM. MC GARRY: Did you put one category where the cards were signed, and another category where no card other than just the name of the Committee was indicated?

MR. STOLTZ: In the materials that the Committee provided, I don't recall us running across any where we had a signed contributor card. Like I said, I'm not sure that we were dealing with complete batches. There may have been a handful there that the Committee didn't provide, because they acknowledged that anyone that has a signed contributor card would be a primary contribution.

The other problem with that is that some solicitations -- I can't tell you if every one did, or how many did -- did have signature lines on them, particularly if you are working in the matching fund environment, and you get a joint check, you want to provide space to get the two signatures for matching purposes.

However, in a lot of cases I don't think the way the information was photocopied, that it shows. Now I don't know whether that means that it wasn't signed, or it simply wasn't necessary to reproduce that part. It would have been difficult to get it all to fit on one page, so I suspect if it wasn't needed, it wasn't photocopied.

But I don't have a breakdown here that shows signed contributor cards. They didn't have any. The way we

broke it down was by payee on the check. In that case we used Clinton for President, Bill Clinton for President, Bill Clinton for President Committee, Clinton for President Committee, Bill Clinton for President Campaign, or Clinton for President Campaign, and then we have a miscellaneous category that only has about \$1,600 in it.

COM. MC GARRY: Thank you very much, Mr. Chairman. Thank you, Joe.

COM. POTTER: Joe, could I clarify, those solicitations you read, all that referred to the primary and spoke of your contribution being available for matching funds, what happened to the contributions that came from those solicitations?

MR. STOLTZ: Some of those are among the ones that got redesignated to the compliance fund.

COM. POTTER: So some of the contributions received from those clearly primary solicitations were the ones that we're discussing that were transferred to the GELAC?

MR. STOLTZ: Some of them are. Leroy and I spent quite a bit of time flipping through these at the Committee's office, and these were very common among the ones we were looking at.

COM. POTTER: Well, I have been listening quietly, but I just don't see how those sorts of contributions aren't

primary contributions, whenever received. I mean they are solicited for the primary. The checks are made out to Clinton for President.

I take the point that not everybody out there knows that Clinton for President is a primary name, and there is another name for the general, but this Committee has demonstrated that it is capable of soliciting for the general election legal and accounting fund, and we've got copies of those solicitations here. They got a lot of money raised in their legal and accounting funds.

So it seems to me that here, where you have contributions that are solicited by the primary, and received by the primary, and they put them in what they call a suspense account, then they go to all the trouble to send out redesignations for them, I think the primary knew what it was going on, and they knew that this was money that unless they did something to it, or could do something to it, was primary money. That's how they treated it.

I don't find the 110.1 argument I guess really helpful here. The argument is that our regulations say that if you get money after the date of one election, if it is not designated, it is presumed to be for the next election. That regulation obviously applies to House and Senate committees.

I don't know how you would apply that to a



presidential committee, because it is illegal for the general election fund to receive private contributions. Granted we have somewhat marred the pristine simplicity of the system with a GELAC, but you have to solicit for the GELAC.

To say that the GELAC is the next election committee I just think is not accurate. We have in the presidential, a unique system where you have a primary committee and we're doing the primary audit. The next thing we are going to do is the general audit for a whole separate entity.

Whereas the 110 would apply in a situation where you have one committee, and there is an automatic rollover. So Smith for Congress raises money and keeps raising money, and it just all rolls through. You don't have two separate accounts, two separate debts or anything else for that rollover purpose. I don't see how the 110 works.

I agree with Com. Thomas that the contributors here who are giving in response to these solicitations just want to help the candidate. I think Com. McGarry is right, there are a lot of people who wanted to help the candidate as they saw he was doing well during the convention period and afterwards, but the only candidate they can give to is the primary.

They can't give to the general election. They can

only give to the legal and accounting if they are specifically solicited for that, and they are told that money is going to be used for that purpose. That is why you have response devices that say made out to general election legal and accounting.

They may have wanted to help the candidate, but what they ended up doing was enabling the Committee to help itself to federal dollars it otherwise wouldn't have had an entitlement to. If the Committee had kept this money, and done what I think they should have done with it, which is apply it to the debt, they would have paid their debts with private money, and this additional federal money would not have been turned over to them.

So I understand the practical argument, which is the Committee ended up with more money than it expected to have as a result of doing well out of the convention, but I still think they should have applied that money to pay their debts, rather than moving it over, and let the taxpayers -- there is nothing wrong with the Committee raising all that money after the election. That is fine, but I think they should have used it first to extinguish those debts, rather than going and hitting the presidential fund for another million whatever.

Com. Elliott had asked to be recognized, and then the Vice Chairman.

COM. ELLIOTT: I have been listening to this discussion for a long time. I particularly care about donor intent, because I am very big on donor intent, but the intent of those last minute contributors was to contribute to the general election, which is clearly illegal, and they can't do that. So we don't have donor intent, except as an illegal act.

I think that this money should have been used first for the repayment of the debts. After they were extinguished, then maybe to GELAC. This is a scheme that just takes out money from the fund, and uses money to recycle that they would not be eligible for had they paid their debts.

I think we have to go along with the audit recommendations, since this has been in the act since the beginning; since it has been our practice since the very beginning. So I move the adoption of recommendation four.

COM. POTTER: If I may state the motion. Com. Elliott has moved the adoption of recommendation four. Now will that amount in recommendation four be altered by what factor, Bob? Not a dollar sum, but how do you want that phrased?

MR. COSTA: To say amended subject to a recalculation based on the Commission's prior repayment determinations. That, we can do.

COM. POTTER: So Com. Elliott's motion, if I may restate it, and see if she approves of it is the Commission approve recommendation four, that the Committee make a repayment to the United States Treasury, and the amount would be \$3,340,309 minus the amounts that the Commission has determined need not be paid in its calculations on recommendations one, two and three.

Discussion of the motion. Mr. Vice Chairman?

COM. MC DONALD: Thank you, Mr. Chairman.

This is really just a question in general, and maybe I could ask the counsel or audit, either one. I recall -- it is interesting, because it seems as though the interest in the donator intent, which I tried to pitch on time some years ago and lost, that's why I no longer find these as compelling as I did.

In the 1984 Reagan matter in which the money was transferred, actually flowing the other way, without the donor being apprised of it, we didn't even ask. They weren't even required to ask for redesignation, is that not correct? That the GELAC money that come in, the primary?

There you had a situation where the president was very popular. Obviously, he had no one who was contesting his election. Donors sent in a massive amount of money. Then the next thing I recall is that the money was moved over to the GELAC.

MR. STOLTZ: I don't recall off the top of my head how the 1984 Reagan campaign finished; whether or not they were in a surplus or a deficit position.

COM. MC DONALD: I think it is different in one sense. It is certainly not different in the donator sense, because what they did was they took the money, moved it over to the GELAC. The question was raised during a rather heated debate at that point, well, wait a minute, how can they do that without the donor knowing what it was for? I think it was excess money, if memory serves me right. I just want to be sure about the donative intent aspect of the process.

MR. STOLTZ: I don't know whether Bob recalls the specifics of that case or not. It wasn't one of the ones I worked on.

MR. COSTA: The only thing that strikes me is that he was in a surplus position at that time. I do recall the transfer being allowed to occur. Beyond that my recollection is --

COM. POTTER: Com. Thomas?

COM. THOMAS: Well, I think Com. McDonald brings up an interesting point. Now we have struggled with this issue of what can you do with money you get in terms of being able to move it over to the GELAC fund. The GELAC fund is something that the Commission has created by

regulation.

It is an effort to recognize that without some ability to raise some private donation money, some private contribution money during the general election phase, all of those legal and accounting expenses to comply with our law, would have to be paid for out of the public entitlement that is provided for under the statute. It was an attempt to be reasonable, and let the public money that is given to the candidates be used for campaigning and so on.

But we have basically created this alternative vehicle for fund raising during the general election, and the contribution limits are the same for that phase as they are during the primary. So we see the presidential candidates raising contributions for the general election in essence, albeit for this specialized fund. We now have to live with the consequences of that.

The Bush campaign very actively raised money for its GELAC fund. All the presidential candidates have done that, and it seems to me that we can't take a position that we have to unrealistically or excessively restrict their ability to raise money for their GELAC fund. It is specifically authorized.

I grant you here this is kind of an odd situation. It is unlike any that we have had before. This is moving money that came in after the date of the convention.

Dukakis involved I think a movement of money that came in after -- I'm sorry, before the convention, not after.

It is worth asking I think also whether in connection with the Dukakis audit, if any one recalls, was there any post-nomination money that came in there, and was that treated as primary election money that should have been treated as part of the surplus, such that we would extract a ratio repayment?

MR. STOLTZ: Post date of ineligibility funds never wind up in the surplus, with the minor exception of .

..

[Flip Tape C-3 from Side A to Side B, text lost.]

COM. THOMAS: We treat contributions as primary contributions when we are at a point of trying to figure out whether it results in an entitlement repayment, but for some reason we don't treat them as part of the primary funds if it is an issue of whether there is a primary surplus repayment.

So there is kind of an oddity built into the process there. This process has oddity upon oddity upon oddity, when all is said and done.

I only come back to the simple proposition that if I were in the Campaign's shoes, looking at the existing state of the law, I would go through the regulation. I would go to the Helms advisory opinion, and I would see a

Commission ruling saying that those regulations require that the contributor's signature appear on the same document that contains the words of designation, i.e., the check or the contributor slip.

The words of designation -- I have assumed that that in essence means you have got to put something on there that clarifies which election the contribution is intended for. You can't just rely on the name of the Committee. That obviously wouldn't make sense if the name of the Committee didn't change, as Com. McDonald brought out.

So if you are looking at the position that the Committee was in. They are trying to figure out our designation rules. They are trying to figure out which of the post-nomination contributions they have gotten in can be treated as monies that they will get contributor authorization to move to GELAC for, and which they were going to submit for matching.

I just don't see it as a case where based on the existing law we can take the position that this money in question has to be treated as primary election money. I mean I can understand all of the policy arguments, but you know you have to take these cases as they exist, and you have to at least acknowledge the position that these campaigns find themselves in trying to interpret our law.

As we have found time and time again, it ain't



easy. We have had some real humdinger issues over the course of the years trying to implement these provisions. Having listened to the discussion, and having heard the position of the auditors, and I think they have done a fine job in bringing this issue to us, and the counsel's office as well, I just have to say on balance it looks to me like the legal construction that you have to put here is that these were not primary contributions, and accordingly, they would not be included as a primary asset for purposes of the entitlement calculation.

Thank you.

COM. POTTER: Com. Aikens, and then the general counsel.

COM. AIKENS: Well, I just want to say, I think our regulations are perfectly clear. Contributions that do not exceed the contributor's limit for the primary election may be redesignated and deposited in a legal and accounting compliance fund only if the contributions represent funds in excess of any amount needed to pay remaining primary expenses.

I had no problem with them redesignating anything that is left over after they pay their primary debt. They can transfer everything after they pay the debt, but they are not entitled to get more matching funds. The section B on that same section is the contributions have not been

submitted for matching. These contributions were submitted for matching.

We are going against our regulations. We are going against our policy. I don't see how we can justify it by saying under 110 they can redesignate.

COM. POTTER: General counsel?

MR. NOBLE: I appreciate Com. Thomas' concerns about confusion that exists in the law. I'm afraid though that this analysis will raise far more questions than it answers. First of all just to make it clear, nobody is saying -- this has been said -- that they can't raise money for the GELAC. Nobody is saying that they could not transfer money after all their debts were paid. And we're not penalizing them for being very successful in fund raising.

At its heart this issue comes down to the old mixed pool theory of money. That the idea that the money they are working with in a matching fund system is part federal money, part private money, and that they cannot divert the private money out of the system so that more federal money is used for the debts. It's supposed to be one large pool.

After all that federal money is taken out of that pool, then they can transfer the private contributions. So I think at its heart we are dealing here with just the very

concept of the matching fund system. But where I'm afraid we are raising more questions than we are answering here is in the context of what is now going to be considered a designated contribution.

We have a situation here that a number of these contributions were raised with primary solicitations, and they were made out to the primary Committee's name. The question is, in the future are we going to say that leaves an open question of donor intent? We normally don't get to questioning what the donor meant, as long as the check is made out to the Committee.

I have never seen a situation where absent some other evidence that the donor had some other intention, that we would go back and question the donor. If these contributions are not considered designated for the primary, then as I mentioned earlier, it raises serious questions for this case and in future cases of whether they can be matched without more, because now we have a situation where we are saying that donor intent is not clear, because they are not clearly designated, yet we have matched them in many cases.

So I'm afraid that we are now going to add confusion upon what in other areas, we may have some confusion.

COM. POTTER: Com. McGarry.

COM. MC GARRY: Do you take the position, Larry,

that if the name of the primary committee, or the name of the Committee is the payee, that is dispositive of the situation?

MR. NOBLE: I would say absent some written designation in the other direction at the time of the solicitation, yes.

COM. MC GARRY: A conclusive presumption.

MR. NOBLE: Yes, again, absent other contemporaneous evidence. If they had sent a contributor card that said, and the solicitation said it's for the GELAC, and they signed something saying it is for the GELAC, and they made it out to the Clinton for President Committee, then I would say there is a strong argument that was meant for the GELAC, but that's not what we are dealing with here.

COM. MC GARRY: It is clear that the campaign did seek redesignation from the contributor, is that correct?

MR. NOBLE: Absolutely.

COM. MC GARRY: That was done lawfully and compliant as far as seeking the redesignation within the required 60 day period and so on?

MR. NOBLE: Yes, but if they are seeking a redesignation is to me anything, and the Committee claims it was a mistake, but if it is not looked at as a mistake, then what it shows is that they first recognized these as primary contributions, and then as Com. Aikens says, the regulation

comes into play and says that they cannot redesignate these as long as they have debt.

COM. MC GARRY: And we're coming about money that came in after the convention?

MR. NOBLE: Yes.

COM. MC GARRY: In a combination of all those circumstances, I don't see how you can ignore -- I would not agree with you, Larry, on conclusive presumption, just on the name of the payee. I think the donor intent is an important factor, even though it might have been wrong in your judgment, I respectfully disagree with you. I think even if it was wrong to get the redesignation, that they properly did within 60 days, it wasn't something that the contributor wasn't a party to. After all of that, coming in after the convention, I find it difficult to agree with the recommendation in the report on that item.

COM. POTTER: Joe.

MR. STOLTZ: A couple of points that go back a little ways in the discussion. First, speaking to donor intent, the solicitations that I had read earlier of course reference matching funds, which is clearly a primary election program, not a general election program.

We also have a copy of the Committee's final solicitation, which is a debt retirement solicitation, and also contains the matching fund language.

In addition to that, the requirements for contributions into the compliance fund under sources says that all solicitations for contributions to this fund shall clearly state that such contributions are being solicited for this fund. So it would therefore seem that unless they are redesignated or solicited for that purpose, perhaps that regulation is not met.

Also to go back to a point that the Chairman raised a little earlier --

COM. THOMAS: Joe, aren't all the monies that are at issue that were moved over to GELAC in fact redesignated?

MR. STOLTZ: They are, assuming that the redesignation was permissible, however, if it is assumed they were primary to begin with and required a redesignation, then I think 9003.3 comes into play, and the redesignation wouldn't have been permissible to start with.

COM. THOMAS: If.

MR. STOLTZ: If.

COM. POTTER: Joe, so the solicitation for the debt retirement, where did the proceeds for that go?

MR. STOLTZ: That came into the primary, as best we know.

COM. POTTER: It stayed there?

MR. STOLTZ: Some of that may well have been transferred as well. It has the same card on it that the

others did. "Important information for Clinton pre-convention team members."

COM. POTTER: And you have cards like that being transferred to the GELAC?

MR. STOLTZ: Yes.

COM. POTTER: With debts outstanding?

MR. STOLTZ: Yes.

The other question, if these are all to be considered undesignated contributions, therefore by definition general election, as Larry alluded to earlier, the matchability of those contributions I think comes into question, particularly with respect to that last matching fund submission.

I did a little digging around yesterday in the computer files, and it would seem that of that \$2.8 million that we paid out, all but \$588,000 was at least from contributions that were deposited -- I can't say as to the check date -- but deposited after the date of ineligibility.

It would appear that there is a significant question as to whether those would be matchable. If that is true, then how does this impact other campaigns who may have had matching funds paid out on the basis of post date of ineligibility contributions? Admittedly, most of them didn't have a general election campaign, but there are some number of them who receive matching funds based on

contributions that were received after the date of ineligibility, and would under a strict reading of 110, appear to be contributions for the next election, whatever that might be.

COM. POTTER: Just following that argument through though, surely though if we end up not determining that these were primary contributions, then they couldn't have been matched.

MR. STOLTZ: That is the point, yes. Then how does that impact on a campaign who doesn't have a general election?

COM. POTTER: How does it impact on this campaign?

MR. STOLTZ: Well, in this campaign I would think what we would have to do is go back and re-evaluate the last couple of matching fund submissions, and hold as unmatchable any contribution that was dated after the date of ineligibility.

I can't tell you now what the result of that would be. I think that submission, the last one we paid something close to 99 percent of the request.

COM. POTTER: How large was the request?

MR. STOLTZ: Two point eight million dollars, contained I believe 67,000 transactions.

COM. POTTER: I'm not sure the Committee ends up -  
- I don't know how the numbers work out -- I'm not sure they



end up better that way.

MR. STOLTZ: They may not.

COM. POTTER: Com. Thomas?

COM. THOMAS: Well, I suppose you could take that approach. The fact is, is it not, that these contributions are, as Larry described them, in sort of a never-never land or in limbo? They are contributions that have many aspects of appearing to be primary related, but in fact they didn't meet the technical requirement of designation.

I mean at what point do you come down on a committee and basically say it's Catch-22. We're not going to give you any discretion to figure out how to structure your matching fund program submissions. We're not going to give you any leeway whatsoever, and particularly where as here, it is quite clear that these different sets of contributions got quite different treatment.

As to the ones which the Committee is making the pitch should be treated as general related, they went back to each and every one, and they got a written statement within 60 days saying, yes, make that a GELAC contribution.

As I said, these rules that we have are pretty obtuse, and it seems to me that where you don't have an indication that the Committee had any clear indication that this is the kind of result that would obtain, you have got that awkward situation where a committee is getting in a lot

of contributions and it doesn't really know on a day-to-day basis once it makes a matching fund submission, how much private money is going to come in, and how that is going to affect your ultimate entitlement.

There has to be some way that you can acknowledge that basically as the Committee did here, those contributions that came in up to the August 6 date, which had many aspects of donative intent, as Com. Elliott noted, of being primary contributions, they could go ahead and submit for matching.

As of that point where they were willing to go back and get specific authorization, they were able to basically read the rules such that they could treat those as money they could move to GELAC. I really don't see that as internally inconsistent. We wouldn't have to apply a Catch-22, it seems to me.

COM. POTTER: General counsel?

MR. NOBLE: I don't think this is a Catch-22. I do think it is a question of consistency. I don't think the checks are in never-never land. I am saying that I think those checks were designated for the primary, and they are \* primary contribution checks.

I would think if you disagree with that, and you say they are undesignated, then you have to treat the checks consistently, in which case they are not designated for the

primary, in which case they are not matchable. The regulations on matchability say the written instruments shall be payable on demand, and to the order of, or specifically endorsed without qualification to the presidential candidate.

If this was not payable on demand to the presidential candidate, then it should not have been matched. We're not looking for a Catch-22, but it also shouldn't be tails they win, heads we lose. It is either they are primary contributions or they are not primary contributions. If they are not primary contributions, then I understand the argument for transferring them to the GELAC, but then they should not be matched.

I think that is an inconsistency that is going to be difficult to reconcile down the line, of how you say the same exact contribution can be in one instance matched, and the next instance decided that it is not in fact a primary contribution.

COM. THOMAS: I hope we don't lose sight of the fact if they were submitted for matching, they do have to be included in their cash on hand analysis, unlike these other ones. So there is a major difference, it seems to me. If they are submitting them for matching, they are conceding that those do have to be included in the assets calculation for NOCO entitlements. So there is a dramatic difference

right there on its face.

MR. NOBLE: That difference leaves it totally up to the Committee, and a totally subjective decision on the Committee's of whether they are going to consider something matchable or not matchable. Here it is up to the Commission to decide whether it is matchable, and whether you think in fact it was designated for the primary committee. That is the only issue I'm raising.

COM. POTTER: Com. McGarry, and I think Joe Stoltz. I'm sorry, Com. McDonald.

COM. MC DONALD: Well, I'll say just generically if there was ever a cause for the concept of block grants, I am going to ask at the beginning of the next year just how much time it has taken to do all the audits. I think the auditors have done a very good job. I don't doubt that at all.

There is a reoccurring theme here that is very interesting. The whole process of the presidential system was to get people into the system who did not have an opportunity. Three times out of five the incoming party has lost, so the system has worked reasonably well.

I think the arguments made by my colleagues are very good, I really do. I say that very seriously. I think these are not easy areas. I think both sides are frustrated. I can cite a number of cases where I feel as

strongly as some of my colleagues feel about this case, and some of them when it actually made a difference before the election, instead of two years after.

So I understand the frustration level at this commission, but one of the things that strikes me above all else, and that maybe we ought to utilize either in this process or going to some sort of process where there is some sort of bright line test, as Com. Elliott alluded to earlier, and we would obviously even have an argument over that I'm sure, but at least she is headed in the right direction about the kind of frustration that we all share.

It has been said repeatedly, you know the Committee takes advantage of this, because the Committee wants to get the maximum out of it and maximize the amount of public money. Truly a startling revelation in politics, if that is what you take.

What we know is that under matchability each one of the two presidential committees could have gotten \$13.8 million. They could have fashioned -- I think this Committee would have been better off if it had the same name in the primary and in the general, ironically. But because they weren't sitting in the White House at the time, obviously that made it more difficult.

I don't doubt -- I have had arguments with my colleagues for years here about what constitutes in

connection with an election. I must say to you that it makes issues like this pale into comparison. But at least here you have a ceiling which is permissible under the law. Neither side reached the ceiling, but they could have.

When I listened to all the arguments and to all the debate, and look at how much the taxpayer fund gave out in this last election -- close to \$150 million. It's over that if you take into account the conventions. How much were the conventions, Joe?

PARTICIPANT: Twenty-two.

COM. MC DONALD: Twenty-two together?

PARTICIPANT: Yes.

COM. MC DONALD: So you're at about \$170 million.

PARTICIPANT: One hundred seventy-five point six.

COM. MC DONALD: Thank you; \$175.6 million I have been advised. That sounds pretty official to me.

We have debated this around and around and we should. I think the auditors have done a very good job. I think they have done a very thorough job. But there is kind of an underlying -- and I don't doubt anybody's sincerity, because as I say, I have these same frustrations when I've talked about either personal use or senatorial elections, or in connection with; the list is somewhat endless, so I can appreciate the problem.

The one thing that is clear, I'm not so sure that

we wouldn't be better off as a Commission, as would the regulated community, which at least was an effort Com. Elliott was trying to get at earlier when she talked about a bright line test in relationship to President Bush, that if Committees have the wherewithal -- and this business about sitting around, trying to figure out whether you can maximize your money or not, and what a terrible revelation that is to somebody, I'm not sure who.

I would feel badly about it if it wasn't designated under our current system. That in fact that is how much money these committees could get. I do respectfully differ with my colleagues about when these checks are received, and whether they can be applied or not.

One of the things we might do that would take this frustration out of it for all sides is allow the Committees to use the maximum amount if they get it, regardless of the time, because in essence that's where we are. Neither one of these committees still came up to the maximum that they are allowed under the law.

I am just saying that one of the things that strikes me is we spend countless hours on this. We're going to talk about ultimately in this section, roughly about -- I never was quite clear -- \$1.4 million? I still don't quite have it. Is that kind of where we are, roughly we're arguing about in this section right here?

MR. STOLTZ: Should Com. Thomas' analysis be applied, then we are talking about \$1.4 million versus \$3 million.

COM. MC DONALD: Well, then let's say the difference in the debate is \$1.6 roughly, right?

MR. STOLTZ: That is correct.

COM. MC DONALD: Not \$2.6 million, \$1.6 million. See, you've been sitting here as long as I have. That is out of \$176 million that basically we know has gone out to this process. That doesn't make any of it less significant, and maybe we should have never gotten into the GELAC to begin with, ever. I don't know the answer to that. I don't know how these committees can work without it, quite frankly, in this day and time.

But I do think it is important to put it in the context of all of this process, because it is a frustrating process. It is not my goal to give committees an advantage, and it's not my goal to punish them. This Committee, regardless, is going to be in not an easy status when this is all over regardless of the findings on this particular issue.

I applaud Com. Elliott for moving the motion, and I am ready to vote, if everybody else is. It's up to the Chairman.

COM. POTTER: I thought you were going to say you



were ready to support it.

COM. MC DONALD: I'm ready to vote on it. Is that all right?

COM. POTTER: Joe, you have I hope, a very short word.

MR. STOLTZ: It's very short. Going back to the point of how we should treat these contributions if they are to be considered undesignated, whether the August 5-6 date comes into play. The one thing that struck me in reading the explanation justification on 110 is a statement that says these guidelines clarify that the designations must be made by the contributor, and not the recipient committee.

Where it seems that if we allow some of these to be considered primary and submitted for matching, while others to be general election by their very nature, I'm not sure that it is consistent with that proposition either.

COM. MC GARRY: One quick question on that very point on the money submitted for matching. Was the payee identical in all cases on those checks?

MR. STOLTZ: To the ones that weren't submitted?

COM. MC GARRY: Yes.

MR. STOLTZ: Yes.

COM. MC GARRY: And what was the payee on the money that was submitted for matching? You said some were submitted for matching, some weren't.

MR. STOLTZ: Right. It breaks the August 5-6 date, and they varied: Clinton for President, Bill Clinton for President, some of them just made payable to Gov. Clinton.

COM. MC GARRY: So there were different payees?

MR. STOLTZ: The later ones weren't any different.

COM. MC GARRY: Thank you.

COM. POTTER: There being no further discussion of Com. Elliott's motion to approve the recommendation of the audit division as amended by the commission's earlier votes, recommendation four, please say aye. Those opposed to the motion.

Madame Secretary, the motion fails by a vote of three to three. Coms. Elliott, Potter, and Aikens voting in favor of the motion, Coms. Thomas, McDonald, and McGarry voting against the motion.

[Whereupon the motion failed to pass.]

That recommendation not having been agreed to, we have one more recommendation in this audit report, and then we have the general in front of us, although Bob Costa tells me that it is largely a mirror image, and thus most of the decisions have already been made.

I see two people asking to be recognized. I will do that, and then I'm proposing we take a short recess before continuing.

Com. Elliott?

COM. ELLIOTT: I would like to take the prerogative of moving recommendation five.

COM. POTTER: Bob Costa?

I'm sorry. Madame Secretary, Com. Elliott has moved recommendation five.

Bob Costa?

MR. COSTA: Only that it is my understanding that give it is a three to three decision, there is effectively no repayment required.

COM. POTTER: Under recommendation four.

MR. COSTA: Right.

COM. POTTER: That would not affect any of the repayments required by any of the other recommendations.

MR. COSTA: My question was with respect to four. It is further my understanding that the audit report would reflect that the Commission could make no determination concerning this payment, and language to that effect would be added to the report and recirculated.

COM. POTTER: That is my understanding. Is that the counsel's understanding?

MR. NOBLE: Yes.

PARTICIPANT: This is just taking out the \$1.4 million in question, so that it would go down to \$2 million.

MR. COSTA: Oh, there are still repayments. It's

only the issue of excess entitlement.

MR. STOLTZ: No, there is still an amount there. It would be significantly reduced.

MR. NOBLE: There will be no repayment based on the three to three vote. There will be other repayments that the Commission did vote for, but that part of it will be taken out.

MR. COSTA: I think what I'm trying to raise rather inarticulately here is that there could, I presume, be some additional (b)1 repayment that still potentially could be applied here if you were to exclude all of these contributions that are at issue, and not apply them, but apply the others, and the effect of the remaining repayment issues, there still could be an entitlement repayment.

It's my understanding that this vote three to three only relates to these contributions, and that should there be a (b)1 repayment entitlement issue, that the Commission would still require that to be repaid.

COM. POTTER: This vote only relates to these transfers to the GELAC and whether they should have been considered as you recommended, primary contributions encountered against the debt. If there are any other questions that that vote raises, we have not resolved them yet.

Com. Thomas?

COM. THOMAS: Yes, historically when this kind of problem has come up where we have disagreed as to a part of an entitlement repayment, there has been a subsequent motion to approve the recommendation except for that portion upon which there has disagreement. That way there would then be, if we do as we have in the past, a (b)1 entitlement repayment that relates to what is left.

So I am happy to make that motion, Mr. Chairman, and I do so.

COM. POTTER: We have a motion in front of you on recommendation five, which we haven't gotten to yet. I don't mind doing it now, but is there any discussion of recommendation five, which is the discussion of the sale dates checks?

There being none from the counsel --

PARTICIPANT: I don't know what that figure is going to be.

COM. POTTER: Correct me, but don't we know what the figure is in recommendation five, which is the \$40,859?

MR. COSTA: Yes, there is no problem with the recommendation five.

COM. POTTER: So let me restate that motion as approving recommendation five to require, pursuant to the discussion, preceding recommendation five, the initial determination that \$40,895 is payable in this recommendation

to the United States Treasury pursuant 11 CFR 9038.6. That should be clear on what's there.

Any further discussion of that motion? There being none, those in favor say aye. Those opposed.

That motion passes Madame Secretary, by a vote of six to zero.

[Whereupon the motion was unanimously approved.]

Com. Aikens.

COM. AIKENS: I want to ask what happens now to those funds received after the date of ineligibility that were matched, and that now are declared to be GELAC contributions, and thus not matchable?

MR. COSTA: I don't believe there has been a Commission determination as to matchability and nonmatchability of those contributions at all. The vote, my understanding is three to three. There is nothing dispositive. Nothing has been determined with regard to those contributions.

COM. POTTER: Will you come back to us with a recommendation on that issue?

MR. COSTA: I would defer to counsel in this instance. There is a legal question here. The commission, it seems to me, in a vote of three to three, three commissioners are saying these are primary contributions, and three commissioners are saying they are not. I can't

tell you whether there is an issue of matchability or not.

COM. POTTER: General counsel?

MR. NOBLE: In my view, there is an issue of matchability. The question would be whether there would be four votes to have that reviewed. If a motion was made to have the audit division review those identical contributions for the question of matchability and report back, we could proceed that way. If that didn't pass, then we would know it is not worth doing.

COM. AIKENS: All right, Mr. Chairman, I will move that those monies that were received after the date of ineligibility but not matched, to be declared to -- were matched, to be declared -- no, they were not matched, to be declared to be GELAC contributions, that were matched, I'm sorry, and thus not matchable.

I'll get it right in a minute. It's quite possible this motion will not pass, but I think we ought to make it clear by our action or inaction that if we allow this transfer of funds to the GELAC, and the resultant payment of the dollars of public funds for primary debts, because the Committee argues that the contributions received after the date of ineligibility were not primary contributions, rather that it read undesignated contributions received after the primary election, and pursuant to general election contributions.

Now I think we have to decide what about all those contributions that were received as part of the same solicitations, that are now being claimed to be for the general election all along, that were in fact submitted by the primary committee, and then matched with public funds?

Surely at a bare minimum, we should require that all the matching funds that were paid to the Committee for contributions received after the date of ineligibility be required to be repaid to the United States Treasury, since the Committee itself argues that contributions received after the convention should not be considered primary contributions, but should be considered undesignated general election contributions for the GELAC.

COM. POTTER: All right, let me try to restate the motion. Moved that funds not determined by the Commission to be primary funds, and transferred to the GELAC after the date of ineligibility are not subject to matching.

NOBLE: My understanding is that it was a motion that those contributions post August 5, that were identical to the -- not those motions, those contributions post August 5, post DOI, that were identical to the contributions at issue here would be declared be nonmatchable.

COM. THOMAS: That doesn't do any good, because they weren't submitted matching.

MR. COSTA: There were some that were submitted to



matching. Those that were submitted for matching would be declared to be nonmatchable. They were identical to the ones that were not submitted.

COM. THOMAS: From the period July 15 through August 5?

MR. COSTA: Yes, from July 15 to August 5 there were contributions submitted for matching which were identical to the contribution at issue here. It is my understanding the substance of the motion would be to conduct a review to determine how many of those contributions -- of those contributions, those that were submitted for matching between July 15 and August 5, were submitted for matching, and therefore would be determined nonmatchable and repayable.

COM. POTTER: Bob, you appear to have the firmest grasp on what the motion should be for the purpose of giving you instruction. Would you mind restating what you just said?

MR. COSTA: That the audit division be directed to conduct a review of contributions submitted which are identical to the contributions at issue here, and to identify those contributions which were matched, and follow with a recommendation that they be repaid.

COM. POTTER: Madame Secretary, do you have that motion, or do you want any portion of that repeated?

PARTICIPANT: May I have it repeated one more time?

COM. POTTER: Resolved that the audit division be directed to conduct a review of the contributions which are identical to those contributions considered by the Commission in recommendation four, and --

MR. COSTA: That on the basis of that review of matching funds submitted, make a recommendation that those contributions be repaid.

COM. POTTER: Those which were matched.

MR. COSTA: Yes, be repaid.

COM. POTTER: Be repaid.

MR. COSTA: That is correct.

COM. POTTER: So you're trying to see if any of the ones after the date of ineligibility that look like this, were in fact matched?

MR. COSTA: Yes.

COM. POTTER: Okay, is that motion clear?

COM. MC DONALD: It's the same issue we just voted on, just so people are not confused.

COM. POTTER: I guess I'm not sure it is the same issue.

COM. AIKENS: It isn't the same issue. It's not.

COM. MC DONALD: It is. It is the same issue. It has been cut back, but the same issue. Let's just vote it.

I apologize, Mr. Chairman.

COM. POTTER: Well, I don't think it is the same issue, in all due respect. The Commission can decide whether or not they are primary contributions, but there are results and effects of making that decision, as the audit division pointed out as we were discussing it. So this is not a question of having decided what route we are going to take. Are we going to be consistent with that?

COM. MC DONALD: There is no use you and I having a ping-pong match. This was the debate brought up. It is read from the exact same pronouncements that were made earlier. Let's vote.

COM. THOMAS: If I could just clarify, you could take the position that you have to now treat all post-DOI contributions as non-primary contributions. That was the position that Larry was trying to stake out, and Joe mentioned. And I laid out the argument that you don't have to look at it that way, and that seems to be the difference of opinion.

In my view, I call it a Catch-22. I might refer to it as a foolish consistency perhaps, if that is what you are striving for. It seems to me that it's an effort to basically say that the Committee has absolutely no leeway in this matching fund program, and no matter which way they operate, we are going to extract back this amount of money.

It seems to me that there are many good arguments as to why there should be different treatment accorded to them. They should be able to basically treat these contributions the way they did.

So I grant the Chairman that the issue is slightly different in that this deals with a question of whether or not having decided that the ones which came in after August 6 don't necessarily generate an entitlement repayment, we have to do the same for all, but I just happen to disagree with that decision.

Thank you.

COM. POTTER: Com. Aikens?

COM. AIKENS: Well, I don't agree that this is the same issue. This is allowing them to have it both ways, and I don't agree with that. They are either contributions received after the DOI. Those contributions are either primary contributions subject to be matched with . . .

[Change Tape from C-3 Side B, to C-4 Side A, text lost.]

. . . they are undesignated GELAC contributions, not for an election. They are for the GELAC to be used in the GELAC, and therefore cannot be matched. There is no legal, logical, or ethical way that those post-DOI contributions can be both and have this Commission remotely uphold the integrity of the public financing system.

COM. POTTER: Mr. Vice Chairman?

COM. MC DONALD: Mr. Chairman, both my integrity is intact, and so is the Commission's. My point was -- I apologize, I shouldn't have made a sidebar comment to the Chairman so we would have it for the floor, but it is all right. The fact is, we did debate this a while ago, as Com. Thomas indicated.

This was the argument that we got into. That is what I have reference to. We did argue about it. Larry put an argument forth. Com. Thomas, as he has just indicated again, he said he understood that. He did think it was a Catch-22. I believe it was clear that the general counsel did not think it was.

This is part of exactly what we went over, but since no one feels that way, and I think there is a motion anyhow, and that is the most important, I am certainly prepared to vote the motion.

COM. POTTER: I thank the Vice Chairman.

Any further discussion? There being none, those in favor of the motion as stated by Bob Costa, restating Com. Aikens's motion, and which the secretary has, those in favor of that motion, please say aye. Those opposed?

Madame Secretary, the motion fails on a vote of three to three, Coms. Elliott, Potter, and Aikens in favor; Coms. Thomas, McDonald, and McGarry opposed.

68853

[Whereupon the motion did not carry.]

Bob, does that clarify then for you, what will be in this document?

MR. COSTA: The recirculated audit report will have language to that.

COM. POTTER: So that concludes the Commission's consideration of the primary audit report, Clinton for President. You will recirculate --

COM. THOMAS: Mr. Chairman, I hate to interrupt. I don't know that we have a motion -- I guess we don't need one if it is going to be recirculated.

COM. POTTER: Right.

COM. THOMAS: If this were the final shot, we would need a motion to actually approve what is left? I see.

COM. POTTER: Right, this will be recirculated on tally with the changes made as voted and where the Commission was unable to make decisions, those noted.

Thank you.

We will not take a, I think, well earned by everybody five minute break, and we will then return for what again Bob tells me we may be able to do reasonably speedily, which is the general election audit report. Five minutes.

[Brief recess.]

27088

**28001-28113: Final Audit Report, 1992 Clinton for President Committee (CPC)**

**Note: bottom-page #'s 99 through 118 of Final Audit Report not included as it contains irrelevant schedules. Bottom-page #'s 143 through 160 (FEC general counsel's opinion) is included in Tab 21, Doc 21001-21014/A.**

---

**Page numbers refer to bottom pagination:**

**Page 9/28011:** FEC auditors repeat CPC's assertion that no workpapers were available yet the CPC must have known the Andersons maintained all workpapers.

**Page 9/28011:** FEC auditors repeat CPC's assertion that misstatements due to fact that "she" (Pat Anderson) failed to reconcile reporting figures to those CPC sent to her. Yet CPC unable to produce for FEC a single example of anything that was sent. The Andersons report herein that the CPC accounting department never sent any reconciliations for compliance reports -- in 1992 or any other time.

**Page 9/28011:** FEC auditors state that CPC failed to turn over financial records. Anderson Report shows in documents NN and OO (Tab 8) that CPC began paying for storage of POC's financial records in August 1993. Therefore, the CPC must have known about them.

**Page 10/28012:** FEC auditors repeat CPC's gratuitous (and false) statement that CPC was having significant difficulties with vendor (POC) during summer of 1992. (This false comment sets up impression that in the months prior to time POC was supposed to have been seeking/obtaining redesignation statements without knowledge of CPC, it was already experiencing difficulties with POC.

**Page 87/28089:** FEC auditors repeat CPC's false information that the vendor, and not the CPC, which obtained the redesignation statements; on same page the FEC auditors reference the CPC's "analysis". The "analysis" covers up the fact that the transfers were based on batches of redesignation statements the CPC Little Rock staff had obtained.

**Page 90/28092:** FEC auditors repeat misleading statements about CPC being penalized for slow processing of contributions, suggesting POC was responsible for not getting the contributions processed before the Clinton campaign's period of ineligibility began on July 15, 1992 (Clinton's nomination).

**Page 122/28104:** FEC auditors include, as Attachment 5, a document the CPC submitted as an explanation for purchasing computer equipment using primary campaign funds shortly before Clinton was nominated. In that document, the CPC flatly states "POC" prepared debt and obligation statements, from inception through March 1993, for which amendments were necessary. This is a false and misleading statement. Please refer to Documentary With References, Tab 2 (Sections 9.6, 33.10, and 38.4) and Tab 9 for discussion.

**Attachment 5/28102-28104** informs the FEC that the CPC began to pull away from POC in late 1992/early 1993. Not true. POC performed significant work during that period and filed the CPC's compliance report for the third quarter of 1993.

**Tab 21, Page 158/21016:** FEC General Counsel repeats CPC's contention that "the redesignation statements were performed by mistake by a former vendor." It is clear that the FEC General Counsel had read Attachment 5, the document in which the CPC announced its relationship with POC would be terminated.

**REPORT OF THE AUDIT DIVISION  
ON**

**Clinton for President Committee**

**December 27, 1994**



**FEDERAL ELECTION COMMISSION  
999 E STREET, N.W.  
WASHINGTON, D.C.**

**28001**



**TABLE OF CONTENTS**  
**CLINTON FOR PRESIDENT COMMITTEE**

	<b>Page</b>
<b>Executive Summary</b>	<b>1</b>
<b>Final Audit Report</b>	<b>5</b>
<b>Background</b>	<b>5</b>
<b>Findings</b>	<b>8</b>
<b>Legal Analysis</b>	<b>143</b>
<b>Transmittal to Committee</b>	<b>161</b>
<b>Transmittal to Candidate</b>	<b>163</b>
<b>Chronology</b>	<b>165</b>



FEDERAL ELECTION COMMISSION  
WASHINGTON DC 20463

FINAL AUDIT REPORT  
ON  
CLINTON FOR PRESIDENT COMMITTEE  
  
EXECUTIVE SUMMARY

Clinton For President Committee ("Committee") registered with the Federal Election Commission on August 21, 1991, as the Clinton Exploratory Committee. The Committee was the principal campaign committee of then Governor Bill Clinton, a candidate for the 1992 Democratic presidential nomination.

The audit was conducted pursuant to 26 U.S.C. §9038(a), which requires the Commission to audit committees that receive matching funds. The Committee received \$12.5 million in matching funds.

The findings were presented to the Committee at an exit conference held at the conclusion of audit fieldwork (October 19, 1993) and in the Interim Audit Report approved by the Commission on April 4, 1994. The Committee's response to the Interim Audit Report and other information received from the Committee are included in this report. The Committee disagreed with most of the Interim Audit Report findings.

The Final Audit Report required the Committee to pay \$1,383,587 to the U.S. Treasury.

The findings contained in the Final Audit Report are summarized below.

Misstatement of Financial Activity - 2 U.S.C. §5434(b)(1), (2), and (4). The Committee overstated its 1992 receipts and disbursements by \$116,489 and \$322,476, respectively, and understated its 1992 ending cash by \$206,717. The Committee filed amended disclosure reports in July 1993 to correct misstatements.

Itemization of Receipts - 2 U.S.C. §434(b)(3)(A). The Committee failed to itemize a number of contributions from individuals and in-kind contributions but corrected the irregularities in its July, 1993 amendments.

Disclosure of Occupation and Name of Employer - 2 U.S.C. §434(b)(3)(A), 2 U.S.C. §431(13)(A), 11 C.F.R. §104.7(a) and (b). A sample of contributions from individuals the Committee received revealed that the Committee's itemized entries for such

contributions failed to disclose the donor's occupation and name of employer for 49 per cent of the items tested. In addition, several of the Committee solicitations did not meet the "best efforts" standard for notifying recipients of the information on contributors that must be reported by law. The Committee disclosed additional information in amended reports filed in July, 1993.

Itemization of Refunds and Rebates - 2 U.S.C. §434(b)(3)(F). The Committee failed to identify various press organizations and the Secret Service as the sources of over \$2.5 million in travel reimbursements paid to the Committee through its travel vendor. The Committee filed a series of amended reports on October 14, 1994. These reports materially correct the public record. (The Committee also failed to itemize \$11,898 in other refunds and rebates but corrected this problem in its July 1993 amended reports.)

Excessive Contributions Resulting from Staff Advances - 2 U.S.C. §441a(a) and 11 CFR §116.5. Based on information provided by the Committee it was determined that five individuals made excessive contributions totaling \$58,482.

Contributions, Extensions of Credit by Commercial Vendors, and Use of Corporate Facilities - 11 CFR §100.7(a)(1), 11 CFR §114.9, and 11 CFR §116.3. The auditors concluded that the Committee received a total of \$246,162 in apparent excessive or prohibited contributions resulting from advances or extensions of credit made outside the ordinary course of business.

Apparent Non-qualified Campaign Expenses - 11 CFR §9032.9(a) and 11 CFR §9034.4(a). The Commission made an initial determination that the Committee repay the U.S. Treasury \$270,384 for making the non-qualified campaign expenses listed below:

1. Duplicate Payments or Overpayments - For making a total of \$39,742 in overpayments to vendors and to the candidate's general election committee, the Committee was required to make a pro rata repayment of \$16,861.

2. General Election Expenditures - The Committee was required to make a \$154,740 pro rata repayment for spending \$598,964 to benefit the candidate's general election campaign. The general election payments were made for equipment, facilities, polling, direct mail, media services, and other miscellaneous expenses. The amount represents an allocation of the amount originally recommended by the Audit staff.

3. Other Non-qualified Campaign Expenses - The Committee also had to make a pro rata repayment of \$98,783 for other non-qualified campaign expenses totaling \$382,366 including staff bonuses, an unexplained settlement, traveler's cheques, and other expenses.

Matching Funds in Excess of Entitlement - 26 U.S.C. §9038(b)(1). The Commission could not reach a conclusion on the Audit staff's recommendation that \$3.4 million was repayable. Also the Commission could not reach a decision on the matchability of certain post convention contributions. As a result the Candidate will be required to repay the U.S. Treasury \$1,072,344 in matching funds that exceeded entitlement. This determination was based on an analysis of the Committee's Statement of Net Outstanding Campaign Obligations relevant post-convention contributions up until the Committee ceased requesting matching funds and matching funds received after the convention.

Stale-dated Committee Checks - 11 CFR §9038.6. Finally, the Committee was required to pay the U.S. Treasury \$40,859, the value of stale-dated Committee checks still uncashed.

99.04.393.2513

Blank



FEDERAL ELECTION COMMISSION  
WASHINGTON DC 20463

LC000637

REPORT OF THE AUDIT DIVISION  
ON  
CLINTON FOR PRESIDENT COMMITTEE

I. Background

A. Audit Authority

This report is based on an audit of Clinton For President Committee ("the Committee"). The audit is mandated by Section 9038(a) of Title 26 of the United States Code. That section states that "after each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under Section 9037." Also Section 9039(b) of the United States Code and Section 9038.1(a)(2) of the Commission's Regulations state that the Commission may conduct other examinations and audits from time to time as it deems necessary.

In addition to examining the receipt and use of Federal funds, the audit seeks to determine if the campaign has materially complied with the limitations, prohibitions and disclosure requirements of the Federal Election Campaign Act of 1971, as amended ("the Act").

B. Audit Coverage

The audit covered the period from the Committee's inception, August 21, 1991, through June 30, 1993. During this period, the Committee reports reflect an opening cash balance of \$-0-, total receipts of \$45,341,630, total disbursements of \$43,871,664, and a closing cash balance of \$1,686,273.1. In addition, a limited review of transactions and a review of disclosure reports through June 30, 1994 was conducted to gather information used in the evaluation of the Committee's financial position and matching fund entitlement.

1/ Reported totals do not foot. These amounts were revised via amended disclosure reports filed on July 2, 1993. (See Finding II.A.) All figures in this report have been rounded to the nearest dollar.

### C. Campaign Organization

The Committee registered with the Federal Election Commission as the Clinton Exploratory Committee on August 21, 1991. On October 10, 1991 the Committee filed an amended Statement of Organization to change its name to the Clinton For President Committee. The Treasurers of the Committee during the period covered by the audit were Bruce R. Lindsey from August 21, 1991 to September 4, 1991 and Robert A. Farmer from September 4, 1991 to the present. The campaign established its national headquarters in Little Rock, Arkansas.

To handle its financial activity, the campaign had a general operating account from which most disbursements were made, a payroll account; a draft account; a media account; a collateral account used for the deposit of Federal funds; a suspense account used for the deposit of contributions from individuals awaiting redesignation to the Clinton/Gore '92 General Election Compliance Fund ("Compliance Committee") and a direct mail account which was inactive. In addition, the Committee maintained a New York operating account and two fundraising accounts, one located in Jonesboro, Arkansas and the other in Blytheville, Arkansas.

The campaign made approximately 29,000 disbursements and received 241,000 contributions from 181,000 persons. These contributions totaled \$25,197,422.

In addition to contributions, the campaign received \$12,536,135 in matching funds from the United States Treasury. This amount represents 90.78% of the \$13,810,000 maximum entitlement that any candidate could receive. The candidate was determined eligible to receive matching funds on November 27, 1991. The campaign made 10 matching funds requests. The Commission certified 99.2% of the requested amount. For matching fund purposes, the Commission determined that President Clinton's candidacy ended July 15, 1992. This determination was based on Section 9032(6) of Title 26 of the United States Code which states that the matching payment period ends "on the date on which the national convention of the party whose nomination a candidate seeks nominates its candidate for the office of President of the United States, ..." See also 11 CFR §9032.6. The campaign continued to receive matching fund payments through October 2, 1992, to defray expenses incurred before July 15, 1992, and to help defray the cost of winding down the campaign.

Attachment 1 to this report is a copy of the Commission's most recent Report on Financial Activity for this campaign. The amounts shown are as reported to the Commission by the campaign.

28008

#### D. Audit Scope and Procedures

In addition to a review of the qualified campaign expenses incurred by the campaign, the audit covered the following general categories:

1. The receipt of contributions or loans in excess of the statutory limitations (see Finding II.E.);
2. the receipt of contributions from prohibited sources, such as those from corporations or labor organizations (see Finding II.F.);
3. proper disclosure of contributions from individuals, political committees and other entities, to include the itemization of contributions when required, as well as, the completeness and accuracy of the information disclosed (see Finding II.B., C. and D.);
4. proper disclosure of disbursements including the itemization of disbursements when required, as well as, the completeness and accuracy of the information disclosed;
5. proper disclosure of campaign debts and obligations;
6. the accuracy of total reported receipts, disbursements and cash balances as compared to campaign bank records (see Finding II.A.);
7. adequate recordkeeping for campaign transactions (see Finding III.B.);
8. accuracy of the Statement of Net Outstanding Campaign Obligations filed by the campaign to disclose its financial condition and establish continuing matching fund entitlement (see Finding III.C. & D.);
9. the campaign's compliance with spending limitations; and
10. other audit procedures that were deemed necessary under the circumstances.

As part of the Commission's standard audit process, an inventory of the Committee's records was conducted prior to the audit fieldwork. This inventory was to determine if the Committee's records were materially complete and in an auditable state. The inventory showed that a material portion of the Committee's records were missing or incomplete. On December 28, 1992, the Committee was sent a letter requesting records supporting or relating to several areas to be covered by the audit that had not been provided to the auditors for review during the



pre-audit inventory. These records included bank records; workpapers and documentation relating to the Committee's direct mail and telemarketing programs; workpapers and documentation detailing the billing and collection for press and Secret Service travel, as well as, all corporate and charter airline invoices to include costs for each flight leg and the related passenger manifest; and, records and workpapers for media purchased by the Committee. The Committee was afforded 30 days to provide the additional records. At the end of the 30 day period the records were judged adequate to commence the audit.

It should be noted that the Committee did not allow the auditors to have direct access to Committee records. Although adequate arrangements were negotiated, this restriction added unnecessary time to the audit process.

Unless specifically discussed below, no material non-compliance with statutory or regulatory requirements was detected. It should be noted that the Commission may pursue further any of the matters discussed in this report in an enforcement action.

## **II. Findings and Recommendations - Non-repayment Matters**

### **A. Misstatement of Financial Activity**

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

The Audit staff reconciled the Committee's reported activity to its bank records for the period August 16, 1991 through June 30, 1993. The reconciliation revealed the following misstatements relative to calendar year 1992.

#### **1. Beginning Balance**

The Committee reported a beginning cash balance at January 1, 1992 of \$1,885,699 which was understated by \$3,731. The correct beginning cash balance was \$1,889,430.

#### **2. Receipts**

The Committee reported total receipts of \$41,785,176 for calendar year 1992. This amount was overstated by a net amount of \$116,489. The correct receipt total was \$41,668,687. Part of the net overstatement resulted from the Committee's failure to report in-kind contributions totaling \$16,291 (see Finding II.B.)

### 3. Disbursements

The total amount of disbursements reported for calendar year 1992 was \$40,944,408 which was overstated by a net amount of \$322,476. The correct disbursement total was \$40,621,932. Although the Committee stated during the pre audit inventory that all disbursements were itemized on Schedules B-P; the summary page schedules and the Schedules B-F (Itemized Disbursements) for the reports filed covering May, 1992 and July, 1992 were significantly different. Reported disbursements were overstated by \$349,922 for May and were understated by \$217,831 for July when compared to bank activity.

### 4. Ending Balance

The reported ending cash balance at December 31, 1992 of \$2,729,468 was understated by \$206,717. The correct ending balance was \$2,936,184. This misstatement was primarily due to the effects of the receipt and disbursement misstatements noted above.

The Committee did not maintain workpapers, bank reconciliations or other records which demonstrated how the amounts contained on its disclosure reports were prepared. Absent such information, the Audit staff was not able to identify the reasons for the misstatements described above.

On July 2, 1993 the Committee filed amended disclosure reports for each reporting period in calendar year 1992 which materially corrected the misstatements.

In the Interim Audit Report the Audit staff recommended no further action regarding this matter.

In its response to the Interim Audit Report, the Committee states that "these misstatements were essentially due to errors by one of the Committee's computer vendors who failed to reconcile her records to the accounting data and bank reconciliation [sic] provided to her by the Committee's accounting department."

Although the Audit staff had requested all workpapers and bank reconciliations during the pre-audit inventory and during fieldwork, none was provided which related to the original reports filed with the Commission.

### B. Itemization of Receipts

Section 434(b)(3)(A) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period whose contribution

or contributions have an aggregate amount or value in excess of \$200 within the calendar year, or in any lesser amount if the reporting committee should so elect, together with the date and amount of any such contribution.

During a sample review of Committee contributions it was noted that 8% of the dollar value of contributions tested from individuals that required disclosure on Schedules A-P were not itemized. Twelve of the 26 contributions not itemized on Committee disclosure reports identified in the sample were received near the end of reporting periods. In addition, 17 of the sample errors involved contributions received in the June, July or August, 1992 reporting periods.

Also, as part of the reconciliation of reported activity to Committee bank records, \$50,852 in in-kind contributions were identified. Of this amount, \$16,291 were not found itemized on the Committee's disclosure reports as required by 11 CFR \$104.13.

The Committee filed amended disclosure reports for all of 1991 and 1992 on July 2, 1993. These amended reports materially corrected the irregularities noted above.

In the Interim Audit Report the Audit staff recommended no further action in regard to this matter.

In the response to the Interim Audit Report, the Committee states that it does not agree with the auditors' results projecting itemization errors of 8%. However, the Committee did not provide any documentation or other relevant information to support its position. In addition, the Committee acknowledges that during June, July and August of 1992, "the Committee experienced significant difficulties with the vendor preparing the Primary Committee's reports." Irrespective of such vendor problems, the Committee itself, and its treasurer, have the responsibility of complying with 2 U.S.C. §434(b)(3)(A) and 11 CFR §104.3(a)(4).

#### C. Disclosure of Occupation and Name of Employer

Section 434(b)(3)(A) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person who makes a contribution to the reporting committee during the reporting period, whose contribution or contributions have an aggregate amount or value in excess of \$200 within the calendar year together with the date and amount of any such contribution.

Section 431(13)(A) of Title 2 of the United States Code states that the term "identification" means in the case of any individual, the name, the mailing address, and occupation of such individual, as well as the name of his or her employer.

28012

Section 104.7(a) and (b) of Title 11 of the Code of Federal Regulations states in part that when the treasurer of a political committee shows that best efforts have been used to obtain, maintain and submit the information required by the Act for the political committee, any report of such committee shall be considered in compliance with the Act. With regard to reporting the identification of each person whose contribution(s) to the committee and its affiliated committees aggregate in excess of \$200 in a calendar year, the treasurer will not be deemed to have exercised best efforts to obtain the required information unless he or she has made at least one effort per solicitation either by a written request or by an oral request documented in writing to obtain such information from the contributor. For purposes of 11 CFR §104.7(b), such effort shall consist of a clear request for the information (i.e., name, mailing address, occupation, and name of employer) which request informs the contributor that the reporting of such information is required by law.

Contributions were tested on a sample basis to determine if the occupation and name of employer had been reported; and if not, if best efforts to obtain, maintain and submit the information were demonstrated. Of the items tested in the sample that required occupation and name of employer, 49% did not have the required information. Further, the solicitations that could be associated with the contributions did not meet the best efforts standard of 11 CFR §104.7(b). On July 1, 1992, the Committee received a letter from the Commission that pointed out the Committee's obligation to disclose the full identification of contributors who donate, in the aggregate, more than \$200 or exercise its best efforts to secure such information. In addition, the Commission's Reports Analysis Division sent the Committee several requests for amended disclosure reports that would supply the missing information.

In response to the notices from the Commission, the Committee stated that it intends to request this information in writing from its contributors. During audit fieldwork the Committee stated that the mailing consisted of approximately 17,000 pieces and was sent in November, 1992. A copy of the mailing was provided and included a notice informing the contributor that the requested information is required by law. The items considered as errors in the sample analysis were compared to the listing of the individuals who reportedly received the follow-up mailing. Nearly all of the contributors associated with identified sample errors were found on the listing. Finally, a comparison of the sample contributions to the amended disclosure reports submitted in July of 1993 revealed that the Committee had provided additional information.

In the Interim Audit Report the Audit staff recommended no further action in regard to this matter.

28013

The Committee states in its response to the Interim Audit Report that it "disagrees with this finding." It is stated further that "best efforts was satisfied prior to the November 1992, mailing. All of the Committee's solicitations included contributor cards requesting complete contributor information in compliance with the applicable language in 11 C.F.R. §104.7." The Committee contends that "[U]nder the regulations in effect in 1991, to 1993, the Committee satisfied the 'best efforts' requirement if it made one written request per solicitation. Since all Committee solicitations were accompanied by contributor cards requesting this information, the Committee's solicitations fully satisfied this requirement."

The Committee is incorrect in its statement that "All" of its solicitations requested "complete contributor information in compliance with the applicable language in 11 C.F.R. §104.7." Several of the Committee's solicitations obtained during audit fieldwork did not request the name of employer, or state that the reporting of such information is required by law. One Committee solicitation contained no request for occupation or name of employer. In addition, the Committee is erroneous in the assumption that the Interim Audit Report concludes that best efforts was demonstrated by the Committee with the November, 1992 mailing. The Interim Audit Report only acknowledges that the mailing was done and that additional information was provided by the Committee in amended reports filed on July 2, 1993.

#### D. Itemization of Refunds and Rebates

Section 434(b)(3)(F) of Title 2 of the United States Code states that each report under this section shall disclose the identification of each person who provides a rebate, refund, or other offset to operating expenditures to the reporting committee in an aggregate amount or value in excess of \$200 within the calendar year, together with the date and amount of such receipt.

Section 431(13)(B) of Title 2 of the United States Code states in part that in this Act the term "identification" means in the case of any other person the full name and address of such person.

The Committee received in excess of \$2.5 million in reimbursements from the press and the Secret Service for travel. World Wide Travel acted as an agent for the Committee by receiving reimbursements for travel from the various press organizations and the Secret Service, depositing these receipts in an escrow account and ultimately transferring the proceeds, net of any fees charged, to the Committee's operating account. The reimbursements were itemized on Committee disclosure reports as being from World Wide Travel which does not accurately disclose the identification of the person who made the refund pursuant to 2 U.S.C. §434(b)(3)(F). The amended disclosure reports provided no additional information with respect to press and Secret Service reimbursements.

Further the Committee failed to itemize refunds and rebates (unrelated to press and Secret Service reimbursements received through World Wide Travel) totaling \$11,898 in its January, 1992 report. These transactions were included on the July 2, 1993 amended disclosure reports discussed previously.

At the exit conference the Committee stated that it had received advice from the Commission that press and Secret Service refunds for travel were not required to be itemized individually in the Schedule A-P.

In the Interim Audit Report it was recommended that the Committee amend its reports to disclose as memo entries the identification (i.e., name, address), date and amount for each person or organization who made a reimbursement to the Committee for travel. In addition, it was recommended that any fees paid with respect to these reimbursements and netted against amounts received by World Wide Travel should be included as memo disbursement entries.

The Committee states in its response to the Interim Audit Report that:

"it properly disclosed these reimbursements as received from Worldwide Travel and that further itemization is not required by the Act, regulations or other Commission precedents."

"2 U.S.C. § 434(a) requires committees to file reports of receipts and disbursements. Generally all reporting under the Act, other than debts and obligations is on a cash basis. The Commission has addressed a virtually identical issue to this one as to disbursements made by presidential committees. In AO 1983-25, the Commission concluded that the itemization of disbursement requirements were met when a publicly financed campaign reported payments to its media vendor, and further hold [sic] that the Committee was not required to itemize payments subsequently made by the vendor on behalf of the committee. Thus, although committee vendors are required to maintain documentation of disbursements made to subvendors on behalf of a committee, the committee is not required to report or itemize such disbursements. The collection and receipt of reimbursements through a third party vendor is indistinguishable from the situation in AO 1983-25."

"11 C.F.R. § 104.3(a)(4)(v) requires only that a committee identify each person who provides a rebate, refund, or other offset to operating expenditures to the reporting committee in an aggregate amount or value in excess of \$200 within the calendar year. The Committee satisfied that requirement by reporting the receipt of press and secret service reimbursements from Worldwide

Travel which was operating as a vendor to the Committee in billing and collecting press and secret service reimbursements. All records pertaining to these collections were made available for audit as in AO 1983-25. The reporting requirements, however, were fully met by reporting the receipts from Worldwide. As in AO 1983-25, the Primary Committee's travel vendor was a distinct legal entity which entered into an arm's length commercial arrangement with the Committee. Worldwide Travel was neither set up by the Primary Committee, nor was the Primary Committee its only client. It is and was an ongoing travel business."

"The Committee sought informal advice from the audit staff regarding whether these reimbursements must be itemized and was advised that they need not be. We believe that advice was fully consistent with the requirements of § 434(b)(3)(f), § 104.3(a)(4)(v) of the regulations and AO 1983-25."

"Although, the Primary Committee believes that its reporting was in full compliance with the requirements of the Act, the Committee has prepared amendments as directed by the auditors itemizing the receipts from each press and secret service entity to the extent possible. . . . The Committee shall provide copies of the revised schedules that have been prepared itemizing this information. The amendments will be filed as soon as the revised summary pages and any other necessary amendments are completed."

Advisory Opinion ("AO") 1983-25 addresses a media vendor, contracted by a committee to administer its media production and media buys, and in the course of performing its duties would make disbursements to various advertising entities. In addition, in AO 1983-25, the following factors were considered significant in making its determination: (1) the consultants had a legal existence that was separate and distinct from the committee's operations; (2) the consultants' principals did not hold any committee staff positions; (3) the committee was conducting arms-length negotiations with the consultants that resulted in a formal contract; (4) the consultants were not required to devote their full efforts to the contract with the committee, and the consultants expected to have other media contracts with other committees and business entities during the campaign period; and, (5) the committee had no interest in the consultants' other contracts. In the case at hand, the Primary Committee paid for the chartering of aircraft and maintained travel manifests, which identified the number of press, secret service and Committee personnel traveling on a particular trip, and the cost of each trip. This information was subsequently provided to Worldwide Travel which acted as a billing and collection agent for the Committee. The monies received from Worldwide did not represent a refund of Committee funds paid to

Worldwide Travel for services rendered. The monies represent refunds for travel incurred by the various press organizations and Secret Service personnel. Based on its responses and documentation provided to date, the Committee has not addressed all the factors noted above. Therefore, the receipts should have been disclosed as refunds from the organizations which were the actual source of those funds. The press and Secret Service were the providers of the refunds to the Committee. Worldwide Travel was merely a conduit for the receipt of those refunds.

The Committee also states that "informal advice" was received from the Audit staff. The Audit staff is unaware of any advice given to the Committee concerning this matter. In addition, the Committee did not identify the person who provided this advice.

Although no amended reports were filed with the Committee's response to the Interim Audit Report, the Committee has recently filed a series of amended reports on October 14, 1994. These reports materially correct the public record.

E. Apparent Excessive Contributions from Staff and Other Individuals

Section 441a(a)(1)(A) of Title 2 of the United States Code states that no person shall make contributions to any candidate and his authorized political committees with respect to any election for Federal office which, in the aggregate, exceed \$1,000.

Section 116.5(b) of Title 11 of the Code of Federal Regulations states, in part, the payment by an individual from his or her personal funds, including a personal credit card, for the costs incurred in providing goods or services to, or obtaining goods or services that are used by or on behalf of, a candidate or political committee is a contribution unless the payment is exempted from the definition of contribution under 11 CFR 100.7(b)(8).

If the payment is not exempted, it shall be considered a contribution unless, it is for the individual's transportation and normal subsistence expenses incurred by other than a volunteer, while traveling on behalf of a candidate or political committee of a political party; and the individual is reimbursed within sixty days after the closing date of the billing statement on which the charges first appear if the payment was made using a personal credit card, or within thirty days after the date on which the expenses were incurred if a personal credit card was not used. "Subsistence expenses" include only expenditures for personal living expenses related to a particular individual traveling on committee business such as food or lodging.

28017



The Committee's payments of expense reimbursements were reviewed to determine if contributions had been made. As part of the Audit staff's analysis, contributions resulting from untimely reimbursement of expenses incurred by individuals were added to direct contributions made by these individuals. The review disclosed that persons were reimbursed for both their own travel and subsistence expenses as well as expenses for non-travel items and the subsistence of other persons. In the Interim Audit Report it was concluded that seven persons made excessive contributions totaling \$75,100<sup>2</sup>/. At the time of the audit, no expense reimbursement requests were outstanding. At the exit conference, the Committee was presented a schedule of these individuals. The Committee stated at the exit conference that each individual's circumstance was unique and believed that the Committee had adequate information to address this matter.

In the Interim Audit Report it was recommended that the Committee either demonstrate that no contribution occurred with respect to these expense reimbursements, including a demonstration that portions of the amounts are exempt from the definition of a contribution under 11 CFR §100.7(b)(8), or offer any other information that it believed relevant to the issue.

The Committee states in its response to the Interim Audit Report that "the auditors have incorrectly categorized them [these transactions] as excessive and untimely reimbursements, and the audit analysis overstates the amounts of any advance."

The Committee states further that "[O]f the seven persons identified by the auditors, four<sup>3</sup>/ were Committee staff and three were unpaid consultants to the Committee providing services. As to the staff members, the auditors' computer print-out provides a cumulative total of all expense reimbursements received by the individuals without identifying those which were for personal transportation and subsistence." The Committee continues that "[W]hen the personal transportation and subsistence expenses have been subtracted from the analysis, the contribution figures are dramatically different. The Committee has prepared a correct analysis accounting for all permissible advances and reimbursements for transportation and subsistence expenses<sup>4</sup>/." [Footnote 3 omitted].

---

[Footnote 4] - The auditors' analysis of David Wilhelm is skewed by the inclusion of \$6,000 which the Committee decided to reimburse him for the expenses of his apartment. It would have been permissible for him to pay these expenses without reimbursement, but it was also permissible for the Committee to reimburse him. The timing of this reimbursement is legally immaterial."

---

<sup>2</sup>/ This amount is the sum of the largest outstanding excessive balance for each individual.

The Audit staff notes that an explanation of symbols and methodology used to generate the "computer print-out" was provided subsequent to the exit conference and again with the Interim Audit Report that enables the Committee to identify those expenses for personal transportation and subsistence. In addition, a review of the Committee's analysis revealed that certain items classified as personal travel and subsistence were for the expenses of persons other than the individual reimbursed (e.g. food for volunteers) and the use of "air phone," which are not subject to the 30-60 day window for reimbursement.

With respect to one individual, Carol Willis, the Committee did provide sufficient documentation which demonstrated that advances considered excessive contributions in the Interim Audit Report were immaterial.

With respect to the \$6,000 reimbursement to David Wilhelm for rent, this payment was made at the request of David Wilhelm in a memo to David Watkins and Eli Segal dated August 15, 1992 for eight months (November, 1991 through June, 1992) rent at \$750 per month. Payment was made on August 28, 1992. As noted above, the Committee states that "it decided to reimburse him for the expenses of his apartment. It would have been permissible for him to pay these expenses without reimbursement." The Committee does not address the reason it "decided" to reimburse Mr. Wilhelm although there was no obligation to do so. In an analysis of Mr. Wilhelm's expenses submitted by the Committee, the Committee lists the \$6,000 rent reimbursement as part of a compensation package; however, no documentation or agreement was provided to support such a package. Given the documentation submitted, the \$6,000 has been excluded from this analysis and moved to Section III.B.3.b., Campaign Bonuses. This eliminates any excessive contribution by Mr. Wilhelm.

The Committee contends that "three individuals were permitted under the Act and regulations to extend credit to the Committee under the ordinary course of business because as unpaid consultants they were unincorporated vendors to the campaign under 11 C.F.R. §116.3. Each of the individuals involved volunteered their uncompensated services to the Committee and billed the Committee for the costs incurred in connection with providing those services to the Committee. Each of the individuals involved has substantial fundraising background and expertise and thus may be considered an unincorporated commercial vendor. . . Ken Brody, Shelia Davis Lawrence (whose expenses were reimbursed to her trust, M.L. Lawrence Trust), and Erskine Bowles were fundraising consultants to the Committee."

Although the Committee contends that these individuals are unincorporated vendors with substantial fundraising background and expertise who extended credit to the Committee in their ordinary course of business, it failed to provide any documentation or other relevant information (i.e., list of other

clients for whom they have performed fundraising services) which demonstrate that the individuals are unincorporated vendors and the observed billing practices are in their normal course of their business. It should be noted that during this period of time, Ken Brody and Erskine Bowles were investment bankers with the firms of Goldman Sachs and Company, and Bowles Hollowell Conner and Company respectively.

Each individual who travelled on behalf of the Committee was credited with an additional \$1,000 pursuant to 11 CFR §100.7(b)(8). Therefore, based on information provided by the Committee and the additional \$1,000 credit per individual for travel, the Audit staff has determined that five individuals made excessive contributions totaling \$58,482 (see Attachment 2.)

**F. Contributions, Extensions of Credit by Commercial Vendors, and Use of Corporate Facilities**

Section 441b(a) of Title 2 of the United States Code states, in part, that it is unlawful for any corporation or labor organization to make a contribution in connection with any election for Federal Office.

Section 441a(a)(1) of Title 2 of the United States Code states, in part, that no person shall make contributions to any candidate and his authorized committee with respect to any election which in the aggregate exceed \$1,000.

Section 441a(a)(2)(A) of Title 2 of the United States Code states, in part, that no multicandidate political committee shall make contributions to any candidate and his authorized political committee with respect to any election for Federal Office which in the aggregate exceed \$5,000.

Section 100.7(a)(1), (3), and (4) of Title 11 of the Code of Federal Regulations state, in part, that a contribution includes payments, services or other things of value: Such as a gift, subscription, loan, advance or deposit of money; the payment by any person of compensation for the personal services of another person if those services are rendered without charge to a political committee, except for legal and accounting services provided under 11 CFR 100.7(b)(13) or (14); and the extension of credit by any person unless the credit is extended in the normal course of business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligation.

Section 116.3(a) and (b) of Title 11 of the Code of Federal Regulations state, in relevant part, that a commercial vendor that is not a corporation, and a corporation in its capacity as a commercial vendor may extend credit to a candidate, a political committee or another person on behalf of a candidate or political committee. An extension of credit will not be considered a contribution to the candidate or political committee

provided that the credit is extended in the ordinary course of the commercial vendor's/corporation's business and the terms are substantially similar to extensions of credit to nonpolitical debtors that are of similar risk and size of obligations.

Further, 11 CFR §116.3(c) states that in determining whether credit was extended in the ordinary course of business, the Commission will consider:

- (1) Whether the commercial vendor followed its established procedures and its past practice in approving the extension of credit;
- (2) whether the commercial vendor received prompt payment in full if it previously extended credit to the same candidate or political committee; and
- (3) whether the extension of credit conformed to the usual and normal practice in the commercial vendor's trade or industry.

Section 114.9(a) of Title 11 of the Code of Federal Regulations states, in part, stockholders and employees of a corporation may make occasional, isolated, or incidental use of the facilities of a corporation for individual volunteer activity in connection with a Federal election, such persons will be required to reimburse the corporation only to the extent that the overhead or operating costs of the corporation are increased.

A stockholder or employee who makes more than occasional, isolated, or incidental use of a corporation's facilities for individual volunteer activities in connection with a Federal election is required to reimburse the corporation within a commercially reasonable time for the normal and usual rental charge, as defined in 11 CFR 100.7(a)(1)(iii)(B) for use of such facilities.

Sections 114.9(c) and (d) of Title 11 of the Code of Federal Regulations state, in part, that any person who uses the facilities of a corporation or labor organization to produce materials, use telephones, typewriters, or borrow office furniture, for activity in connection with a Federal election is required to reimburse the corporation or labor organization within a commercially reasonable time for the normal and usual charge for producing such materials in the commercial market, or in the case of the equipment, the normal rental charge.

Section 114.9(e)(1) of Title 11 of the Code of Federal Regulations state, in part, that a person traveling on behalf of a candidate who uses an airplane which is owned or leased by a corporation other than a corporation licensed to offer commercial services for travel in connection with a Federal election must, in advance, reimburse the corporation.

During fieldwork the Audit staff identified a number of corporations and other vendors that were providing services to the Committee but according to the invoices, generally did not appear to be billing for anything above their costs. There were no written contracts provided to the Audit staff for any of the vendors in this finding except for two lease agreements.

There was a total of 14 vendors that received a total of \$296,355 from the Committee. During the fieldwork, the attorney for the Committee asserted that much of the activity would be permissible under 11 CFR 114.9. A list of the vendors and expenditures was given to the Committee at the exit conference on October 19, 1993.

In the Interim Audit Report, the Audit staff recommended that the Committee provide additional documentation or any other comments to demonstrate that the credit extended by the vendors was in the normal course of their business, including statements from the vendor, and therefore did not represent prohibited contributions. The information provided was to include examples of other customers or clients of similar size and risk for which similar services have been provided and similar billing arrangements have been used. Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles was requested. The Audit staff further recommended that the Committee provide documents to support its argument that some of these activities are permissible under 11 CFR 114.9 or are exempt from the definition of a contribution under 11 CFR 100.7(b).

Presented below is an explanation for each vendor. The information in the Interim Audit Report is presented, followed by the Committee's response and a conclusion.

#### Goldman Sachs and Company

Before the Committee had a New York office, Goldman Sachs provided office space to a Committee employee. According to an April 19, 1993, memorandum in response to Audit staff questions, "Paul Carey, served as the Northeast finance coordinator. He reported to Ken Brody, who served voluntarily as a national finance co-chair and as the New York finance chair from October, 1991 on. In addition, he was a general partner with Goldman Sachs through November 30, 1991, and a limited partner after that. He was aware of available space at Goldman which the campaign rented for Paul Carey." Advances by Paul Carey and Ken Brody are included in Finding II.E. above.

Most of the early expenses were for limousine or taxi service provided by Goldman Sachs. These expenses were billed and paid by the Committee timely and are not included in the amount shown below. The actual office expenses for September, 1991 through December, 1991 were not billed until February 19, 1992 and not paid by the Committee until April 16, 1992. The two largest

invoices cover the period December 27, 1991 to March 7, 1992. They were billed on March 23, 1992 and April 15, 1992. The last invoice payment was for expenses incurred in October, 1991 but not billed by the vendor until November 1992. The total amount paid for these expenses was \$16,295.

In response to the Interim Audit Report, the Committee submitted two affidavits. The first is from Harry Silver, a Vice President of Goldman, Sachs and Co. He is the Chief Administrator for the firm's Investment Banking Division. The other affidavit is from Kenneth Norton, a Vice President with the company and one of the individuals responsible for the management of the Accounting Services Department.

According to Mr. Silver, the billing for the office space and miscellaneous office support services was handled in the ordinary course of Goldman Sachs business in a manner wholly consistent with the Division's ordinary commercial practice and experience. There are no mandatory time parameters within his Division governing the process of reviewing disbursements and billing third parties. According to the affidavit, after Mr. Carey's departure, Mr. Silver instructed his staff to collect market information and make estimates as to the fair market value for the office space and office related expenses, and to compile the actual costs of the miscellaneous expenses.

Mr. Norton's affidavit addressed the car service and the Clinton breakfast in October, 1991. For both, there are no time parameters governing billing third parties for reimbursement of the car service and in-house food service incurred by the firm. According to the affidavit, as a matter of practice and experience, the processing of general expenses and billing of third parties ranges anywhere from several months to one year or more from the time that the expense is actually incurred.

The Commission believes that 11 CFR §114.9, by analogy, applies to partnerships. See AO 1979-22. It appears that Goldman Sachs has provided the use of its facilities to the Committee. In the view of the Audit Division, the Committee has not demonstrated that it reimbursed Goldman Sachs for the use of its facilities "within a commercially reasonable time." 11 CFR §114.9(d). Specifically, the affidavits do not supply any specific examples of other clients of similar size and risk, examples of similar types of activity where billings were delayed several months to over one (1) year or where Goldman Sachs donated its services at cost.

Manatt, Phelps, Phillips, & Kantor

This firm incurred \$120,192 in expenses from September, 1991 to June, 1992. These expenses were billed on July 28, 1992 and paid in two installments of \$60,096 each on August 7, and September 12, 1992. According to the Committee, Mickey Kantor was the campaign chairman and used employees of the law firm to work

for the Committee. Mr. Kantor volunteered his services but the firm was reimbursed for the employees' services. In addition to employees' services, such as secretarial, temporary help and library research, the firm was reimbursed for expenses incurred for office rent, meals, telephones, copying and postal services. The firm appeared to have billed the Committee at cost for certain items on its invoices.

The Committee submitted additional material on November 10, 1993. According to a memorandum from Manatt, Phelps & Phillips, "Our law firm utilizes various billing practices within our ordinary and normal course of business. One such practice involves the accumulation of fees and costs during the life of a project, with the billing at the conclusion of the project."

In response to the Interim Audit Report the Committee submitted an affidavit from Judi Cunningham, the accounting manager for Manatt, Phelps & Phillips. According to the affidavit the firm billed the Committee on January 13, 1992 for costs incurred from September through December, 1991, and sent another bill on May 31, 1992 for costs incurred from January through April 1992. Ms. Cunningham states that "as of July, 1992, the firm had not yet received payment for such periodic invoices. As a result, after consultation with the Campaign, new invoices dated July 28, 1992 were prepared and forwarded to the Campaign." The July 28, 1992 bill includes the previous charges as well as charges for May and June, 1992. According to the Committee, it did not have any record of receiving the first two billings. The Committee did not report any debts owed to this firm until August, 1992.

The Committee sent copies of both invoices in question. The initial invoice dated January 13, 1992 was sent to Manatt, Phelps' address in Los Angeles to Mickey Kantor. Mr. Kantor was a partner in the firm. Another invoice dated May 31, 1992 was also sent to Manatt, Phelps, attention Mickey Kantor. The July 28, 1992 bill the Committee finally recognized and paid, was sent to the Committee in Little Rock, Arkansas. There is no explanation why Mr. Kantor did not send these earlier invoices on to the Committee in Little Rock.

In the response, the Committee states that it does not think it is relevant whether the firm billed on a periodic basis or not, since it is within the firm's ordinary course of business to bill at the end of the project. According to the affidavit, "Pro bono representations typically involve the provision of volunteer legal services and may or may not involve the provisions of costs as well. In those instances where the firm seeks to recover costs, it is common to bill the costs either periodically (but not necessarily monthly) or only once, at the end of the project."

28024

It is understandable for a firm to bill a client for periodic expenses, yet it appears this firm went to the trouble of billing the Committee \$90 on February 3, 1992 for the use of the firm's board room on February 5th and 6th, 1992. The Committee does not explain why this vendor would normally wait to bill approximately \$120,000 in expenses but go to the trouble of billing \$90 on a timely basis.

The Commission believes that 11 CFR §114.9, by analogy, applies to partnerships. See AO 1979-22. It appears that Manatt, Phelps, Phillips, and Kantor provided the use of its facilities to the Committee. In the view of the Audit Division, the Committee has not demonstrated that it reimbursed Manatt, Phelps, Phillips, and Kantor for the use of its facilities "within a commercially reasonable time." 11 CFR §114.9(d). Specifically, the affidavit does not supply any specific examples of other clients of similar size and risk, and examples of similar types of activity where billings were delayed several months.

#### Mozark Productions

Mozark Productions produced a video for the Committee. Starting in February, 1992, Mozark began paying different businesses and individuals to produce the video. The last check written by Mozark was on May 4, 1992. Mozark billed the Committee \$14,019 on May 18, 1992. The Committee reimbursed Mozark on August 21, 1992. It appears that Mozark is just recovering its expenses.

The Committee stated at an August 12, 1993 conference with the auditors, that Harry Thomason was the producer of the video and volunteered his services. In the Committee's response to the exit conference, they stated "Mozark provided production services to the Committee and billed the Committee in full for production costs. The personal services of Harry and Linda Thomason were volunteered under 11 CFR §100.7(b)(3)."

This statement did not address the question of the extension of credit in the ordinary course of business.

In response to the Interim Audit Report, the Committee submitted an affidavit from Harry Thomason the President of Mozark Productions. According to Mr. Thomason, it is standard entertainment industry practice for production companies to bill a client for the direct costs of preparing a video plus a fee for services of the producers. He and his wife, Linda Bloodsworth-Thomason volunteered their personal services in connection with the production of the videos. The company did not compensate them for the volunteer services they provided. Mr. Thomason also states that it is an ordinary business practice for Mozark to bill at the conclusion of the project, which is customary in the industry.



The personal services of Harry Thomason and Linda Bloodsworth-Thomason may be volunteered to the Committee. See 11 CFR §100.7(b)(3). However, because Mozark Productions provided other production services to the Committee which are part of its usual and normal business, the extension of credit for such services must be made in the ordinary course of business. 11 CFR §116.1(c)(defining commercial vendors); 11 CFR §116.3 (ordinary course of business standard). The Committee's response did not give any examples of other clients the company does business with of similar size and risk for which similar services have been provided and similar billing arrangements have been used. The affidavit does not address whether the company requires other clients to deposit money or make advance payments prior to services being provided; or, if this is not done, whether the company normally sends progress billings at different stages of the project. Mozark does not address its failure to make follow-up billings and why it took no action to collect this debt. In the view of the Audit Division, it has not been established that the extension of credit was made in the ordinary course of business under 11 CFR §116.3.

#### Walter Kyle

Walter Kyle is an attorney who worked for the Committee in New Hampshire, starting in October, 1991. He incurred \$1,974 in expenses from October 24, 1991 to February 24, 1992. From the Committee's Check Request Form, he apparently billed the Committee on May 1 and 4, 1992 and was paid by the Committee on September 3, 1992. He also billed the Committee \$13,500 for services between October, 1991 and May, 1992. The invoice is undated, but the Committee paid Mr. Kyle on September 11, 1992.

In response to the Interim Audit Report, the Committee submitted an affidavit from Mr. Kyle. He states that his billing procedures were consistent with the billing practices for other clients of like size and financial capacity. In his work as plaintiff's attorney, he does not receive payment for services until after completion of the case. In matters before the United States Claims Court, his practice bills within 90 days of completion of the case.

The work described above is not the type of work he performed for the Committee. Mr. Kyle appeared to be instrumental in setting up the Committee's New Hampshire office. Of the \$13,500 in services paid for, \$7,250 was made up of 29 hours work at \$250 an hour for the following: 15 hours to search for NH headquarters, photographs and review of market conditions; 4 hours for negotiating the lease and drafting the option agreement; 10 hours for negotiation with the phone company for the 1992 number, and negotiation with sign companies for refurbishing signs. He also, billed \$6,500 for legal and political consultation between November, 1991 and May, 1992.

Neither the Committee nor the vendor presented any information on why the vendor delayed the billing for the \$1,974 in expenses. The vendor had made two prior billings to the Committee, which were not included in the finding, for expenses incurred in October, 1991 and paid in October, 1991 and January, 1992. He was also reimbursed by the Committee with two drafts for expenses incurred in January, 1992.

Though part of Mr. Kyle's work would require an attorney's expertise, it is not the same as being a plaintiff's attorney or presenting matters before the United States Claims Court. The response does not address the same type of services and billings provided by Mr. Kyle to the Committee and similar clients. Therefore, in the Audit staff's opinion, it has not established that the extension of credit was in the ordinary course of business as required by 11 CFR §116.3(c).

Newmark and Company Real Estate, Inc.

The Committee rented office space from this corporation in New York City starting December 16, 1991. A total of three offices were rented during the primary campaign and the convention. The Committee made the following rent payments; \$4,000 on February 3; \$750 on March 31; and \$750 on April 1, 1992. Newmark sent the Committee a final bill dated August 19, 1992 with a total amount due of \$20,730. According to the lease agreement a \$1,500 deposit was due and payable at the time of the execution and delivery of the lease. It appears the \$750 payments made on March 31 and April 1, 1992 by the Committee were considered deposits by the vendor. The two payments, totaling \$1,500, were subsequently refunded to the Committee. The August 19, 1992 invoice covered the total rent charges for three offices between December 16, 1991 and August 15, 1992. If the \$4,000 payment is applied against the earliest rent due, the Committee owed \$20,730 for the period from March 1, 1992 to August 15, 1992. The Committee paid this amount on October 21, 1992.

In response to the Interim Audit Report, the Committee submitted an affidavit from Margaret Fennelly, a licensed real estate salesperson associated with the vendor. According to the affidavit, the vendor did not bill the Committee until August 19, 1992. The reason for the delayed billing is that the parties did not have an executed lease and the computer system is not equipped to bill tenants without there being a properly executed lease. This statement is inconsistent with the information provided by the Committee during fieldwork. The Committee provided a copy of the lease it had with the vendor, that was signed only by a Committee representative. The vendor also billed the Committee at least three times in February and March, 1992 prior to August 19, 1992 billing demonstrating that the Committee was at some point in Newmark's billing system. According to the information provided by the Committee, since this Committee was in the vendor's billing system, the vendor's normal business practice would have been to bill the Committee on a more frequent basis. The vendor's

affidavit also provides examples of situations when errors resulted in delayed billing. However, as noted, the explanation of how this particular situation occurred is not consistent with the documentation gathered during the audit. Therefore, in the Audit staff's opinion, it has not been established that the extension of credit was in the ordinary course of business as required by 11 CFR §116.3.

### TRADEC

The Committee received invoices from this vendor for various charges incurred in January, February, and March of 1992. The charges included travel expenses, office expenses, rent and professional services. Although the vendor's invoices indicate "Professional Services(\$85 per hr.)", the vendor billed the Committee at a reduced rate or did not bill the Committee for such services. According to vendor invoices noted above, the Committee incurred actual charges for professional services of \$9,308. However, the Committee was billed only \$1,500 for professional services. The difference, \$7,808 (\$9,308-\$1,500), was itemized on the invoice as "in-kind services." The Committee paid the expenses for travel, office rent and the reduced charges for professional services.

When the Audit staff was reviewing this vendor file, there was a letter dated February 6, 1993 from the Committee to TRADEC. The letter contained the following information, "A review of our records indicates that during January, February, and March 1992, Tradec performed certain services for which you did not bill the Clinton for President Committee. Federal law prohibits corporate contributions in connection with federal elections, including the donation of goods and services. Accordingly in order to comply with federal regulations, we have enclosed a check in the amount of \$7,807.50 to cover the cost of such services."

Additional information submitted by the Committee on November 10, 1993, restated the above information, and included that "[a]ccordingly, there was no extension of credit outside the normal course of business in the amount of \$7,807.50."

In response to the Interim Audit Report, the Committee submitted an affidavit from Scott Jackson, President of Trade Development Consortium, Inc. He states that he acted as a finance co-chairman for the Committee volunteering his time to the Committee and that he did not receive compensation from the firm for the time he volunteered to the Committee. "However, pursuant to my understanding with the Committee, I accounted for my personal time and the personal time of Patric Booth spent supervising the maintenance of a fundraising database and performing event coordination even though these services qualified as exempt volunteer services on the invoice, pursuant to 11 C.F.R. 100.7(b)(3). Because of confusion over the meaning of 'in-kind' services on the invoice the Committee paid the \$7,808,

notwithstanding the fact that such services qualified as exempt volunteer services pursuant to 11 C.F.R. 100.7(b)(3). Thus, the Committee paid TRADEC and TRADEC received payment in full even though it was not required."

The vendor never billed the Committee for the \$7,808. The Audit staff is in agreement with the Committee. According to the information submitted, TRADEC did not pay or incur any liability to Mr. Jackson or Mr. Booth. Therefore, the Committee overpaid this corporation by the \$7,808. The Committee should attempt to have the vendor refund this amount. The \$7,808 has been included as an accounts receivable on the Committee's NOCO in Finding III.C.

#### American Federation of Teachers

This labor organization paid for an advertisement that ran in the New York Times on April 5, 1992. The original invoice sent to the Committee, dated May 14, 1992 for \$12,126 was apparently filled out incorrectly (bill to name was incorrect). According to a letter from the American Federation of Teachers ("AFT") dated February 3, 1993, the Committee authorized this paid political advertisement.<sup>3/</sup> A corrected invoice dated February 2, 1993 accompanied this letter. The Committee paid AFT on February 18, 1993. It should be noted that it does not appear that the payment originated from American Federation of Teachers' Committee on Political Education (Federal Account).

The Committee submitted a letter from the AFT which stated the same information as above, and also that the AFT did not realize their mistake until late January, 1993. According to the Committee, "there was an error in preparation of the original invoice from AFT. As soon as it was discovered, a new invoice was issued to the Committee and it was paid promptly. This was fully in accordance with the requirements of 11 CFR § 114.9 and 116.3."

In response to the Interim Audit Report, the Committee submitted an affidavit from Rachelle Horowitz, the political director of the AFT. The affidavit supports the clerical error previously addressed in the finding. The response does not address the apparent failure to pay the expenses from the American Federation of Teachers' Committee on Political Education (Federal Account). Also, the response does not address who in the Committee authorized the advertisement, or why the Committee did not estimate the amount of the bill and disclose it as a debt on their FEC reports.

C..

---

3/ The newspaper advertisement contained the following: "Paid for and authorized by the Bill Clinton for President Committee."

Given the information provided, in the Audit staff's opinion the transactions discussed above constitute a contribution from the American Federation of Teachers for the period April, 1992 until February, 1993 in the amount of \$12,126 pursuant to 11 CFR \$100.7(a)(1).

#### Occidental Petroleum

The Committee provided the following information in response to the Audit staff's questions concerning payments to this vendor. "Jerry Stern was an executive of Occidental Petroleum Corporation who was a volunteer in the campaign. He retired from the company at the end of last year (1992). The payments made to OPC were reimbursements for expenses incurred for use of Corporate facilities pursuant to 11 C.F.R. \$114.9(d)." Most of the expenses paid to Occidental Petroleum were for secretarial services and other office expenses. The first invoice received by the Committee was dated April 21, 1992 for office expenses totaling \$3,055 incurred during the period January, 1992 through February 28, 1992. This invoice was paid on May 5, 1992. The Committee received another invoice dated May 27, 1992 in the amount of \$1,446 for office expenses incurred during the period March 2, 1992 through March 31, 1992. The Committee paid this invoice on September 8, 1992. The last billing was for expenses incurred January 1992 through June 30, 1992. However, most of the expenses were for April through June. These expenses totaling \$7,381 were billed August 31, 1992 and paid October 9, 1992.

Jerry Stern also received a reimbursement of \$4,475 on August 13, 1992, from the Committee, for expenses incurred in February, 1992. In addition, a \$3,000 charge, also incurred in February, 1992, appeared to have been paid by Jerry Stern, but there was no evidence of a reimbursement having been made.

In response to the Interim Audit Report, the Committee submitted an affidavit from Chester T. Oliver, Director of Accounting Services of Occidental Petroleum Corporation. Mr. Oliver states that the vendor is not a commercial vendor and the corporate headquarters office does not extend credit in the ordinary course of its business. He continues, "the process was time consuming because Occidental is not in the business of providing secretarial assistance, rental of office equipment, and it is not normal for Occidental to bill for these items in the course of its business." The Committee also submitted an affidavit from Gerald M. Stern, adequately documenting the \$3,000.

In the Audit staff's opinion, 11 CFR \$116.3 does not apply to Occidental Petroleum since it is a corporation not engaged in its normal commercial activities. Under 11 CFR \$114.9(a), a corporate executive used the corporation's facilities for individual activities in connection with a Federal election and Occidental Petroleum was reimbursed within a commercially reasonable time.

Democratic Party of Arkansas (DPA)

There was a written agreement between the Committee and the Democratic Party of Arkansas signed January 24, 1992. Under the terms of the agreement the DPA would lease space with telephones for \$10 a day. The DPA sent the Committee an invoice on May 13, 1993 for \$7,718 which covered the conference center for the period February 10 to July 10, 1992 for \$1,360 (\$10 x 136 days) and \$6,358 in telephone charges. The Committee paid the entire amount May 19, 1993.

In response to the Interim Audit Report, the Committee states that administrative error due to a lack of sufficient personnel and financial resources delayed issuance of the invoice. They also submitted an affidavit from Greg B. Brown, Treasurer of the Democratic Party of Arkansas, that supported what the Committee had said. In fact, Mr. Brown states that it was the Committee that advised the DPA that they had never received an invoice.

In the Audit staff's opinion, the Committee has failed to establish that these charges are exempt from the definition of a contribution under 11 CFR \$100.7. The amount advanced exceeds the contribution limitation by \$2,718 (\$7,718 - \$5,000 limitation). However, based on the Committee's response and the relatively small amount of the excessive contribution no further action is warranted.

The Sutherland Company

During the period October 25, 1991 to June 16, 1992 the corporation incurred expenses on behalf of the Committee totaling \$29,298. Various invoices detailed charges for travel, printing telephone, postage, vendor staff coordination of events (including arrangements, invitations, call books, etc.), advance work, contract labor, campaign banners, bumper stickers, fliers, fundraising and radio advertising. Finally, included in the above invoices were charges for the use of an aircraft totaling \$3,214. The flights occurred November, 1991 through February 4, 1992, but were not paid until May, 1992. A later flight in April, 1992 was not paid until July 2, 1992. The vendor billed the Committee on January 20, March 6, April 23 and June 15, 1992. During the period May 5, 1992 through July 2, 1992, the Committee paid Sutherland Company \$29,298.

Not included in the finding, is an early payment to this vendor for Sutherland Co. services 9/15-10/15/91 for \$2,000. The company apparently made no other billings for its services after that date.

In response to the Interim Audit Report, the Committee submitted an affidavit from Tucker Sutherland. The affidavit does not describe his position with the corporation, but it does state that Craig Sutherland ran the corporation's Austin office, and

left the company in 1992 to join the Committee. He also states that the primary business of the company is political campaign consulting and political communications. The Committee's records show that Craig Sutherland received his first paycheck from the Committee on December 16, 1991.

According to the affidavit "All credit extended to the Clinton for President Committee was in the normal course of business for the Sutherland Company and billed according to our normal business practices." Mr. Sutherland states, "It is normal operating procedure for us to bill both political and other commercial clients on a project basis after the project is complete and we have collected bills from subcontractors involved in the project."

According to the affidavit, the corporation does not own any aircraft. The vendor states that the company arranges for client transportation for events in its normal course of business.

Based on the response, in the Audit staff's opinion, it has not been established that the extension of credit was in the ordinary course of business. 11 CFR §116.3(c).

#### Hellring Lindeman Goldstein and Siegal

This law firm incurred \$6,620 for expenses through June 15, 1992 in connection with the "organization and management of Yale Law School Graduates for Bill Clinton". There is a notation on their invoice for \$700 for in-kind contributions. Therefore, the firm credited this amount against the total expenses. The firm billed the Committee \$5,920 on September 4, 1992 and the Committee paid the vendor on November 19, 1992.

In response to the Interim Audit Report, the Committee submitted an affidavit from Robert S. Raymar, an attorney-at-law in New Jersey and a member of the law firm of Hellring Lindeman Goldstein and Siegal. According to the affidavit, starting in November, 1991 he volunteered his free time to the Committee in connection with the organization and management of the Yale Law School Graduates for Bill Clinton.

The firm intended to bill the Committee for all out-of-pocket disbursements and for all other disbursements after the conclusion of the matter. "This is consistent with the manner the firm bills numerous matters, including pro bono matters, contingent fee negligence matters, matrimonial matters, and matters in which the disbursements are not expected to be or do not prove to be significant."

Concerning the in-kind contribution, Mr. Raymar stated that on April 3, 1992 and May 16, 1992, he and his wife wrote two checks totaling \$700 payable to the law firm for the firm's out-of-pocket expenses. According to Mr. Raymar, based on these two checks, the firms out of pocket expenses were paid in full

through April 20, 1992. Both individuals notified the Committee of their in-kind contributions on April 3, 1992 and May 19, 1992. The Committee reported the in-kind contributions.

According to the affidavit, the balance of the expenses were incurred between April 21, 1992 and June 15, 1992, except the secretarial services of \$4,727 which were incurred at some point between November, 1991 and June 15, 1992.

Initially, Mr. Raymar was going to bill the Committee for expenses incurred between June 15, 1992 and July 15, 1992. After the convention, he concluded that he "might inadvertently and inappropriately be allowing the primary election organization to subsidize the general election campaign." After June 15, 1992, Mr. Raymar states he turned his efforts to the Democratic National Committee's general election fundraising and other activities.

On the September 8, 1992 billing, the firm is also billing the DNC Victory Fund/Federal Account for \$4,741.81 for expenses incurred from June 16, 1992 to August 31, 1992 in connection with the Yale Law School Graduates for Victory Fund '92. According to the affidavit, it took time to properly allocate the expenses between the two Committees, which is why the billing wasn't sent until September 8, 1992. The firm also sent additional letters requesting payment on October 15, 1992 and November 25, 1992.

Given the explanation provided, coupled with the underlying documents, the relatively small amount and the firm's subsequent attempts to collect the amount, the Audit Division believes that no further action is warranted.

#### Sun Building Associates

The Committee rented office space in Washington, D.C. from this vendor. There was no written lease agreement and no deposit apparently required. The Committee occupied the offices for the first four months of 1992 and made no payments during that time. The Committee occupied 2,310 square feet for the first three months and 4,621 square feet in April. The vendor sent letters on April 8 and April 30, 1992 requesting payment. The April 30, 1992 letter was sent by attorneys threatening legal action if the Committee did not vacate the premises. The Committee paid the full \$12,390 on May 1, 1992.

In response to the Interim Audit Report, the Committee submitted an affidavit from Charles A. Trainum, Jr., a managing general partner of Sun Building Associates. According to the affidavit, the space the Committee rented was vacant from August, 1987, to January, 1992. The Committee only wanted the space during the duration of the campaign. Mr. Trainum agreed to lease the Committee some or all of the ninth floor space. It was agreed that he would try to lease the space on a permanent basis and that he would require them to vacate the building on 30 days notice.



The vendor represents that it customarily rents such vacant space to short term or temporary tenants based on verbal as opposed to written agreements. For instance the vendor currently rents space to a local foundation, on a basis identical to the space rented to the Committee.

Mr. Trainum continues, that since his law offices are in the same building, and given the temporary nature of the arrangement, he decided to handle the billing for the space himself rather than turn it over to Sun Building Associate's management agent, Michael Management Company. The Committee was constantly moving its location on the ninth floor constantly expanding and contracting its space. Because of this and that he was busy in his law practice he did not bill the Committee for rent until April 1, 1992. At that time, after consulting with the Committee, he determined that the Committee had occupied an average of one-half of the ninth floor office space.

The Committee continued to rent this space through the end of July, 1992. Between July and November, 1992, the space was leased by to the Clinton/Gore '92 Committee (General Committee). Starting in May, the Committee paid its rent to Michael Management Company. At the time of its first billing on May 1, the Committee was billed for the January through April rent, as well as the May rent. The Committee did not pay this rent until June 23, 1992. Since the Committee was late making its May and June rent payments, both payable at the first of each month, it was assessed a 5% late payment fee on a bill dated July 1, 1992 which was paid on July 28. The General Committee made prompt monthly payments after that through November, 1992.

Given the explanation provided, coupled with the underlying documents, the subsequent action of the vendor with respect to the May through July rent and the vendor's subsequent attempts to collect the amount, in the Audit staff's opinion, no further action is warranted.

#### O'Keefe Ashenden Lyons & Ward

This firm incurred expenses from October 16, 1991 to March 10, 1992. The firm billed the Committee for their expenses on March 11 for \$2,240 and on March 20, 1992 for \$6,418. The Committee reimbursed the firm \$8,658 on September 8, 1992. The firm's invoice appeared to be just recovering expenses they incurred. The letter accompanying the March 20, 1992 billing suggests that the agreement between the firm and the Committee called for the expenses to be billed only after the Illinois Primary.

In response to the Interim Audit Report the Committee submitted an affidavit from J. Michael Heaton a partner in the law firm. According to the affidavit, it is the custom, in the ordinary course of business, to bill expenses at the conclusion of a matter in non-recurring transactions, such as real estate tax,

wills, probate, as well as all pro bono work, civic affairs, and other community relations. The firm usually has no problems collecting from clients. They have "no standard practice of actively pursuing collection efforts for sometimes up to a year or more, a policy adopted by the firm as a matter of business courtesy conducive to its policy of low-key, non-aggressive client relations suitable to its practice and clientele." Mr. Kevin M. O'Keefe volunteered his time and was not compensated by the firm for his volunteer services.

The Commission believes that 11 CFR §114.9, by analogy, applies to partnerships. See AO 1979-22. It appears that of the \$8,658 reimbursed to this vendor, \$2,240 represents the use of firm facilities. In the view of the Audit Division, the Committee has not demonstrated that it reimbursed O'Keefe Ashenden Lyons & Ward for the use of its facilities "within a commercially reasonable time." 11 CFR §114.9(d). With respect to the remaining \$6,418 reimbursed for travel, in the Audit staff's opinion, it has not been established that this extension of credit was in the ordinary course of business pursuant to 11 CFR §100.7(a)(4). Specifically, the affidavit does not supply any specific examples of similar types of activity where billings were delayed several months.

#### TAC Air

The Committee used an aircraft, owned by TAC Air, which is a division of Truman Arnold Companies, a corporate entity. TAC Air is licensed to offer commercial services for travel. A review of the vendor file indicated that invoices were paid in a timely manner for the use of this aircraft except for trips taken on January 27, 1992. The flight itinerary for the January 27th flights included an invoice from TAC Air dated February 24, 1992, indicating that Committee personnel traveled to various locations in South Dakota, and Colorado incurring a liability of \$9,370. Although these flights were made in January, 1992, and invoiced in February, the Committee did not reimburse TAC Air until August 10, 1992. In addition, it appeared that a liability existed in the amount of \$4,232 for flights taken on May 1, 1992, and invoiced on May 13, 1992 for which no payment had been found.

The Committee submitted in its response to the Interim Audit Report the affidavit of James H. Day, Administrative Vice President of Truman Arnold Companies, ("TAC"). Mr. Day states that "TAC provides various commercial aviation services through its TAC Air operating division. TAC Air is a licensed air charter operator....In addition to the use of TAC Air charter aircraft, the Committee used TAC's private corporate plane on several occasions. As required, the Committee paid for the use of the corporate plane in advance and paid for the use of charter aircraft subsequent to the flight within the course of TAC Air's business." Mr. Day states further that "[o]n April 6, 1992 TAC erroneously applied a \$10,859.00 payment (check #6650) for the use of the corporate plane to the Committee's charter account. This

credit to the account would have cleared invoice #11390 (\$9,370.18) in our accounting system and in accordance with our normal billing procedures no past due notices would have been mailed to the Committee. Thus, neither TAC Air nor the Committee would have been aware of the outstanding invoice."

Although, Mr. Day states in his affidavit that "neither TAC Air nor the Committee would have been aware of the outstanding invoice," it is noted that the Committee reported the \$9,370 as a debt owed by the Committee in its original disclosure reports filed with the Commission for reporting periods February, 1992 through August, 1992. Finally, Mr. Day states that the April 6, payment of \$10,859 for the use of the Company's corporate aircraft was inadvertently applied to the charter account. However, Mr. Day does not address why TAC did not pursue the balance owed for the use of the corporate aircraft, although he acknowledges in his affidavit that payment is "required" to be made in advance for the use of this aircraft.

In the Audit staff's opinion, it has not been established that the extension of credit was made in the ordinary course of business under 11 CFR §116.3.

The Committee provided a second affidavit from Mr. Day which states that a charter flight originally scheduled for May 1, 1992 did not occur and no liability exists in the amount of \$4,232. No further action is necessary with respect to this flight.

As previously mentioned, in the Interim Audit Report, the Audit staff recommended that the Committee provide additional documentation or any other comments to demonstrate that the credit extended by the vendors was in the normal course of their business, including statements from the vendors, and did not represent prohibited contributions. The recommendation stated that the information provided should include examples of other customers or clients of similar size and risk for which similar services have been provided and similar billing arrangements have been used. Also, information concerning billing policies for similar clients and work, advance payment policies, debt collection policies, and billing cycles should be included. The Audit staff further recommended that the Committee provide documents to support its argument that some of these activities are permissible under 11 CFR §114.9 or are exempt from the definition of a contribution under 11 CFR §100.7(b).

The Committee did provide affidavits from all the vendors, but none of the vendors provided specific examples of other clients or customers as required in the recommendation. Specifically, in the case of Goldman Sachs and Company, Manatt Phelps, Phillips and Kantor, and O'Keefe Ashenden Lyons & Ward, the Audit Division believes that the Committee has not established that these firms have been reimbursed by the Committee for use of its facilities "within a commercially reasonable time." 11 CFR

§114.9(d). Additionally, in the view of the Audit Division, it appears that the American Federation of Teachers has made a contribution pursuant to 11 CFR §100.7(a)(1).

In the Audit staff's opinion, with respect to Mozark Productions, Newmark and Company Real Estate, Inc., The Sutherland Company, Walter Kyle and TAC Air, the Committee did not demonstrate that the companies followed their established procedures, their past practice, and whether the extension of credit conformed to the usual and normal practice in their business or in their industry as required by 11 CFR §116.3. The Committee has been able to establish that Occidental Petroleum did not make a contribution under 11 CFR §114.9.

In the Audit staff's opinion, the amount of the contributions made by these 9 vendors, corporation, and partnerships by virtue of their extension of credit and other advances is \$246,162. Attachment 3 contains the contribution amount for each vendor, corporation, and partnership.

Based on the additional information provided by the Committee, in the Audit staff's opinion, no further action is warranted with respect to Occidental Petroleum, the Democratic Party of Arkansas, Hellring Lindeman Goldstein and Siegal, and Sun Building Associates. Since no liability existed with TRADEC, the Audit Division believes that there was no extension of credit by this vendor to the Committee.

### III. Findings and Recommendations Related to Title 26 of the United States Code

#### A. Calculation of Repayment Ratio

Section 9038(b)(2)(A) of Title 26 of the United States Code states that if the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than to defray the qualified campaign expenses with respect to which such payment was made, it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary an amount equal to such amount.

Section 9038.2(b)(2)(iii) of Title 11 of the Code of Federal Regulations states, in part, that the amount of any repayment sought under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to the total amount of deposits of contributions and matching funds, as of the candidate's date of ineligibility.

The formula and appropriate calculation with respect to the Committee's receipt activity is as follows:

Total Matching Funds Certified to the  
 Candidate as of his date of ineligibility = Repayment Percentage  

$$\frac{\text{Numerator} + \text{total contributions deposited}}{\text{by the candidate as of his date of ineligibility}}$$

$$\frac{\$6,493,027}{\$6,493,027 + \$18,639,995} = .258346$$

Therefore, the repayment ratio is 25.8346%

**B. Apparent Non-qualified Campaign Expenses**

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

Section 9033.11(a) of Title 11 of the Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his or her authorized committee(s) or persons authorized to make expenditures on behalf of the candidate or committee(s) are qualified campaign expenses.

Section 9033.11(b)(1) of Title 11 of the Code of Federal Regulations specifies the record keeping requirements for disbursements greater than \$200.

Section 9033.11(b)(2) of Title 11 of the Code of Federal Regulations, in part, requires that for all other disbursements a candidate must present a record disclosing the identification of the payee, the amount, date and purpose of the disbursement if made from a petty cash fund, or a canceled check negotiated by the payee that states the identification of the payee, and the amount, date and purpose of the disbursement.

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

Section 9034.5(c)(1) and (2) of Title 11 of the Code of Federal Regulations state, in part, that the term capital asset means any property used in the operation of the campaign whose purchase price exceeded \$2,000 when acquired by the committee.

Property that must be valued as capital assets under this section includes, but is not limited to, office equipment, furniture, vehicles and fixtures acquired for use in the operation of the candidate's campaign. A list of all capital assets shall be maintained by the committee. The fair market value of capital assets may be considered to be the total original cost of such items acquired less 40%, to account for depreciation, except that items acquired after the date of ineligibility must be valued at their fair market value on the date acquired.

The term other assets means any property acquired by the committee for use in raising funds or as collateral for campaign loans. Other assets must be included on the candidate's statement of net outstanding campaign obligations if the aggregate value of such assets exceeds \$5,000. The value of other assets shall be determined by the fair market value of each item on the candidate's date of ineligibility or on the date the item is acquired if acquired after the date of ineligibility.

Section 9003.4(a)(1) of Title 11 of the Code of Federal Regulations states, in part, that a general election candidate may incur expenditures before the beginning of the expenditure report period, if such expenditures are for property, services or facilities which are to be used in connection with the general election and which are used during the expenditure report period. Such expenditures will be considered qualified campaign expenses. Examples of such expenditures include but are not limited to: expenditures for establishing financial accounting systems, expenditures for organizational planning and expenditures for polling.

Section 102.10 of Title 11 of the Code of Federal Regulations, in part, requires all disbursements by a political committee, except for disbursements from the petty cash fund, to be made by check or similar draft drawn on accounts established at the committee's campaign depository or depositories.

#### 1. Duplicate Payments or Overpayments

During the review of the Committee's vendor files the Audit staff noted a number of instances where the Committee had apparently paid the same invoice or charges more than once or otherwise overpaid a vendor. In some cases payments were made by both check and draft for the same expenses. In other situations not all of the payments made were credited to the Committee's account by a vendor before preparing subsequent billings. In some instances the same charges were paid by the Committee more than once within the same check. In a few cases the vendor credited overpayments by the Committee to charges incurred by the Clinton/Gore '92 Committee (General Committee). These amounts are considered to be Accounts Receivable from the General Committee and are included on the statement of Net Outstanding Campaign Obligations (NOCO) at Section III.C. The remaining amounts are shown on the NOCO as Accounts Receivable from the vendors

including those that were recovered after the NOCO date. Attachment 4 is a listing of the duplicate or overpayments identified including the status of the amount. A number of the vendors that are shown on the attachment are also discussed in part 3 of this finding. The Interim Audit Report noted that, should additional documentation be made available, some apparent duplicates may be resolved or additional duplicates identified. In the Interim Audit Report duplicate or overpayments to 33 vendors totaling \$248,226 were identified. The transactions explained above were presented to the Committee during fieldwork and at the exit conference. The Committee sent in additional information in response to the exit conference on November 10, 1993. Discussed below are some of the individual items listed on the attachment as well as information provided by the Committee:

- ° The Committee was direct billed by Alamo for much of its rental car usage. A thorough review of the documentation showed that a number of charges were paid more than once and as many as 4 times. After this problem was brought to the Committee's attention, the Committee obtained a reconciliation of its account from Alamo which indicated that the duplicate payments were applied to general election expenses. The reconciliation shows that the amount due from the General Committee is \$43,420. This amount was reported by the Committee as due from the General Committee.
- ° The Committee made one payment to Verner Liipfert Consulting Services, Inc. on October 27, 1992 for \$13,846. This vendor billed the Committee on five different occasions with each bill reflecting the sum of all outstanding charges to date. When the Committee paid the vendor they added the total amount owed from each of the cumulative invoices. The Committee reported the overpayment as a receivable and a refund on the Second Quarter 1993 FEC Report.
- ° C & P Telephone was paid for the same invoice on two different checks for \$3,360 each. We also determined that the Committee made \$10,611 in phone deposits. Of this amount \$2,766 was applied to invoices. The Committee another \$1,534 in refunds. This left a remaining balance of \$6,311 in phone deposits. The Committee submitted additional documentation that established that \$5,800 in deposits from the Committee was refunded and deposited into the General Committee accounts on April 27, 1993. In response to the exit conference, the Committee submitted additional information that there were additional overpayments of \$3,606, which were also applied to General Election expenses. A total of \$9,406 (\$5,800 + \$3,606) was due from the General Committee.

- ° A payment was made to Southwestern Bell Telcom on August 19, 1992 for \$17,257. Another payment for \$17,054 was made on October 15, 1992. The same invoices that were attached to the second check were also associated with the first check. In the Interim Audit Report it stated that the \$17,054 had been refunded to the Committee. This was concluded based on the receipt of a refund check in the amount of \$25,115 for Southwestern Bell Telecom. However, the Primary Committee subsequently transferred the \$25,115 to the General Committee. The General Committee transferred to the Primary Committee \$19,100 received from Southwestern Bell Telecom for refunds of deposits due the Primary Committee. These transactions do not resolve the \$17,054 duplicate payment made by the Primary Committee. Based on the information supplied by the Committee, the \$17,054 is either receivable from the General Committee, a receivable from the vendor, or a nonqualified campaign expense paid after the date of ineligibility.
- ° Initially the Strategic Political Response vendor file did not have any of the invoices associated with the \$2,315,689 in payments to the vendor. The Committee was able to reconcile this file and determined that this vendor was overpaid by \$49,856. The Committee obtained a refund of this amount on August 9, 1993. According to the information submitted in response to the exit conference, this vendor would always bill the Committee on an estimated basis. When the jobs were all completed, a final account reconciliation was sent to the Committee on June 30, 1993. The Committee contends that there was no way for the Committee to determine the amount of overpayment until all the jobs were completed. Additional issues regarding this vendor are discussed in section 2. of this finding.
- ° Initially the Committee paid Mary Leslie \$22,266 for an invoice dated May 28, 1992 with two checks. These checks were dated July 10 and August 5, 1992. On August 19, 1992, the Committee paid a duplicate invoice for \$17,921 dated May 28, 1992 showing fewer charges. According to the Committee's response to the exit conference presentation of this issue, the Committee states that there was no duplicate payment. "Ms. Leslie applied payments received to commissions earned rather than to specific invoices". The Committee sent a memorandum from Mary Leslie's supervisor, Rahm Emanuel, stating he authorized payments totaling \$90,180 in accordance with her agreement with the Committee. According to the Committee, the vendor received \$53,049 in commissions.

The Interim Audit Report stated that absent a statement from the vendor showing how the funds were applied and amounts due determined, the amount appears to be a duplicate payment.



In response to the Interim Audit Report the Committee submitted an unsigned contract with Mary Leslie and Associates. The contract did not add any additional information concerning this duplicate payment. The Committee also states that Ms. Leslie has agreed to submit an affidavit further clarifying the payments. To date nothing has been received.

In the Interim Audit Report, the Audit Staff recommended no further action for the vendors from whom the Committee had obtained refunds of \$126,866. For the remaining items it was recommended that the Committee submit documentation that:

- 1) Demonstrated that \$50,358 apparently owed by vendors were not duplicated or overpaid.
- 2) If duplicate payments or overpayments were made, refunds should be obtained from the vendors and the Committee should report these amounts as receivables from these vendors.
- 3) The Committee be reimbursed \$71,002 by the General Committee for primary payments refunded to the General Committee, or applied to general election expenses.

In response to the Interim Audit Report, the Committee explained the status of the \$50,358 in receivables from vendors and individuals. The Committee has contacted three individuals about overpayments totaling \$2,208. Two of the individuals deny any overpayments took place. The third person was outside the United States and could not respond. The Committee contends that it should not be required to make repayments for the \$2,208 in overpayments to these individuals, since it has made reasonable efforts to collect the debts owed the Committee. The Committee states that it is out the money and has no prospect of collecting the debt and should be permitted to write the debts off as bad debts under 11 CFR §9034.5(d) without penalty. Although the Committee may be correct that it may not be able to recover the funds at issue, that does not establish that the payments were qualified campaign expenses.

The \$17,921 receivable from Mary Leslie was previously addressed. With respect to the remaining amounts, the Committee states it has received \$14,806 in refunds and is either waiting for the refund or additional documentation for the remaining \$15,423. Concerning the \$71,002 in receivables from the General Committee, the Committee stated in its response to the Interim Audit Report and in response to the General Committee's Interim Audit Report that the Committee received the entire \$71,002 from the General Committee. The Committee did not send any information on the \$4,850 possible duplicate payment to W. P. Malone, Inc. addressed in Finding III.B.3.d. of the Interim Audit

Report. Also, as noted in Finding II.F., the Committee overpaid TRADEC by \$7,808 for time volunteered by persons associated with the firm and not compensated by TRADEC. Since the Committee did not provide any additional information, this amount is included as a duplicate or overpayment. As of June 30, 1994, there remained \$65,264 in apparent duplicate payments that are unresolved and thus non-qualified campaign expenses (\$2,208 + \$17,921 + \$15,423 + \$4,850 + \$17,054 + \$7,808).

The report considered by the Commission on December 15, 1994, explained that only those non-qualified campaign expenses paid while the Committee's accounts contained Federal funds are subject to repayment pursuant to 11 CFR §9038.2(b)(2). It was further explained that using a last in first out analysis, Committee accounts are assumed to have been purged of Federal funds at the point where the last matching fund payment to which the Candidate was entitled was expended. Of the \$65,264 at issue, it was concluded that \$39,742 of the expenses were paid while the Committee's accounts contained Federal funds. Therefore, only that amount was subject to a pro rata repayment. However, as a result of Commission actions at the December 15, 1994 meeting the Candidate's post date of ineligibility entitlement was increased (See Sections III. 2. and III. D.). With the increase in matching fund entitlement, the point where the Committee's accounts no longer contain Federal funds occurs later. Given the above, it was calculated that all of the expenses discussed were paid while the Committee's accounts contain Federal funds and are therefore subject to repayment.

#### Recommendation #1

The Audit staff recommends the Commission make an initial determination that the unrecovered amounts were non-qualified campaign expenses and the Candidate is required to make a pro rata repayment of \$16,861 ( $\$65,264 \times .258346$ ) to the United States Treasury pursuant to 26 U.S.C. §9038(b)(2). Should any additional amounts be collected the repayment amount will be adjusted accordingly.

#### 2. General Election Expenditures

During the Audit staff's review of vendor files, numerous disbursements were found that appear to be for the benefit of the general election campaign. These expenses are grouped into those for equipment and facilities; polling and direct mail; media services; and miscellaneous.

a. Equipment and Facilities

Near the end of May, 1992, the Committee began moving into new office space at the Gazette Building. It was this location that the General Committee and Clinton/Gore '92 General Election Compliance Fund (Compliance Committee) used as their campaign headquarters during the general election campaign. The new location provided approximately three times the floor space as the location used during the primary campaign.

As part of the move to their new location, the Committee paid I-K Electric Company \$79,808 for various wiring projects. The invoices were paid between July 30 and September 2, 1992, and covered a number of projects. For example the invoices contained notations such as "INSTALL DATA CABLING NETWORK FOR NEW HEADQUARTERS (GAZETTE BLDG.) FOR 150 WORK STATION LOCATIONS", "PROVIDE AND INSTALL LANNET DATA NETWORK ELECTRONICS FOR NEW NETWORK" and "INSTALL VOICE CABLING FOR 55 TELEPHONE LOCATIONS". Although all of the invoices that contain the dates of the work indicate that it was complete by July 16, 1992, it is apparent that such services were in preparation for the general election campaign.<sup>4/</sup>

During the primary election the Committee's records reflect the purchase of only small amounts of computer equipment. Instead, most equipment was leased. Also, the Committee contracted with a Washington, D.C. firm for computer services. The firm prepared matching fund submissions including computer tapes, disclosure reports, and provided the computer tapes required for the audit. The Committee had a computer terminal linked with the vendor. During the audit the Committee requested and was provided copies of the computer files obtained by the Audit Division directly from the primary vendor. Therefore, it does not appear that the primary computer files were loaded onto the Committee's computer system until 1993.

Beginning at the end of May, 1992, the Committee purchased a large amount of computer equipment (both personal computers and a larger system) then, in most cases, took 40% depreciation as a primary capital asset, and sold the equipment to the General Committee for 60% of the purchase price.

Between May 28 and July 15, 1992, the Committee purchased 50 personal computers, software, and supplies from The Future Now, Inc.. Between June 1, and August 9, 1992, the Committee paid The Future Now, Inc. \$118,742. The General Committee paid 60% of this amount, excluding sales tax on most items.

---

<sup>4/</sup> Certain electrical work and data installation occurred July 10 through July 16, 1992.

The same vendor was paid \$11,676 for other equipment invoiced between June 8 and July 15, 1992 with \$10,123 of the total invoiced and shipped on July 15, 1992, the Candidate's date of ineligibility. None of this equipment was included among the items sold to the General Committee.

As stated above, the Committee purchased a larger computer system. A July 13, 1992 letter to the "Gov. Clinton Election Campaign" states that "The Clinton campaign contracted with ICL to provide a comprehensive system and software on May 28, 1992. ICL delivered and installed the system on June 25th. Between these two occurrences, ICL loaned the campaign a Power 6/32 system to function as an interim solution". The letter goes on to explain that ICL personnel visited campaign headquarters to provide training and expedite conversion to the new system.

The majority of the invoices for this computer system were dated June 24, 1992. In total, the vendor was paid \$272,460 in two installments on August 10 and 21, 1992. Again, the General Committee paid the Committee 60% of this amount, less sales tax.

The Committee also purchased computer equipment from W.P. Malone. The Committee paid a \$104,175 invoice dated June 30, 1992 on August 25, 1992. As with the other equipment the General Committee paid 60% of the cost.

In addition, W.P. Malone was paid \$33,260 on August 25, and November 9, 1992 for programming services, software support and consulting for moving the computer operation to the Gazette Building. The invoices reflect dates up to and including July 16, 1992. None of the amounts were reimbursed by the General Committee.

In response to the exit conference discussion of this matter, the Committee submitted additional information. The Committee objects to the Audit staff characterization of these payments as general election expenses. According to the Committee, the expenses for a new computer system were incurred well before the end of the primary and were essential to the smooth operation of the daily responsibilities. The Committee states that the initial computer system was inadequate for the Committee's needs in the early months of 1992. The system was unable to accommodate the Committee's expanding database and volume of correspondence, as well as to accommodate the Committee's delegate tracking and communications.

The Committee included a memorandum from the Director of Computer Operations. She stated that during the early months of the spring of 1992, the initial system used by the Committee could not meet the Committee's increased demands. "The initial system could not accommodate the increased number of users. It would not allow the Committee to link its personal

computers with the network. There were major time lags, often amounting to two days, in the retrieval of information. Back-up of the Committee's data required four to five days. This prolonged back-up process compromised the integrity of the Committee's information. As demands on the system increased, there was also an increase in computer equipment failure. In addition, the system's limited resources were strained with mailings of 5,000 to 6,000 pieces per day. Furthermore, the system was not able to accommodate the Committee's extensive delegate work."

She continues that after a thorough evaluation of the systems available, the Committee purchased a comprehensive computer system and software on May 28, 1992 from ICL, Inc. They also used a programming consultant from W.P. Malone who helped design software, hardware and networking packages. The temporary system was installed on May 30, 1992 and a permanent system was installed less than one month later. "When a customer purchases a computer system it is the normal course of business that the computer company supplies the customer with a temporary system at time of purchase until the system purchased is ready." The memorandum goes on to explain that in addition, the Committee purchased a software maintenance contract and equipment from W.P. Malone and personal computers and software from Future Now in connection with the new system. It was also necessary for I-K Electric to install new wiring to accommodate the new system. The Audit staff notes that the Committee originally leased its computer system from W.P. Malone. Invoices associated with the lease suggest that the leased system was the same model as the system loaned by ICL, Inc. as an "interim solution." It is not known if it was the same computer that was obtained through W.P. Malone. Further, the equipment purchased from W.P. Malone at the time the new system was acquired was equipment that the Committee had leased up to that time.

The total amount paid for computer equipment and related services described above, excluding I-K Electric is \$540,313. The Interim Audit Report concluded that given that the Committee contracted with a Washington, D.C. firm for much of its computer work; leased the majority of its computer equipment; that the purchases were not made and the temporary system not installed until nearly all primaries were over; the permanent system was not installed until well after the last primary and approximately two weeks before the convention, it is apparent that this equipment was purchased for use in the general election. Therefore, the entire amount is considered to be a general election expense. The Committee has been reimbursed \$285,924 from the General Committee, leaving a balance due of \$254,389 plus, \$79,808 for rewiring.

In addition to the above, the Committee paid the entire amount of the rent for July 1992. Fifty percent of the amount, or \$12,500, should be reimbursed by the General Committee.

Listed below is the information requested in the Interim Audit Report and a description of the information provided in response:

(1) Provide the following information regarding Equipment and Facilities;

\* In chronological order, list the various computer systems and data entry services used by the Committee, the General Committee, and the Compliance Committee at all relevant times during the campaign. Identify the time periods that the various systems were used, and how each system was used by the Committee, and how the systems differed from each other.

In response to the Interim Audit Report the Committee submitted a chronology of its computer systems (Attachment 5). The chronology addresses the system used between August of 1991 and May of 1992; the new system, with no distinction between the temporary and permanent systems, used from May 30, 1992 to present; services provided by Public Office Corporation beginning in December of 1991 and continuing to the present, and; equipment used by the General and Compliance Committees.

\* Explain and document the functions of Public Office Corporation (POC), with respect to services provided to the Committee. Explain and document whether the functions performed by POC were performed on any computer system owned or leased by the Committee. Explain and document whether any POC files were moved to any computer system owned or leased by the Committee, and provide the date(s) the transfer occurred.

According to the Committee, this vendor "provided data processing services for Clinton for President in the area of producing contribution records and related matching funds submissions. They also maintained information on cash disbursements and prepared the FEC monthly compliance reports for the periods December, 1991 through March, 1993." The Committee began moving the POC maintained data to Arkansas in late 1992 and early 1993." POC provided no services to the General Committee or the Compliance Committee.

\* For the listed vendors provide the requested information:

W.P. Malone

-Describe the system (CCI6/32 Superminicomputer and related items) leased (or purchased) from this vendor by listing the hardware, software, and peripheral devices making up the system.

The Committee's response describes the equipment as a Unix CCI 6/32 running up to 128 devices, with 80 simultaneous users.

-Explain and document which primary campaign functions were actually performed on that computer system, including the identification of the application (e.g. office automation, delegate tracking, accounting/general ledger).

The response states that the system ran the office package including word processing and scheduling, as well as running the political data base including delegate relations.

-Identify the software used for each function.

-Explain and document which portion of the leased system (hardware and software) was acquired by the Committee, the General Committee, or the Compliance Committee and when these items were moved to the Gazette Building from the Committee's previous locations.

-Explain and document when that portion of the W.P. Malone system acquired by the other committees was: purchased; delivered; installed; and fully operational.

-For all parts of the leased system not acquired by the Committee or the General Committee, including software, provide information concerning when the lease was discontinued, if and when the equipment was moved to the Gazette Building, and when it was returned to the vendor.

The Committee did not provide any of the detailed information in its response. The Committee also did not list this company as a vendor for the General Committee or the Compliance Committee, but the General Committee paid W.P. Malone almost \$52,000.

#### ICL, temporary system

-Describe the system borrowed from this vendor by listing the hardware, software, and peripheral devices making up the system.

-Explain and document which primary campaign functions were actually performed on that computer system, including the identification of the application.

-Identify the software used for each function.

-Explain and document when the temporary system was: delivered; installed; and fully operational.

-Explain and document which hardware and software, and its function, was available on this system that was not available on the system leased from W.P. Malone.

-Explain and document which primary campaign functions the system performed that the previous system was not performing.

-Explain and document which campaign functions and files were transferred to this system from any other system and the date(s) of the transfer.

ICL, permanent system

-Describe the system purchased from this vendor by listing the hardware, software, and peripheral devices making up the system.

-Explain and document which primary campaign functions were actually performed on that computer system, including the identification of the application.

-Identify the software used for each function.

-Explain and document when the permanent system was: ordered; paid for; delivered; installed; and fully operational.

-Explain and document which hardware and software, and its function, was available on this system that was not available system leased from W.P. Malone, or on the temporary system.

-Explain and document which primary campaign functions the system performed that each of the the previous systems was not performing.

-Explain and document which campaign functions and files were transferred to this system from any other system and the date(s) of the transfer.

For any other computer system used by the Committee, provide the same information and documentation specified for the systems leased from W.P. Malone or purchased from ICL.

The Committee describes the system as "DRS 6000, 386 pc's and networks. DRS 6000 was originally configured to accomodate [sic] 150 simultaneous users. Additional computer components were added during the General Election to ultimately take the capacity to 300 users." The response also states that the new system continued to run the office package including word processing, scheduling, and the political data base for the balance of the primary and the general election. Further, the Committee states that the system expansion accommodated the additional needs of delegate tracking.

With respect to transferring of functions, the Committee states that "[t]he campaign political office package and correspondence records were immediately transferred to the new temporary system. They were then transferred to the permanent system upon its final installation. Every effort was made to successfully make the transfer with the minimum



of disruption to daily staff activities." The Committee further notes that as part of the wind down operation and as part of the FEC audit, other primary files were moved to this system.

Little information is provided that distinguishes the "temporary system" from the "permanent system".

- \* Explain and document the delegate tracking functions performed on each of the computer systems discussed above. Also provide information showing when the delegate tracking function and the related files were transferred from one system to the other. Explain the additional capacity for delegate tracking provided by each successive system.

The Committee provided a memorandum that is entitled "Evolution of Delegate Operation Clinton Campaign" which shows levels of staffing and a general description of computer equipment available. The memorandum states that the delegate tracking staff used the leased CCI 632 and a personal computer through most of April of 1992. According to the memorandum, "[a]t the end of April the delegate operation moved to a separate building because of increasing staff pressures and an intensifying work load which required either a separate or larger computer system because the CCI 632 system was at it's upper user limit of 80 simultaneous users. The delegate computer consultant, Bill Krause, was unfamiliar with Unix systems and recommended that the 386 Dos PC become [sic] server for a Novell network with approximately 10+ PCS which because it was relatively portable also became the core of the system the campaign put together at the convention. The DC office retained the 386 Unix pc & 4 terminals. Both systems interfaced imperfectly with the 632 system because of its limitations on the version of software it could run."

- \* Explain and document when general election functions began to be performed on the system leased from W.P. Malone, the ICL temporary system and the ICL permanent system. Specify which functions were performed on each and the date each was transferred from one system to the other. Estimate and document the percentage of time that the primary campaign and the general election campaign used the equipment prior to and after July 15, 1992.

The Committee response did not provide any of the detailed information requested above.

- \* Explain why the Committee took a 40% depreciation on the computers that were purchased for the primary campaign.

In the Committee's response, they state they followed the Commission's regulation and instructions in the Primary Manual when they transferred this equipment to the General Committee.

The Committee argues that the Commission adopted the 40% depreciation provision at 11 CFR §9034.5 to simplify the transfer of assets between primary and general committees with knowledge that some assets would be purchased early in the campaign and others later. 5/

The Committee is correct. However, that regulation applies to the transfer of primary assets. The regulation does not authorize campaigns to purchase assets for the general election and, because the assets are purchased before the date of nomination, pay 40% of the cost from primary funds. As noted earlier the purchase of assets by the general election campaign prior to the beginning of the expenditure report period is anticipated by 11 CFR §9003.4(a)(1).

\* Explain and document how the computers and software purchased from Future Now, Inc. furthered the Committee's primary or convention-related activity. How specifically did the Committee use the personal computers and software. Also, provide information on the \$11,676 in equipment purchased from this vendor but not bought by the General Committee.

The response to the Interim Audit Report did not provide any of this specific information.

The Committee repeated many of the arguments made in response to the exit conference that are addressed above. In addition, the Committee makes a number of specific points that are addressed below.

\* The Committee asserts that the equipment was used during the primary campaign and that the enhanced computer capacity was critical to respond to the Committee's increased correspondence needs, for increased delegate tracking, to support the scheduling operation, for general political support and for communications.

5/ The Committee continues to argue that it was not appropriate to include sales tax in the cost of the assets transferred. In support of this opinion the Committee notes Arkansas law concerning when sales tax would be applicable to a transaction such as the transfer of capital assets from the primary to the general election committees. Although the Committee may be correct about Arkansas law concerning sales tax, 11 CFR §9034.5(c)(1) is intended to provide a formula for the allocation of the cost of assets in limited circumstances. Part of the cost of an asset is any applicable sales or other tax.

As noted earlier, the Committee provided little of the specific information requested in the Interim Audit Report to support its contention. However, the Committee did provide a memorandum from Sherry Curry listing the Bimonthly Correspondence Report from January 1992 to November 1992. Her memorandum shows the increase in correspondence handled by the leased CCI 632. According to the documentation, her department handled 3,000 pieces of correspondence in January, 1992 and it increased to 6,000 in February, 1992. It remained at approximately this level throughout the rest of the primary. She points out this is not all the correspondence handled by the campaign, only the general correspondence handled by her department.<sup>6/</sup>

In fact, the documentation indicates that there is not a significant increase until July, 1992. For the first half of July the Committee processed over 6,000 pieces of correspondence, but the number increased to over 9,000 in the second half of July, to almost 27,000 pieces in August, and then it decreased to almost 19,000 in September. It is our opinion that, based on the documentation submitted by the Committee, the Committee accomplished its objectives with its old equipment during the primary period, but would have definitely needed expanded capabilities during the general election period.

With respect to delegate tracking, the information provided indicates that at the end of April 1992, that operation was moved to a separate location and utilized a personal computer network. The Committee also notes that this equipment was then used at the convention. It is agreed that this equipment is a primary expense. However, information available does not indicate how much, if any, of the cost of this equipment is included in the amount addressed above. Therefore no adjustment has been made.

\* The Committee also argues that the audit analysis is inconsistent since the equipment is challenged but not increased levels of staffing. Although the Committee may be correct that some staff hired by the Committee may have been working on the general election, Committee records contain no documentation that provides information to form a basis for such a challenge.

\* Finally, the Committee notes that in May and June 1992, it considered alternatives to acquiring a new computer system. However, it was concluded that an upgrade of the existing system would cost approximately \$400,000 and still be unreliable. The Committee decided to buy the new system with the expectation that

---

<sup>6/</sup> Although in a memorandum submitted by the Committee in response to the exit conference, it states that mailings of 5,000 to 6,000 pieces per day were being handled. The relationship between these two memoranda is not clear.

"it would be transferred to the General with depreciation of 40%". It is not argued that the Committee made the wrong choice. However the alternative is not relevant to the issue at hand, since it would also be a general election expense.

In summary, the Committee has made it clear that the leased computer system used in the primary was not wholly satisfactory. The reporting, some accounting, and the matching funds processes were being handled by an outside vendor on the vendor's computer system. Further, an important part of the primary campaign, delegate tracking, was eventually moved to a personal computer network at a different location and that network was also used at the convention. It is also apparent that the fully burdened leased system was not going to be adequate for the increased levels of activity in the more intense general election campaign, particularly given that two separate accounting and reporting systems were to be moved from an outside vendor to an in house function. Further it would seem only logical that a new system would necessarily be installed before the convention, given the likely need to test systems and train staff on the new system, as well as, transfer files before the general election campaign was officially under way. Given that, some lead time at a point when the least disruption of ongoing functions would occur was critical. It also appears logical that once a system was acquired for the upcoming general election campaign, some of the remaining needs of the primary campaign would be moved to the new system.

Given the above, it was concluded that the new computer system was a general election expense. Although no information was available to perform an analysis, it was acknowledged that some allowance for primary campaign use of the system may be appropriate. Also, as noted earlier, if any portion of the cost of the personal computer network acquired for the delegate tracking staff is included in the amount in question, that cost would be considered a primary campaign expense.

With respect to the \$79,708 for wiring the new campaign office, the Committee states that "it was incurred and used during the primary campaign and thus was a qualified campaign expense by the primary committee." It was agreed that the cost of the wiring should follow the computer equipment. However, as explained above, the computer equipment was considered a general election expense.

The Committee did agree that the \$12,500 in rent was erroneously paid by the Committee.

(85) b. Polling and Direct Mail

The Committee conducted a number of opinion polls between mid-June and the convention. The Committee paid two firms, Greenberg-Lake The Analysis Group, Inc., and Opinion Research for work in connection with these polls. Four of the polls were called national polls and copies of the scripts

reviewed by the Audit staff showed that nearly all of the substantive questions dealt with the then three candidates in the general election. The remaining polls were referred to as Convention polls and were conducted during the Democratic National Convention. As with the national polls, the questions are general election in nature. Opinion Research received \$93,904. The invoices from Greenberg-Lake that could be associated with these polls total \$108,621 including \$37,500 in consulting and \$12,733 in travel, and are treated as general election expenses.

In response to the presentation of this matter at the exit conference, the Committee states that the Audit Division's position that these are general election expenditures is without legal and factual basis. The national and convention polls were conducted in order to ensure delegate support for the candidate. The Audit staff's position that these polls conducted in June and July were for the purpose of influencing the general election is inconsistent with FEC regulations. Under 11 CFR §106.4 polls decrease in value and are only worth 50% after 15 days.

The Committee also submitted a memorandum from the Executive Director of Greenberg Research Inc. dated November 8, 1993. According to the memo, the majority of the national surveys tested the viability of different running mates and whether the delegates would support the potential running mates. The state surveys were used to maintain delegate support in those states. The convention tracking monitored support and was used for the delegates and state party chairs to maintain delegate support.

During the Audit staff's review of the 4 National Surveys, which were comprised of at least 50 questions each, it was noted that the questions related to comparisons between the general election candidates and to various issues. Only 2 of the scripts contained a question (one) about vice-presidential candidates. The Committee's argument that the timing of some polls is such that their value would be significantly diminished before the date of nomination is not persuasive. One of the types of pre-expenditure report period expenses that is specifically permitted pursuant to 11 CFR §9003.4(a)(1) is polling. This regulation gives recognition to the fact that general election planning must begin before the convention and may include the evaluation of polling data. Therefore, polling data gathered before the date of nomination concerning general election candidates and issues are useful to the general election effort. Also, the Committee states that polls were used to monitor and maintain delegate support, but failed to provide evidence or documentation which established how this was accomplished.

In the Interim Audit Report, the Commission requested the Committee provide documentation to establish how the results of each of the national surveys was used to test the viability of different running mates, how the results of each of the state surveys was used to maintain delegate support in those states, and how the results of each of the convention polls was used to monitor support and was used for the delegates and the state party chairs to maintain delegate support. It was also recommended that the Committee explain and document any other use of the polls and provide a breakdown of the costs associated with each poll, including the Greenberg-Lake consulting and travel costs. The Committee was to provide information on any use of the polling results by the General Committee or the Compliance Committee.

The Committee did not provide the specific information requested above, but in response to the Interim Audit Report, the Committee did submit an affidavit from Donita Buffalo Hicks, Managing Director of Greenberg Research, Inc. formerly Greenberg-Lake, Inc. According to the affidavit, polls were performed in order to develop the candidate's message prior to and during the Convention and present the candidate at the Convention in order to ensure the necessary delegate support to ensure the nomination. The Committee concludes that the pre-Convention period was critical for consolidating his support and demonstrating his electability. The Committee also submitted a letter from Joseph E. Sandler, General Counsel with the Democratic National Committee (DNC) that states, as of July 13, 1992 then Governor Clinton had 2,089 delegates formally pledged to him, out of 2,145 delegates needed to nominate.

The letter does not specify how the DNC arrived at the number of delegates. According to the publication Presidential Primaries and Caucuses 1992, A Handbook of Election Statistics, copyright 1992, Congressional Quarterly, Inc., the candidate had a total of 2,078 pledged delegates at the end of all the primaries, caucuses, and conventions. This total does not include over 1,000 super delegates and uncommitted delegates.

The affidavit by Ms. Hicks continues, "Convention polling was done each night after prime-time and the results of the Convention polls were presented each morning to the party leadership in order to rally the delegates, to assure delegates that Governor Clinton's popularity was strong and, accordingly, that he was an electable candidate. In fact, all polling leading to the Convention was designed to ensure delegate support by determining whether the Candidate's message was being communicated effectively and in order to demonstrate the Candidate's electability." She goes on to state that prior to the Convention, polls "tested the choice of a vice presidential nominee by measuring name recognition and public perception of individual candidates." She also states that polls can be outdated within a few days.

The candidate was nominated on July 15, 1992. According to Mr. Sandler's letter to the Committee, the Candidate had nearly a sufficient number of delegates pledged to him by July 13. The first convention poll was conducted the evening of July 13. In the opinion of the Audit staff it is doubtful whether the polls conducted on the nights of July 13th, 14th, 15th, and 16th with the results available the next day could have much effect on the outcome of the candidate's nomination. Most of the democratic candidates that received matching funds, were no longer seeking the nomination at the start of the convention, the Candidate likely had sufficient delegates to secure the nomination by the evening of July 13. Further, two of the polls were conducted after the candidate was nominated.

From the information provided by the Committee, the 4 national polls, including state assessments, were conducted from mid-June, 1992 through July 8, 1992. According to the documentation obtained during fieldwork there was a formal announcement of then Senator Gore as the Vice Presidential candidate in Little Rock on July 9. The Audit staff concluded that it was doubtful whether the last poll would have had much effect on his selection.

The Committee takes the position that the Audit staff disagrees with 11 CFR §106.4 or refuses to acknowledge that poll results decrease in value over a short period of time. According to the Committee, "it is difficult to perceive how polls which are of virtually no value by the date of ineligibility are for the purpose of influencing the general election." The Audit staff does acknowledge that polling results depreciate very quickly. The Committee, however, appears not to acknowledge that the general election campaign begins before the date of nomination. It is the Audit staff's opinion that these polls have little to do with obtaining the nomination, but rather appear to relate to the campaign for election. Instead, the Committee takes the position that none of these polls have any value to the General Committee, when in fact, two of the polls were conducted after the candidate received the nomination.

The Committee also contends that the conclusion in the Interim Audit Report is at odds with past Commission decisions. Specifically the Committee cites the Reagan-Bush '84 audit where the Commission determined that some polling and voter registration expenses incurred after a state's primary were primary expenses. In that case a number of polls were challenged beginning as much as three months before the convention. Further, the report does not deal with the content of the polls. Although the Committee asserts that the questions asked can not be used to determine the purpose of a poll, it is the only indication available. In the case at hand the polls are conducted very shortly before the convention and the questions are indicative of a general election expense. Therefore, the Commission's action in the Reagan-Bush '84 audit does not dictate the result in this case.

The Committee also references the Bush/Quayle '88 audit where certain pre-convention travel expenses were determined to be primary expenses rather than, as that committee contended, general election expenses. In that case, the expenses for campaign appearances before the convention are not covered by 11 CFR §9003.4(a)(1) and therefore are not relevant. The remaining cases referenced by the Committee are the Dukakis and Kemp committees dealing with fundraising and state allocation of office expenses. Neither of these examples are relevant to the issue at hand.

The Committee also disagreed that \$5,985 assigned to the cost of these polls is accurate. The Committee did not provide any documentation on the cost of each poll as requested in the Interim Audit Report. An attachment to the Committee's narrative response provides no specific information. No adjustments have been made absent the requested information. The Audit staff concluded that the Committee had not responded to the recommendations in the Interim Audit Report sufficiently, to establish that these polls did not primarily benefit the General Committee.

Strategic Response (SR) did fundraising mailings for both the Committee and the Compliance Committee. The cost of two of the mailings were allocated 15% to the Compliance Committee and 85% to the Committee. The mailings included letters that dealt with general election issues, requested a contribution to the Compliance Committee and included either a lapel pin or a photograph promised by the Committee as a result of an earlier contribution. The cost of the mailings was \$371,855. As noted, the Committee paid 85% of the amount.

The Audit staff agrees that an allocation is appropriate; however, in our opinion, a 50% allocation would appear to be more reflective of the purpose of the mailing.

In material submitted after the exit conference of the General Election audit, the Committee submitted a letter from the vendor that states the allocation was done by the vendor in accordance with standard accounting practice and cites American Institute of Certified Public Accountants in their Statement of Position 87-2. This publication deals with non-profit organizations that distribute materials containing both a solicitation and educational or program materials. The statement explains that it does not specify any allocation method but only provides guidance concerning when an allocation is appropriate. After reviewing this publication, it is the Audit staff's opinion that the guidance to, the extent that it is relevant to this situation, could be interpreted to suggest that the Compliance Committee should pay the entire amount.



In the Interim Audit Report it was concluded that given that FECA matters are not governed by this accounting publication, that the purpose of the publication is not wholly on point, the nature of the guidance contained in the publication, and the dual purpose of the mailing the 50% allocation is appropriate. Therefore, the difference between 50% and 85%, or \$130,824 is a Compliance Committee expense.

In response to the Interim Audit Report, the Committee disagreed with the Commission's conclusion that a 50% allocation was reasonable. The Committee states that the Commission should follow Regulation 11 CFR §106.1(a) and allocate on the basis of "the benefit reasonably expected to be derived". According to the information obtained by the Audit staff during fieldwork, the two mailings in question took place on August 22 and August 28, 1992, over a month after the candidate received the nomination. The apparent benefit to the Committee was the fulfillment of a promise to contributors who were to receive a pin or photograph as the result of having made a contribution, and to thank contributors for their support. The Compliance Committee had the opportunity to solicit contributions from a group of known Clinton supporters at a reduced cost. All contributions were directed to the Compliance Committee. Thus, allocating only 50% of the cost to the Compliance Committee is a conservative approach. A larger Compliance Committee allocation could be supported.

The Committee is also critical of the Audit staff not following the American Institute of Certified Public Accountants Statement of Position 87-2. As stated in the Interim Audit Report, after reviewing this publication, it is the Audit staff's opinion that the guidance, to the extent that it is relevant to this situation, could be interpreted to suggest that the Compliance Committee should pay the entire amount.

The Committee sent an affidavit from Mitzi Dudley the treasurer of SR. According to the affidavit, the production cost for the fulfillment material for the mailing with the lapel pin was \$232,346. (88.9% of the total production costs of the mailing) and the production cost of the reply elements were \$28,791, or a total cost of \$261,137. The affidavit states that production cost for the fulfillment material for the mailing containing the photograph was \$106,782 and the General Committee's solicitation expense was calculated at \$17,872, for a total cost \$124,654. Neither the Committee nor the vendor provided any documentation to support these amounts. However, on a reconciliation provided by the vendor at the time of the audit fieldwork the cost of the mailing that contained the lapel pin was shown at \$252,952 and the cost of the mailing that contained the photograph was \$118,903. There is no explanation for the difference in the amounts in the affidavit and the documentation supplied during fieldwork. According to the vendor and the

Committee, they did overpay this vendor by \$12,558 for these mailings, which was part of the \$49,856 refund addressed in Finding III.B.1. The vendor may have included part of the overpayment in calculating the \$261,137 and the \$124,654 totals.

Attachment 6 includes copies of the actual mailings in question. The letters for both mailings are very similar. Both had return envelopes that show the Clinton/Gore Compliance Fund as addressee. Both include a Rapid Response Action Memo, with the Compliance Fund address, a reference to George Bush and Dan Quayle, a solicitation to "Please make personal check out to CLINTON/GORE COMPLIANCE FUND". The reverse side of the memo requesting contributor information, once again requests they make their check payable to the Compliance Committee and notes that it was authorized and paid by the Compliance Committee. About 60% to 70% of the letter deals with the general election. There are two separate requests within the letter for contributions to the Compliance Fund. According to the vendor, "the General Committee's solicitation expense was derived by allocating 20 percent of the cost of the letter (roughly equivalent to the percentage of space that the solicitation took up within the letter) to the solicitation."

Based on the information provided by the Committee, the Audit staff is of the opinion that the 50% allocation is more than reasonable and consistent with the Commissions regulations.

This same vendor was paid \$69,660 by the Committee for a compilation of contributors called a "Master File". With minor exception, all of the invoices are dated after the date of ineligibility with the majority of the amount billed between September 17, and December 29, 1992. As noted above, the Committee's computer work was handled by a Washington D.C. firm and the Audit staff was provided a master contributor file by that vendor during the audit fieldwork. Also as noted, the Committee requested and received a magnetic copy of that information from the Commission. The Interim Audit Report concluded that absent further information, this expense was a general election expense.

In response to the Interim Audit Report, the Committee submitted an affidavit from Mitzi Dudley the treasurer of SR, a division of National Direct Marketing Corporation (NDM).

"All master file work performed and invoiced to the Primary Committee by Strategic Response was performed as contractually required and in furtherance of our understanding of Primary Committee purposes. A primary purpose of a master file is to compile in computerized form all pertinent information on responses to communications sent by a particular entity for the purpose of using those response [sic] to determine the nature, frequency and recipients of any further communication. A master file is commonly a master

28059

record of all donors and other responders to such communications with a full history of the time and nature of their responses including, but not limited to, the date of all responses, the amount of donation made (if any), and pertinent other information about such responses (e.g., support for particular positions, source information denoting the origination of the responder, and other demographic and behavioral information attributable to a responder as available). A master file may be of significant surviving value to the entity which owns it as it serves a crucial function as both a historical document as well as providing an important record of those people who are most likely to respond again in the future. The existence of a master list of potential future responders is crucial to a Primary Committee who may need to continue soliciting contributions beyond the candidate's nomination date to pay off primary debt. In the present case, our understanding was that the Committee was in fact concerned that it would have a serious Primary shortfall and would be forced to raise funds well past the Convention."

Ms. Dudley's affidavit continues with an explanation of the provision in the May 11, 1992 contract (paragraph 12) that it believes requires the master file to be created.

"The Agreement provides in part: the master file is a master record of all lists 'names, addresses, and other information pertaining to names developed hereunder by the Committee or by NDM [Strategic Response] on the Committee's behalf, e.g., including but not limited to lists of the Committee's supporters and contributors...'. Paragraph 12(a) makes clear that the master file 'shall be the property of the Committee...'. "

The affidavit also explains that responses from primary solicitations continued to flow into the campaign through at least November 18, 1992. "After all responses were keyed as of that date, the master file then needed to be finally built, cleaned and updated." The processing required to complete the building of the master file stretched into December and it was only after the work was complete that the vendor received a bill from the data processing contractor.

During the audit fieldwork the Audit staff obtained a copy of the contract between SR and the Committee. Paragraph 12 of that contract states:

"12. OWNERSHIP OF MAILING LISTS

(a) Property of the Committee. All names, addresses, and other information pertaining to names developed hereunder by the Committee or by NDM on the Committee's behalf, including but not limited to lists of the Committee's supporters and contributors, and all rights in all of the foregoing (collectively hereinafter the 'Lists'), shall be the property of the Committee subject, however, to the provisions of Section 12(b)-(g) below."

Sections 12(b)-(f) deal with the Committee's and NDM's use of the list on behalf of the Committee, possible uses by third parties, possible use by the Democratic National Committee, the effect of the termination of the agreement, and other uses. No where in the contract is there any reference to a "Master List" or similar listing.

From the information provided during the fieldwork, the first fundraising mailing by this vendor was May 18, 1992 and the last July 17, 1992. The Committee paid for data entry and caging of the contributions received. The earliest invoice was dated June 3, 1992 and invoices continued through November 25, 1992. The Committee paid over \$140,000 for this activity, \$55,000 was invoiced after September 16. In fact they overpaid by \$24,500 that they later recovered as part of the previously mentioned \$49,856 refund. None of these charges are part of the \$69,660 for compiling the master file. From information obtained during fieldwork, the Compliance Committee's first invoice for data entry and caging was dated October 21, 1992. The Compliance Committee did its last fundraising mailing on October 9, 1992. The total amount the Compliance Committee paid for data entry and caging was approximately \$80,000. The Compliance Committee did not present any information that they paid for any Master File charges.

As previously stated, most of the invoices for the master file are dated after the Committee received its last contribution and long after the last solicitation mailing. The response supports that the Master List project was not an expense of the Compliance Committee. However, the response does not establish that this project was part of the original contract, or was related to any Committee fundraising effort. Indeed, the Committee had concluded that it was solvent in August of 1992. The creation of a historical record of the contributions to the Committee, beyond the existing mailing lists, or the preparation of a data base for future use, either in a future election or by another entity, is not a "[c]osts associated with the termination of political activity, such as the costs of complying with the post election requirements of the Act and other necessary administrative costs associated with winding down the campaign..."

(11 CFR §9034.4(a)(3)(i) Winding Down Costs). Therefore, though not a general election expense or an account receivable from the Compliance Committee, the cost of the Master File is not a qualified campaign expense.

c. General Election Media Expenses

Both the Committee and the General Committee utilized the services of the same media firm, Great American Media, Inc. One of the services that was provided was the production of a biographical film about President Clinton entitled "The Man From Hope".

President Clinton received the Democratic nomination for President on July 15, 1992. On July 16, prior to President Clinton's speech accepting the nomination, the film was shown at the Democratic National Convention. By virtue of when the film was shown, it was available for broadcast by several television networks as part of their convention coverage. According to Committee records, the total cost of producing the film was \$191,273 with the Committee paying \$161,273 and the 1992 Democratic Convention Committee, Inc. (Convention Committee) paying \$30,000. A revised version of this film was aired and paid for by the Democratic National Committee during the week of August 16-20, 1992. The cost of the broadcast was considered a coordinated party expenditure pursuant to 2 U.S.C. §441a(d). A revised version was also aired and paid for by the General Committee during the week of October 9-12, 1992.

The Interim Audit Report concluded that given no known use of the film during the primary period, all costs associated with the film are a general election expense.

The Committee's response to the Interim Audit Report makes a number of arguments concerning the convention film. First, the Committee states that in the Interim Audit Report on the Convention Committee, the auditors took the position that the portion of the cost paid by the Convention Committee was an excessive contribution to the Committee. That is incorrect. The referenced report noted only that the amount paid was considered an impermissible use of public funds and that the Committee had paid the remaining charges related to the film. As the Committee correctly notes, the Commission decided that the portion of the cost paid by the Convention Committee was an acceptable convention expense.

The response also alleges that the Committee was told at the exit conference for the General Committee that the Audit Division's position with respect to the film was evolving. Although the staff does not recall using that term, given that the issue was being considered in three audit reports, only two of which could be discussed at the exit conference, the staff was limited in what could be said.

The Committee also argues that the expense meets the definition of a qualified campaign expense. In this regard the Committee's contention depends on the expense being in connection with the Candidate's campaign for nomination. As explained in the Interim Audit Report, in the opinion of the Audit staff, that is precisely where this expense does not meet the definition. It was not used until after the nomination had occurred.

The Committee argues that the purpose of the film was to introduce the Candidate to the convention and that it is therefore a proper primary expense. Further, the Committee contends that the Commission has always allowed costs for staff travel back from the convention to be considered a primary expense even though those expenses are incurred after the convention. The Committee is correct about allowing the expenses for staff travel back from the convention to be considered primary expenses, although incorrect about those expenses being incurred after the convention. The expense is incurred before the individual leaves to attend the convention. None of this changes the fact that the film was produced to be shown after the nomination and, in the Audit staff's opinion, is a general election expense.

The Committee states that in the past, the Audit staff has not challenged such expenses. Again the Committee is correct. If similar films have been produced by primary committees they have not been identified during the course of the audits. The Committee continues that if a restriction is to be placed on the payment for such films to a particular source, it should be done in the context of a rulemaking. The Commission's regulations do not attempt to list each and every type of expense that a primary committee may or may not pay. There is no need or practical way to create such a list. The regulations state that expenses paid by the primary committee must be in connection with the candidate's campaign for nomination. This film was created for use after the nomination had been awarded. Therefore, the Audit staff concluded that it is not in connection with the campaign for nomination, but rather a proper general election expense.

Finally, the Committee disagrees with the determination of the Candidate's date of ineligibility. It is argued that the date of the acceptance speech rather than the date of the vote is the relevant date. The Commission's regulations at section 9032.6 define the end of the matching payment period for a candidate seeking the nomination of a party which nominates its Presidential candidate at a national convention as the date on which the party nominates its candidate. The Code of Federal Regulations at section 9033.5(c) states that the ineligibility date shall be the last day of the matching payment period for the candidate. These provisions are clear and do not reference the

date of an acceptance speech. Further, the Committee was notified of the date of ineligibility (7/15/92) shortly after the convention and did not object until the response to the Interim Audit Report.

In support of its theory, the Committee states that the Commission must defer to party rules on the date of nomination and submits a letter from the General Counsel of the Democratic National Committee which the Committee states establishes the date of ineligibility as July 16, 1992, rather than July 15. In the letter Counsel states the procedural rules for the 1992 convention provide that "following the role call vote on selection of the presidential candidate, the Permanent Chair is to 'appoint a committee to advise the nominee of his or her selection, to determine if he or she will accept the nomination and to invite the nominee to deliver an acceptance speech to the Convention' (emphasis in original text)."

First, contrary to the Committee's statement, the Commission is not required to defer to party rules, but rather to follow the provisions of the Act. The Commission's determination has done that. Second, the quoted section of the Party's procedures do not suggest that the nomination is not "official" until the acceptance speech. Instead, the language supports the Commission's determination by referring to the candidate as the "nominee" in two places within the one sentence.

The Committee offers a number of other observations concerning the timing of the vote when held late in the day which could apply equally to the date on which a candidate makes an acceptance speech.

For the reasons stated above the conclusion contained in the Interim Audit Report was unchanged in the final audit report presented for Commission consideration.

In addition to the cost of producing the film discussed above, a number of other apparent general election media expenses paid by the Committee were addressed in the Interim Audit Report. An invoice dated July 20, 1992 for \$6,109 for work relating to focus groups was identified. One of two versions of the invoice states that the focus groups were "to test general election messages". Another invoice was for "35mm Film Shoot" at the Democratic National Convention on July 15 and 16, 1992. These dates were the Candidate's date of ineligibility and the following day. The Interim Audit Report concluded that film taken on these days could have little opportunity to be used in the primary campaign. The invoice was for \$4,950. A third invoice, totaling \$18,990, is one of a number that was billed to the Committee for travel, administrative costs and fees, and some production related items. The invoice contains a statement that "THIS INVOICE IS ENTIRELY FOR EXPENSES INCURRED DURING THE PRIMARY PERIOD". However, a review of the charges shows that the invoice appears to cover the period July 16, to August 18, 1992 and is apparently a

28064

general election expense. Finally, the Committee paid an invoice dated August 20, 1992, that was to "Test Response Spot". The invoice is addressed to the Clinton/Gore '92 Committee. Absent further documentation, the \$4,106 is included as a general election expense.

With respect to the "35mm Film Shoot" (\$4,950) the Committee points out that one of the mailings discussed above included a photo of the Presidential and Vice Presidential candidates on the podium at the convention that had been promised in an earlier primary solicitation. Although the Committee does not provide any evidence to show that this expense was for that photo, it is reasonable to conclude that the two are related. The Committee's explanation is accepted.

The Committee provided an affidavit from Annemarie Hannon, controller for Great American Media, Inc. to address the \$18,990 charge for travel, administrative fees, and production. Ms. Hannon states that with the exception \$760 in travel expenses, all of the charges are for primary work. She explains that it is not unusual for billings to be delayed due to the need to gather information from staff and vendors, and await credit card billings. The vendor provides no detailed information to support the explanation and does not explain why the invoice indicates that the charges relate to a general election period.

The Committee does not address the remaining two charges.

The Audit staff concluded that the total amount of general election media expenses paid by the Committee was \$190,478.

#### d. Miscellaneous General Election Expenses

The Interim Audit Report noted a number of other expenses that were considered to be general election expenses paid by the Committee. Each is discussed briefly below:

- ° The Committee purchased 150,000 copies of the book Putting People First invoiced on July 6 and 10, 1992. The total cost was \$110,286. The Committee's records indicated that it sold 106,000 copies of the book to the General Committee for \$15,900. The value was determined by multiplying \$.25 per copy times 60%, to arrive at \$.15 per copy times 106,000 copies. There are two errors in this calculation. First, the cost of the books, using the lower of the two prices paid by the Committee, was approximately \$.72 per copy. Second, since these books are not "capital assets" they are not subject to the depreciation allowance provided at 11 CFR §9034.5(c)(1). The General Committee should have paid \$.72 x 106,000, or \$76,320. Therefore an additional \$60,420 is due from the General Committee.

28065



In response to the presentation of this matter at the exit conference, the Committee stated that it did not agree that there is a receivable from the the General Committee. In their opinion, the majority of the publications were used during the primary and the Democratic National Convention. They also stated that the value of the publications were not required to be transferred as an asset to the General Committee pursuant to 11 CFR §9034.5(c) because they are not capital or other assets.

In total, there were 150,000 copies purchased from the vendor. Of that total, 106,000 were purchased by the General Committee. If the majority of these books were used during the primary and convention, it would appear that 106,000 would not have been available to sell to the General Committee. No documentation to support the statement was submitted. Further, the audit analysis did not characterize the books as either a capital or other asset, but rather a general election expense paid by the Committee.

In response to the Interim Audit Report the Committee states that "[b]ased on the best information available to the Committee at this time, it appears that the pamphlets sent to and distributed at the Convention were erroneously counted in the inventory prepared by the Primary Committee". The Committee also objects to referring to these pamphlets as books. The Committee provided a copy of the booklet at issue and copies of two brochures of the same name produced by the General Committee and an affidavit from Jann Greenland stating that it was her understanding that the original booklet was for use in the final stages of the Primary campaign as well as a promotion piece during the Convention. Further, according to the Committee, even if some booklets were sold to the General Committee, since they weren't used in the general election, they should not be considered a general election expense and the Committee should refund the General Committee the \$15,900 paid.

The Audit staff used the word "book" because the documentation submitted by the Committee during fieldwork used the term. The information provided does not establish that the booklets were shipped to the Convention, that they were not used in the general election period, or how the inventory prepared after the Convention could have concluded that 106,000 booklets that did not exist were in inventory.

At the time the Committee presented the inventory to the Audit staff, there did not seem to be any question as to the existence of the 106,000 booklets sold to the General Committee. At a minimum, the Committee could supply an

affidavit from Committee personnel responsible for the inventory to explain whether 106,000 booklets existed or not. Absent additional information the cost of the booklets is considered to be a general election expense.

- The Committee contracted with Press Association, Inc. for a news service. The contract was to run from June 26, to November 30, 1992. The total cost was \$14,753. The Committee paid \$10,003 of this amount. This is considered a general election expense.

In response to the Interim Audit Report, the Committee agrees that the Committee has overpaid its portion but disagrees with the entire amount being a general election expense. The Response contends that the correct amount of the overpayment by the Committee was \$7,687. That amount was refunded to the Committee on June 10, 1994. The Committee did not explain how it arrived at this amount. Absent additional information, the entire \$10,003 is considered a general election expense.

- The Committee chartered aircraft from Air Advantage. Payments via wire transfer were made in advance and charges were applied as incurred. At the end of the primary a credit balance remained that was applied to general election charges. The Committee performed a reconciliation and determined that \$27,222 was due from the General Committee. In addition, the Committee had paid \$17,000 for a reconfiguration of the aircraft, bringing the total amount due from the General Committee, per the Committee's reconciliation, to \$44,222. Subsequently, the Committee concluded that \$15,000 of the \$17,000 reconfiguration charge could be considered a primary expense since the work was done on July 10, 1992 prior to the Candidate's date of ineligibility. It is clear that improvements to the aircraft were done in preparation for the general election campaign. The only use of the aircraft after July 10, 1992 and before the Candidate's date of ineligibility was to transport the Candidate and then Senator Gore to the convention. After the convention, the aircraft was used in the general election campaign.

In response to the Interim Audit Report, the Committee agrees that the \$2,000 and the \$27,222 were erroneously paid by the Committee, and notes that the amounts were reimbursed on January 11 and March 24, 1994. However, it still disagrees with the \$15,000 reconfiguration charge. Since the reconfiguration cost were incurred on July 10, 1992 and the airplane was used in the primary, in the Committee's opinion, the entire costs was allocable to the primary. The one time use of the aircraft before the convention does not justify the allocation of this cost to the primary.

28067

- The Committee paid Mandarich & Associates \$1,720 for services and expenses. The invoice specifies that the services were for the "Bill Clinton General Election Compliance Fund". The Committee recognizes that this amount requires reimbursement from the Compliance Committee. In response to the Interim Audit Report, the Compliance Committee refunded this amount to the Committee on June 10, 1994.
- There is a group of other payments that are apparently for the general election campaign. Some of the items are expenses incurred in the general election period while others are monthly expenses that should have been allocated between the primary and general elections campaigns for July, 1992. The total amount is \$20,066.

In response to the Interim Audit Report, the General Committee refunded \$14,420 on January 11 and March 24, 1994 to the Committee and was planning to refund the remaining \$5,646.

In the Interim Audit Report, the amount owed to the Committee from the General Committee was \$879,361 and the amount due from the Compliance Committee was \$202,204. Prior to the Commission meeting of December 15, 1994, this amount had been revised based on the Committee's response, to \$874,411 due from the General Committee and \$132,544 due from the Compliance Committee. Of these amounts \$51,329 has been refunded by the General Committee and \$1,720 by the Compliance Committee.

The \$69,660 for compiling the Master File is not considered a general election expense or an account receivable from the Compliance Committee, but a non-qualified campaign expense.

In the report presented for Commission consideration, the Audit staff recommended that the Commission make an initial determination that a pro rata repayment in the amount of \$237,948 is due to the U.S. Treasury pursuant to 11 CFR §9038.2(b)(2).

However, at the Commission meeting of December 15, 1994, the Commission found many of these expenses to be similar to the expenses in the Bush-Quayle '92 report approved at the Commission meeting of December 8, 1992. As a result, some of the expenses were allocated, 50% to the Primary and 50% to the General Election. The capital assets were allocated 40% to the primary as permitted by 11 CFR §9034.5(c). These changes are detailed on Attachment 7. As of June 30, 1994, there is an outstanding balance of \$398,480 due from the General Committee and \$130,824 due from the Compliance Committee. These amounts are

shown on the Committee's NOCO statement at III.C. as accounts receivable and are non-qualified campaign expenses subject to a ratio repayment unless the amounts are reimbursed to the Committee.

Also, as noted previously, the candidate's entitlement to post date of ineligibility matching funds was adjusted in Section III.D. below. That adjustment causes the point at which the Committee's accounts no longer contains Federal funds to occur later than was calculated in the report considered by the Commission on December 15, 1994. It is now calculated that all non-qualified campaign expenses discussed in this section were paid while the Committee's account contained Federal funds.

### Recommendation #2

As a result of the Commission's decisions, the Audit staff recommends that the Commission make an initial determination that the Candidate is required to make a pro rata repayment to the U.S. Treasury of \$154,740  $[(\$398,480 + \$130,824 + \$69,660) \times .258346]$  pursuant to 11 CFR §9038.2(b)(2). This amount may change if the Committee demonstrates that the Candidate was entitled to a greater amount than is calculated at Section III.D.

### 3. Other Non-qualified Campaign Expenses

#### a. Kathlyn Graves Escrow Agents

The Committee made a \$37,500 payment on September 2, 1992, to Kathlyn Graves Escrow Agents. The only documentation in the Committee's records was a canceled check and a carbon copy of the check with the notation "settlement". According to the Committee, payments were made on behalf of the Committee for consulting work. The terms are confidential and can't be made public. There is a written agreement but the terms of the agreement can't be made public. The terms of the agreement preclude disclosure. During fieldwork the Committee requested the attorney who drew up the agreement provide a statement to clarify the nature of the agreement. This statement was requested again by the Audit staff at the exit conference.

In response to the exit conference and the Interim Audit Report, the Committee submitted additional information but it did not establish this payment as a qualified campaign expense.

#### b. Campaign Bonuses

The Committee paid bonuses to various staff members, firms, and consultants after the date of ineligibility. According to the Committee these bonuses were determined prior to the date of ineligibility. Any contracts the Committee had with these individuals did not cover these bonuses. The Committee stated these were orally agreed to, between the Committee and the

individual. During the fieldwork and at the exit conference the Committee stated they would provide statements with information about how the amount was arrived at by the Committee. The statements were to be from either the individual that received the bonus or the Committee person that arrived at the amounts. There were a total of 21 entities that received bonuses totaling \$237,750.

After the exit conference presentation of this matter, the Committee submitted memos from David Watkins for each of the people receiving a bonus. Basically, each memo gave the person's position in the campaign, stated that Mr. Watkins authorized the bonus and that each bonus was determined prior to the Democratic National Convention. Some bonuses were based on the recommendation of the immediate supervisor, such as David Wilhelm, Rahm Emanuel, and Keeley Ardman. These memos do not establish that the bonuses were in connection with the campaign for nomination.

In response to the Interim Audit Report, the Committee states that it could find no instance when the Commission did not permit bonuses. The Committee states that it does find instances of the Commission permitting other rewards to staff after the close of the campaign. The response also states that the Commission has considered severance pay after the date of ineligibility and the costs of a staff party after the election as qualified campaign expenses. The Committee did not cite any specific cases in their response.

In addition, the Committee submitted information on the individuals and firms that received bonuses. For Carville and Begala, the Committee submitted an addendum to their consulting contract. According to this addendum, dated March 3, 1992, the Committee would pay the firm a bonus of \$87,500 if the candidate was nominated by the Democratic National Convention. The Audit staff notes that at the end of fieldwork the Committee stated there were no addenda to this contract. In the Audit staff's opinion, the Committee has established a contractual liability that was incurred prior to the date of ineligibility, and the payment to Carville and Begala is therefore a qualified campaign expense.

The Committee also submitted an affidavit from Rahm Emanuel. His affidavit states that he was responsible for developing and implementing the Committee's national fundraising campaign. According to the affidavit, part of Mr. Emanuel's employment agreement provided for a performance based bonus plan. The agreement provided for a bonus to be paid if fundraising performance exceeded campaign goals. The affidavit explains that the Committee and Mr. Wilhelm honored the employment agreement and provided Mr. Emanuel with bonus payments of \$52,000. Neither Mr. Emanuel or the Committee provided any written agreement.

For Amy Zisook, the Committee submitted an unsigned draft of a contract with Amy Zisook & Associates, Inc. (AZA). According to the contract, AZA was to receive \$25,000 within 5 days of whichever occurs first: (1) Governor Clinton suspends his candidacy in the primaries or withdraws from the presidential primaries; or (2) the agreement is terminated; or (3) June 11, 1992. The Committee also submitted an affidavit from Amy Zisook supporting the draft contract. According to Ms. Zisook, the "contract, which was submitted to the Committee in February, 1992, accurately reflects my verbal agreement with the Committee regarding payment of professional fees including the \$25,000." The Audit staff requested any contracts the Committee had with AZA or Amy Zisook during fieldwork but none were provided. In addition the Committee stated during fieldwork that Ms. Zisook had an agreement but not in writing. Again, in the Audit staff's opinion, the Committee has established a contractual liability that was incurred prior to the date of ineligibility, and is therefore a qualified campaign expense.

For the remaining individuals, the Committee submitted an affidavit from David Watkins, Director of Operations for the Committee. According to Mr. Watkins, based on discussions with Mr. Emanuel before the end of the primary, the bonuses for Jim Palmer, John Frontero, Nancy Jacobson, Patrick Dorinson, Matt Gorman, Mary Leslie, Teri Walters, and Simon Kahn were based on the amount of money raised by these people for the Committee and that the amount raised exceeded each person's individual goal. The Committee did not supply any information to establish what each employee's goal was at the beginning of their fundraising activity or that any agreement for a bonus was part of any contract with the individuals.

The Committee did not supply any additional information for the balance of the employees, except for Mr. Watkin's affidavit. In that affidavit the bonus payments were characterized as payments to bring total compensation up to agreed upon levels. The Audit staff reviewed the employment records provided during fieldwork to support the Committee's statements.

According to Mr. Watkins, George Stephanopoulos received his \$7,000 bonus in order to bring his total pay to the agreed salary of \$60,000 per year. Mr. Stephanopoulos signed a contract with the Committee dated November 4, 1991 and was paid \$5,000 a month as a consultant. Beginning in 1992, he went on the payroll as a Committee employee at a salary of \$5,000 per month. As with other employee's of the Committee in the spring of 1992 he received less than his full paycheck. On July 28, 1992 he received a paycheck that restored his pay to \$5,000 a month. Mr. Stephanopoulos started working for the General Committee immediately after the date of ineligibility. Based on his net pay from the General Committee, it appears his

28071

salary was equal to or greater than \$5,000 per month. According to the information supplied during fieldwork, Mr. Stephanopoulos had already received compensation of at least \$60,000 per year before receiving the \$7,000 bonus on November 5, 1992.

According to Mr. Watkins affidavit, Paul Carey, Rick Lerner, Keeley Ardman, and George Hozendorf, received bonuses in order to bring their pay during the primary to a certain monthly rate. For Mr. Carey, the bonus was intended to bring him up to a "market rate of \$3,500 per month for the period from November, 1991 through January, 1992." Mr. Carey started in September, 1991 at a salary of \$2,500 per month. In December, 1991, his salary was increased to \$3,000 per month. Only if the Commission permitted the Committee to retroactively increase Mr. Carey's salary, would he have been entitled to any portion of the \$3,000.

The affidavit continues that, Mr. Lerner's \$3,000 bonus was intended to bring Mr. Lerner's "pay to market rate at \$2,500 per month." Mr. Lerner's compensation included receiving consulting payments of \$2,500 per month, one pay check with a net amount of \$761.51, and \$9,000 in consulting fees for fundraising. Since this person received in excess of \$2,500 per month, the explanation of the bonus does not seem to be correct.

For Keeley Ardman, Mr. Watkin's wanted her \$7,500 bonus "to bring her average pay during the primary to a market rate of \$3,000 per month". Ms. Ardman started working for the Committee on September 9, 1991 for \$1,500 per month. She received a raise to \$2,400 per month on November 4, 1991. Her final increase came on May 1, 1992 to \$3,000 per month. Like other employees she received less then her full pay but received a payment on July 28, 1992 that restored her back pay. Therefore the purpose of the bonus was to give her a retroactive pay raise to \$3,000 per month from September, 1991 through April 30, 1992.

Mr. Watkin's affidavit justified George Hozendorf's bonus of \$5,000 "to bring his rate of pay to \$2,500 per month for service from April, 1992 through July, 1992 as well as to compensate him for an anticipated small period of time assisting with primary drafts after the end of the primary." This employee started working for the Committee at a salary of \$1,833 per month. His salary remained constant throughout the primary. The paycheck on July 28, 1992 appears to contain an amount greater than the amount of his back pay, and could be viewed as covering any incidental work done for the Committee after the date of ineligibility. It appears he started working at a higher salary for the General Committee immediately after the primary.

In the Audit staff's opinion, these individual's salaries were negotiated with the Committee at the start of their employment. There is no justification for granting retroactive pay raises.

According to the affidavit, Avis Lavelle was paid \$10,500 as partial compensation as the Press Director of the Committee prior to the Democratic National Convention. Though the Committee did not supply any information covering this employee's starting salary, according to the Committee's records, the first paycheck was June 30, 1992. She was paid approximately \$9,000 after the Democratic Convention, before the bonus. Excluding the \$8,000 bonus, for the period of time she worked for the Committee, she would have had a weekly paycheck of over \$2,600, making this person the highest paid employee of the Committee. With the bonus, the weekly pay would have been over \$4,600. This person started working for the General Committee immediately after the primary at a salary of approximately \$5,000 a month. Apparently, this person's employment with the Committee was longer than four weeks, but the Committee has not provided any information establishing the length of this person's employment.

Christine Varney's \$12,500 bonus, according to Mr. Watkin's, was based on her having "to travel to and stay in Little Rock, Arkansas more often and for more extensive periods of time (i.e., more weekend stays) than originally contemplated when hired. In addition, the bonus represented compensation for her continuing winddown work after the date of ineligibility." Ms. Varney started working for the Committee on May 1, 1992, at a salary of \$5,833 per month. She also started working for the General Committee immediately after the date of ineligibility.

According to the affidavit, Betsy Wright was Director of Research. Her bonus of \$2,250 was to "compensate for work done during the primary beyond that originally contemplated when the rate of pay was established." The bonus was based on the recommendation of David Wilhelm. According to Committee records, she started working for the Committee at a salary of \$6,000 per month on March 20, 1992. She started working for the General Committee, for what appears to be the same salary, immediately after the date of ineligibility.

Lisa Shochat was a part-time assistant with the Committee according to the affidavit. She "received a \$1,500 bonus which was payment for work performed for the Committee prior to the date of ineligibility." From Committee records, she appears to have been a volunteer for the Committee, receiving a small amount to cover her expenses while traveling. She started working for the General Committee on July 31, 1992 with a salary of \$1,000 per month.

Finally, Shannon Tanner received a \$2,500 bonus for "outstanding performance and dedication during the primary."

Except for Carville and Begala and Amy Zisook, the Committee has failed to establish they had any liability to pay these bonuses as of the date of ineligibility.



As noted at finding II.E. above, the Committee reimbursed David Wilhelm \$6,000 for apartment rent. In that finding the Committee had no obligation to make this payment. This amount has been added to the other bonuses paid to various staff members.

The total of non-qualified campaign expenses for staff bonuses is \$131,250. (Attachment 8 pg. 2)

c. Traveler's Cheques

During the campaign the Committee purchased \$179,357 in traveler's cheques (see Attachment 9.) These cheques were purchased over a period starting February 13, 1992 and ending July 9, 1992. During fieldwork, the Committee provided the following information on "Procedures for Issuing Travellers Checks", in a memorandum dated March 25, 1993.

"After consultation with the Federal Election Commission, the Clinton for President Committee began a policy of distributing American Express Travellers Cheques to campaign staff to cover living costs associated with campaign-related field work during the primary campaign period. The following disbursement procedures were established:

- 1) Travelers cheques would be used exclusively for per diem payments to the campaign's advance personnel on the road, and all other compensation such as advance consulting fees and salaries would be issued on campaign checks;
- 2) Travelers cheques could not be substituted for standard campaign drafts or bank checks intended for event costs or any other non-per diem expenses on the road;
- 3) Travelers cheques would only be issued out of the scheduling and advance department and could not be used for other campaign activities, i.e. volunteers, headquarters operations, etc.;"

The Committee did provide a log that was used when the cheques were issued that details the recipient of the cheques, the days traveled, the locations, the denomination of the traveler's cheques, the total amount, date issued, and the initials of the authorizing official. This information was not provided for all cheques. In its response to the exit conference, the Committee stated that the log supported \$159,190 in traveler's checks spent during the campaign. The Committee did not explain

the difference of over \$20,000, between the \$179,357 in traveler's cheques purchased and the \$159,190 in the Committee's log. The Audit staff was able to determine that the log supports approximately \$158,000.

A review of the log appears to indicate that in some instances blocks of cheques were issued to individuals, for amounts greater than a person would need for their per diem. In these cases, the log does not provide the names of other individuals that may have eventually received the traveler's cheques and the days traveled by the individual. It would therefore appear, that in some instances, the campaign staff person receiving the travelers cheques is not recorded or the cheques were used for other than the recipient's per diem. This amounted to over \$40,000 in insufficiently explained cheques in the log, including \$1,620 recorded twice in the log for the same cheques. The Audit staff considers the use of traveler's cheques to be cash disbursements in violation of 11 CFR §102.10 since the cheques are not a check or similar draft drawn on an account established at a Committee campaign depository, and therefore are non-qualified campaign expenses. Further, the expenditures are not documented in accordance with 11 CFR §9033.11.

In response to the Interim Audit Report, the Committee states it disagrees that the use of traveler's cheques are cash disbursements. However, if they were considered to be cash disbursements the Committee believes that the disbursements are adequately documented pursuant to 11 CFR §9033.11.

The Committee again states that the traveler's cheque plan was approved by the Audit staff. The Committee has been unable to locate any contemporaneous evidence of the approval. The Audit staff has no record or recollection of any such approval.

The response also states that the method of documenting the traveler's cheques is indistinguishable from the permissible method of documenting petty cash expenditures. It is also stated that the individual per diem rate was \$30 (less than the \$100 limit on petty cash disbursements) and thus the treatment of traveler's cheques like a petty cash fund is fully consistent with the Act and regulations. In the Audit staff's opinion the use of nearly \$180,000 in travelers cheques cannot be likened to a petty cash fund. The log submitted does contain entries identifying who received the cheques for the majority of the amount but the amounts are often in excess of \$100.

The Committee also contends that the use of traveler's cheques can be considered the same as a payment by "similar draft" from the Committee's depository pursuant to 11 CFR §102.10. The Committee explains that cheques were purchased from Worthen Bank, the Committee's depository, by checks drawn on the Committee's checking account. The traveler's cheques are written instruments, which are returned to the bank for payment just as

checks. The Committee is incorrect. First, the requirement is that the expenditure be made by check or similar draft drawn on an account established at a campaign depository. These traveler's cheques are not drawn on a Committee account. Further, the Committee is not accurate that the traveler's cheques are returned to Worthen Bank. They are sent to American Express. There is no negotiated instrument available for the Audit staff's review at the Committee or their depository. The requirement that checks be drawn on a Committee depository provides records for both Committee and Commission review.

Finally, the Committee states that even if the traveler's cheques are not consistent with the requirements of 11 CFR §102.10, it does not follow that they are undocumented within the meaning of 11 CFR §9033.11. The Committee goes on to cite the various types of documentation that may be presented under that regulation and concludes that the log and Committee per diem policy complies with two of the tests. What the Committee does not consider is that in addition to the listed documentation, 11 CFR §9033.11 requires a canceled check negotiated by the payee. This is not possible when traveler's cheques are used.

The Committee did not explain the difference in the \$179,357 in traveler's cheques purchased and the \$159,190 the Committee claims the traveler's cheque log supports. Also, the log didn't support \$158,000 as claimed in the response. As explained in the Interim Audit Report, although the log recorded approximately \$158,000 in traveler's cheques over \$40,000 of that amount was insufficiently explained. The Committee did not address this problem in their response.

The Audit staff concluded that the use of travelers cheques were cash disbursements in violation of 11 CFR §102.10 since the cheques were not a check or similar draft drawn on an account established at a Committee campaign depository, and therefore, were non-qualified campaign expenses. Further, the expenditures were not documented in accordance with 11 CFR §9033.11.

At the Commission meeting of December 15, 1994, the Commission decided to permit the Committee to consider amounts of \$100 or less, per transaction, as a qualified campaign expense. As a result of this decision a total of \$166,658 was determined to be non-qualified campaign expenses.

d. W.P. Malone, Inc.

Invoices for leased equipment for February, March and April, 1992 totaled \$40,710. Committee records indicate three payments were made, \$10,000 on March 27, 1992, \$15,000 on June 1, 1992 and 15,710 on August 25, 1992, which paid the balance in full. In addition, on July 10, 1992 the Committee paid \$4,850 which appears to be a partial payment on the April, 1992 billing. Therefore, \$4,850 represents an apparent duplicate payment. The

invoice associated with the \$4,850 check is the same invoice associated with the three payments discussed above. The Interim Audit Report concluded that if the Committee did not provide additional invoices supporting the \$4,850, it would be considered a duplicate payment, and the amount would be included in section 1 of this finding. Additional issues with respect to this vendor are discussed in section 2 of this finding.

The Committee did not provide any additional information in its response to the Interim Audit Report; therefore, the \$4,850 has been included in section 1 of this finding.

The Audit staff did not review the Committee's Third Quarter 1993 FEC Disclosure Report at the time of the audit fieldwork. However, on that report, the Committee reported paying W.P. Malone an additional \$63,000 in consulting payments. The Committee did not report any debt owed to this vendor on the Second Quarter 1993 FEC Report. As mentioned in Section 2. of this finding, all the equipment bought from this vendor was sold to the General Committee. The Audit staff requested additional documentation that established that the \$63,000 in payments were in connection with the campaign for nomination. Pending receipt of that documentation, the amount was considered a non-qualified campaign expense.

In response to the Interim Audit Report, the Committee provided a copy of a check to this vendor for \$50,000 and an invoice from the vendor that states the amount is a "Deposit toward professional services for June through September, 1993." The Committee did not explain the \$13,000 difference but the Fourth Quarter 1993 FEC Disclosure Report shows a voided check to the vendor of \$13,000. On the same report the Committee disclosed another \$159,695 payment to W.P. Malone. The Committee later sent a copy of an invoice which stated only that the payment was for June through September, 1993 professional services. After the Interim Audit Report was sent to the Committee the Audit staff reviewed the 1994 Disclosure Reports and noted additional payments to this vendor for \$210,081 and \$95,645. The Audit staff requested additional documentation. The Committee provided an invoice for the \$210,081 that states only that the amount is for professional services for October, November, and December 1993. The Committee also provided a copy of the check and an invoice for the \$95,645, which was for professional services for the months of January and February 1994. Also, on the Second Quarter 1994 FEC Disclosure Report, the Committee disclosed a debt to this vendor of \$93,436 for computer consulting.

The Committee has not provided any detailed explanation as to what specific services this vendor is providing to the Committee other than consulting payments and how those services relate to the wind down activity of the Committee. The Committee has continued to pay Public Office Corporation for services during the winding down period for database management,

~~preparation of FEC reports, equipment rental, and other services.~~  
The Audit staff has not included the additional payments and debt to W.P. Malone, Inc. totaling \$608,857 in winding down expenses on the NOCO statement in Finding III.C.

e. Miscellaneous

The Committee issued \$5,500 in checks from its New York bank account. The checks were data entered under Harold Ickes name, but the payee on the check is the Clinton for President Committee. Annotations made by the bank with respect to certain checks appear to indicate that cash was obtained. There was no documentation except for the canceled checks.

Another vendor in Section 1. of this finding is Carol Willis. There were many reimbursements to Carol Willis. However, many of the expenses incurred were actually paid on credit cards belonging to Wilbur T. Peer and Leroy Brownlee. The Audit staff requested documentation that supports when and how Mr. Peer and Mr. Brownlee were reimbursed by Mr. Willis such as copies of canceled checks. The expenditures not sufficiently documented total \$11,209. Also, available documentation indicates that a portion of this amount may represent duplicate payments of the same expenses.

In addition, the Audit staff requested additional documentation for the Sheraton Manhattan in the amount of \$6,489 and New England Telephone for \$7,000. Documentation for these vendors appears to be complete; however, there is no recognition of payments in these amounts. The disbursements may be duplicate payments of the same expenses.

In response to the Interim Audit Report, the Committee stated it has requested information from all the vendors listed above and will submit it as soon as it is available.

The Committee also had parking tickets totaling \$2,129, a stolen fax machine costing \$1,207, and lost radios costing \$13,424.

In response to the Interim Audit Report, the Committee did not address the parking tickets. For the lost and stolen equipment, the response states that the Committee and its members exercised great care in the maintenance and security of leased equipment. The Committee provided a copy of the security policy used during the general election, which was "the culmination of the verbal policies promulgated and adhered to during the Primary." It is further stated that "it is the Committee's position that there was no evidence of misconduct or gross negligence ... and thus it was unnecessary to execute the Committee's policy of withholding salaries upon the discovery of evidence of misconduct or gross negligence."

The Committee submitted documentation from its insurance agent that pertained to the General Committee. It is stated in the documentation that since the cost of commercial insurance was prohibitive, the only reasonable approach was self insurance. "A comparison of the losses identified by the Audit Division to the total monies expended by the Committee for equipment leases in general and as compared to leases for similar equipment reveals that the Committee paid a relatively small amount for the replacement of lost equipment (the amount paid by the Committee represents only .08% of the rental equipment fees)". The Committee did not submit any information on how they arrived at .08%. The Audit Division doubts the accuracy of this percentage, since the total equipment stolen or lost was \$14,631. If this represents .08% of the total, the Committees equipment leases would be \$18,288,750 ( $\$14,631 / .08\%$ ).

As explained in Section III.B.1., repayment is required for non-qualified campaign expenses paid while Committee accounts contain Federal funds. Of the amounts discussed above, \$47,750 plus the payments to W.P. Malone of \$608,857 were made after the Committee's accounts had been purged of Federal funds and are not included in the repayment calculation.

As previously stated, except for the \$608,857 consulting payments to W.P. Malone, the problems noted in this section, were addressed during field work and at the exit conference. In addition, Committee representatives were provided schedules detailing these items. All items discussed above in sections III.B.3.a. to III.B.3.e. are listed on Attachment 8.

In the Interim Audit Report, the Commission recommended that the Committee provide evidence to demonstrate that these expenses were qualified campaign expenses. The Commission further recommended that the Committee demonstrate that the Kathryn Graves disbursement was made in connection with seeking the nomination pursuant to 11 CFR §9032.9(a)(2). In addition, it was recommended that the Committee provide: (1) evidence showing that the payment of bonuses to staff was a qualified campaign expense and (2) a pre-established written Committee policy on bonuses. With respect to the lost equipment, it was recommended that the Committee provide evidence of the methods employed by the Committee to safeguard the equipment. In addition, demonstrate what efforts were made to recover the lost equipment (i.e., were police reports filed). Finally, provide documentation which identified the relative value of the lost equipment to the total value of the equipment leased from the respective vendors. The Interim Audit Report also stated that absent such evidence, the Audit staff would recommend that the Commission make an initial determination that the Committee make a pro rata repayment of \$118,494 [ $(\$569,415 - \$63,000 - \$47,750) \times .258346$ ] to the United States Treasury.

28079

Except for the \$87,500 payment to Carville & Begala, and the \$25,000 payment to Amy Zisook, the Committee has not demonstrated that expenses in this finding are qualified campaign expenses. In addition, the Committee did not provide a written pre-established campaign policy for bonuses, and did not provide documentation which identifies the relative value of the lost equipment to the total value of equipment leased.

In the report considered by the Commission on December 15, 1994, the Audit staff recommended that based on the Committee's response to the Interim Audit Report, the Commission make an initial determination that the Committee was required to make a pro rata repayment to the U.S. Treasury in the amount of \$89,727 pursuant to 11 CFR §9038.2(b)(2) and (3).

As explained above, the Commission decided to allow a portion of the amount expended by the Committee in the form of traveler's cheques to be considered qualified campaign expenses. Also, the candidate's entitlement to post date of ineligibility matching funds was adjusted in Section III.D. below. That adjustment causes the point at which the Committee's accounts no longer contains Federal funds to be later than was calculated in the report considered by the Commission on December 15, 1994. The recalculated amount of non-qualified campaign expenses subject to repayment is \$382,366 (\$991,224 - \$608,857 paid to W.P. Malone).

### Recommendation #3

As a result of the Commission's decisions on December 15, 1994, the Audit staff recommends that the Commission make an initial determination that the Candidate is required to make a pro rata repayment to the U.S. Treasury in the amount of \$98,783 (\$382,366 x .258346) pursuant to 11 CFR §9038.2(b)(2) and (3).

### C. Determination of Net Outstanding Campaign Obligations

Section 9034.5(a) of Title 11 of the Code of Federal Regulations requires that within 15 days after the candidate's date of ineligibility, the candidate shall submit a statement of net outstanding campaign obligations which contains, among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs.

President Clinton's date of ineligibility was July 15, 1992. The Audit staff reviewed the Committee's financial activity through June 30, 1994, analyzed winding down costs, and prepared the Statement of Net Outstanding Campaign Obligations as of July 15, 1992, which appears below. Additional fieldwork may be required to assess the impact of future financial activity on the NOCO Statement.

**CLINTON FOR PRESIDENT**  
**STATEMENT OF NET OUTSTANDING CAMPAIGN OBLIGATIONS**  
**AS OF JULY 15, 1992**  
(Determined at June 30, 1994)

**Assets:**

Cash in Bank \$ 526,906

**Accounts Receivable:**

Total Reported Refunds, Rebates, Receivables	1,411,043	a/b/
Clinton/Gore '92 General Election Expense	398,480	c/
Clinton/Gore '92 Compliance Fund	130,824	c/
Overpayments/Duplicate Payments	65,264	c/
Telephone Deposits	43,695	d/

Capital Assets 4,640

**Total Assets:** **\$2,580,852**

**Obligations:**

Accounts Payable	\$7,808,624	a/
Less Non Qualified Campaign Expenses	<u>(256,590)</u>	
	7,552,034	

Contribution Refunds	106,956	e/
Clinton/Gore '92 GEC	43,726	f/
United States Treasury	40,859	g/

Winding Down Costs (Based on actual disbursements 07/16/92 thru 06/30/94)	2,675,057	a/
Estimated Winding Down Costs (For the Period from 07/01/94 thru 07/15/95)	<u>465,500</u>	h/

**Total Obligations:** **10,884,132**

**Net Outstanding Campaign Obligations: (Deficit)** **(\$8,303,280)**

28081



## Footnotes to NOCO

- a/ This amount includes receipts and disbursements reported on Committee disclosure reports filed through June 30, 1994 and the Committee's response to the Interim Audit Report. The Audit staff will review additional Committee records to verify the amounts as necessary.
- b/ An account receivable from the U.S. Secret Service in the amount of \$51,531 is uncollectible and is not included in this amount.
- c/ Absent recovery from Clinton/Gore '92 Committee, Clinton/Gore '92 General Election Compliance Fund and the various vendors who received overpayments or duplicate payments these amounts will be considered non-qualified campaign expenses and a pro rata repayment to the Treasury will be requested in the amount of \$153,604.
- d/ This amount includes \$43,695 in deposits from New York Telephone. That amount consists of a receivable in the amount of \$13,095 and unexplained deposits of \$30,600. The Committee was attempting to get additional information from the vendor. In the Committee's response to the Interim Audit Report it did not address these outstanding deposits.
- e/ These are excessive or prohibited contributions that were deposited on or before July 15, 1992.
- f/ These are Primary Committee expenses paid by the General Committee. This amount includes convention related expenses (\$2,255) for Julia Payne; an overpayment by the General Committee (\$7,402) of payroll taxes applied to amounts owed by the Primary Committee; an expenditure (\$7,565) to Manatt & Phelps for legal services provided to the Primary Committee; Primary Committee payroll taxes (\$354); AT&T Telephone services relative to the Primary Committee (\$22,079); an expenditure to Drummond Woodson (\$308); overpayment to Visa Bankcard Center (\$3,129); overpayment to Worthen Bank Card Center (\$576); and a payment to the Los Angeles Times (\$58).
- g/ This amount is for stale-dated checks repayable to the United States Treasury (see Finding III.E.).
- h/ In the Committee's response to the Interim Audit Report, it provided an updated undocumented winding down estimate of \$1,638,543 which includes legal and accounting fees of \$1,300,250. It should be noted that this revised estimate was provided after the Committee was informed that a substantial repayment may be due for funds received in excess of the Candidate's entitlement. The Audit staff finds

these estimates to be unreasonable. We will review the Committee's disclosure reports and records to compare the actual figures with our estimates and prepare adjustments as necessary. Finally, the Committee's third quarter 1994 disclosure report contains winding down expenses totaling \$582,000 including \$138,000 paid to W. P. Malone (see section III.B.3.d.). This amount is significantly more than previous periods and has not been recognized pending the submission of documentation and explanations of the amounts.

**D. Receipt of Matching Funds in Excess of Entitlement**

Section 9034.1(a) of Title 11 of the Code of Federal Regulations states, in part, that a candidate is entitled to matching funds for each matchable contribution except that a candidate who has become ineligible may not receive further matching payments regardless of the date of deposit of the underlying contributions if he or she has no net outstanding campaign obligations.

Section 9034.1(b) of Title 11 of the Code of Federal Regulations states that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 CFR 9034.5, that candidate may continue to receive matching payments for matchable contributions received and deposited on or before December 31 of the Presidential election year provided that on the date of payment there are remaining net outstanding campaign obligations, i.e., the sum of contributions received on or after the date of ineligibility plus matching funds received on or after the date of ineligibility is less than the candidate's net outstanding campaign obligations. This entitlement will be equal to the lesser of: (1) The amount of contributions submitted for matching; or (2) The remaining net outstanding campaign obligations.

Section 9034.5(a)(2)(i) of Title 11 of the Code of Federal Regulations in defining cash on hand for purposes of a committee's Statement of Net Outstanding Campaign Obligations states that the amount includes cash on hand as of the close of business on the last day of eligibility including all contributions dated on or before that date whether or not submitted for matching.

Section 9038.2(b)(1)(i) of Title 11 of the Code of Federal Regulations states that the Commission may determine that certain portions of the payments made to a candidate from the matching payment account were in excess of the aggregate amount of payments to which such candidate was entitled. Examples of such excessive payments include payments made to the candidate after the candidate's date of ineligibility where it is later determined that the candidate had no net outstanding campaign obligations as defined in 11 CFR §9034.5.

Section 9003.3(a)(1)(iii) of Title 11 of the Code of Federal Regulations (General Election Legal and Accounting Compliance Fund-Major Party Candidate-Sources of Funds) states, in part, that funds received after the beginning of the expenditure report period but which are designated for the primary election, and contributions that exceed the contributor's limit for the primary election, may be redesignated for the legal and accounting compliance fund and transferred to or deposited in such fund if the candidate obtains the contributor's redesignation in

accordance with 11 CFR §110.1. Contributions that do not exceed the contributor's limit for the primary election may be redesignated and deposited in the legal and accounting compliance fund only if:

(A) The contributions represent funds in excess of any amount needed to pay remaining primary expenses;

(B) The redesignations are received within 60 days of the Treasurer's receipt of the contributions;

(C) The requirements of 11 CFR §110.1(b)(5) and (1) regarding redesignations are satisfied; and

(D) The contributions have not been submitted for matching.

Section 110.1(b)(2)(i) of the Code of Federal Regulations defines, in part, when a contribution is made with respect to a particular election. The provision states that in the case of a contribution designated in writing for a particular election, the election so designated.

Section 110.1(b)(4) of the Code of Federal Regulations states in part that a contribution is considered to be designated for a particular election if:

1) The contribution is made by check, money order, or other negotiable instrument which clearly indicates the particular election with respect to which the contribution is made;

2) the contribution is accompanied by a writing, signed by the contributor, which clearly indicates the particular election with respect to which the contribution is made; or

3) the contribution is redesignated in accordance with 11 CFR 110.1(b)(5).

The Interim Audit Report concluded that the Committee had net outstanding campaign obligations on July 15, 1992 of \$7,588,794. The Committee received private contributions totaling \$5,863,410, between July 16, and October 2, 1992. During this same period of time the Committee received matching fund payments of \$1,431,599 on August 4, 1992, \$1,786,327 on September 2, 1992, and a final payment of \$2,825,181 on October 2, 1992.

On August 21, 1992, the Committee opened a checking account known as the Suspense Account. With minor exception, the contributions from individuals deposited after August 21, were deposited into this account. Contributions deposited into this account were included in the Committee's disclosure reports. Based on our review of contributions deposited, it appears that the Committee obtained redesignation letters and subsequently transferred the majority of the contributions to the Compliance Committee. Relatively few of the contributions were in excess of

28085

the contributors' primary election contribution limit and the Committee had remaining primary expenses to be paid. During the period when the redesignations were being sought for the contributions deposited into the Suspense Account, the Committee continued to request and receive matching fund payments based on NOCO statements that did not recognize contributions deposited into the Suspense Account. The Committee transferred to the Compliance Committee contributions totaling \$2,444,557. Of the \$2,444,557 transferred, private contributions totaling \$1,025,404 were deposited by the Committee after September 2, 1992, the date on which the Audit staff calculated that the Candidate received the last matching fund payment to which he was entitled. Those contributions deposited after September 2, 1992 are not considered in the analysis below.

In the Interim Audit Report it was explained that the Audit staff examined each deposit of contributions between July 16, and October 2, 1992 to determine the amount of primary contributions available to pay remaining primary election expenses. In making the determination, any contribution that was in excess of the contributor's primary election limit was excluded. Also excluded were any contributions that, even though deposited into a primary election account, showed a payee or other notation that suggested the contribution was meant for the general election or was in any other way designated by the contributor for the general election. Based upon our review, it was determined that contributions deposited between July 16, and September 2, 1992, totaling \$155,686, could have been transferred to the Compliance Committee.

Based on the information available at the time of the Interim Audit Report, a calculation was presented that showed that as of September 2, 1992, the Committee had received matching funds in excess of the Candidate's entitlement in the amount of \$849,172. After that date the Candidate received one matching fund payment totaling \$2,825,181 bringing the amount of matching funds received in excess of entitlement to \$3,674,353 (\$849,172 + \$2,825,181).

At the exit conference, the Committee's accountant stated that at a point the Committee determined that it was solvent and the transfers were permissible. The Audit staff noted that such a calculation worked only if the matching funds to be generated in the future were considered an accounts receivable. The Committee's accountant agreed. The Committee strongly disagreed that any repayment was due.

The inclusion of matching funds to be generated from future matching fund requests, as an asset, is not appropriate when determining remaining matching fund entitlement.

In its response to the exit conference, the Committee again explained that as of a date after the Candidate's date of ineligibility, it was determined that the Committee no longer had outstanding campaign obligations in excess of funds available to pay them.

The Committee goes on to state that "[t]he Committee disputes the auditors' assertion that these contributions could not be redesignated to GELAC. That assertion is contrary to law. Those contributors properly and legally designated those contributions in writing for GELAC pursuant to 11 CFR §110.2 7/ and the auditors cannot prohibit the Committee from maintaining those contributions in the GELAC.

"The Committee further disagrees with the auditors' method of applying contributions and matching funds to determine when there is no additional entitlement."

With respect to the propriety of the redesignations, the Interim Audit Report stated that 11 CFR §110.1 is not the relevant regulation. That regulation specifies the procedures and time limitations that apply to a redesignation when a redesignation is appropriate. As stated above, 11 CFR §9003.3(a)(1)(iii) clearly states that the redesignations pursued by the Committee were not permissible. That section states that only if no remaining primary expenses are to be paid, may primary contributions not in excess of the contributors limit be redesignated to the compliance fund. The definition of remaining primary expenses is clearly stated in 11 CFR §9034.1(b) which speaks to remaining matching fund entitlement. That definition states that remaining net outstanding campaign obligations is the candidate's net outstanding campaign obligations on the date of ineligibility less "the sum of the contributions received on or after the date of ineligibility plus matching funds received on or after the date of ineligibility." Therefore, in the case of a publicly funded candidate, the Commission's regulations concerning the receipt of public funds place limitations on a committee's ability to seek redesignations of contributions to other elections that are not contained in the more general application regulations at 11 CFR §110.1.

The Interim Audit Report also explained that the definition and the calculation of remaining entitlement to which the Committee objects enjoys a long and consistent history in Commission regulation and practice. This interpretation dates to a December 1976 memorandum to the Commission proposing an amendment to then section 134.3(c)(2) of the Commission's regulations. This proposed regulation stated that "a candidate

---

7/ The Committee claimed that it complied with 11 CFR §110.2. We assume that it meant section 110.1.

shall be entitled to no further matching funds if, at time of any submission for certification, the total contributions and matching funds received after the ineligibility date equals or exceeds the net obligation outstanding on the date of ineligibility".

The 1979 Explanation and Justification of 11 CFR §9034.1 explains that for candidates who have net outstanding campaign obligations on the date of ineligibility, "[b]asically, these candidates are entitled to payments only if the private contributions received between the date of ineligibility and the date of submission are not sufficient to discharge the net debt". A simplified example of the calculation presented in the Interim Audit Report follows this explanation. Finally, it is explained that the regulation "furthers the policy that the candidate should use private contributions to discharge campaign obligations wherever possible". The 1983 Explanation and Justification for the same provision states that the section had "been revised to state that to receive matching funds after the date of ineligibility, candidates must have net outstanding campaign obligations as of the date of payment rather than the date of submission. Thus, if the candidate's financial position changed between the date of his or her submission for matching funds and the date of payment reducing the candidate's net outstanding campaign obligations, that candidate's entitlement would be reduced accordingly". This revision reinforces the requirement that private contributions received must be applied to obligations prior to the receipt of further matching funds. The 1991 Explanation and Justification for §9003.3 states that "contributions redesignated must represent funds in excess of any amount needed to pay remaining primary expenses. If this requirement is not met, the committee would have to make a transfer back to the primary account to cover such expenses".

Finally, each edition of the Commission's Financial Control and Compliance Manual For Presidential Primary Candidates Receiving Public Financing, beginning with the first in 1979, has, in some form provided, an explanation and example of the calculation contained in the Interim Audit Report and again below.

The Interim Audit Report noted that the Committee's position is inconsistent with the plain meaning of the Commission's Regulations concerning post ineligibility date matching fund entitlement as well as the long established Commission practice and policy.

The recommendation in the Interim Audit Report concerning this matter requested the Committee provide evidence demonstrating that it did not receive matching funds in excess of entitlement. Absent such a demonstration, it was stated that the Audit staff would recommend that the Commission make an initial determination that the Committee repay \$3,674,353 to the U.S. Treasury. Finally it was noted that the amount of the repayment was subject to change upon further review.

In response to the Interim Audit Report the Committee puts forth several arguments why no repayment is due. To begin with, the Committee argues that the contributions in question were not primary contributions but rather were for the most part undesignated contributions received after the date of the primary election and, pursuant to the 11 CFR §110.1, general election contributions. As general election contributions, the Committee contends that no redesignations were necessary to transfer the contributions to the Compliance Committee. The Committee states that the redesignations were obtained by the vendor who processed contributions for the Committee without the Committee's knowledge. The explanation suggests that due to provisions in that vendor's contract, the vendor stood to gain by sending the redesignation requests.

In support of their conclusion that no repayment is due, the Committee, using its interpretation of the provisions 11 CFR §110.1, submitted a calculation of the amount that could be considered general election contributions without need of redesignations. In support of this calculation the Committee response included lists showing the deposit date, number and amount that were considered to represent general election contributions. The lists were divided into three categories; contribution checks made payable to Clinton for President with an unsigned primary contributor card attached,<sup>8/</sup> contributions checks made payable to Clinton for President without a contribution card attached, and contribution checks made payable to other than Clinton for President with or without a contribution card attached. The Committee's analysis includes contributions through part of January of 1993, well beyond the relevant period for determining the amount of contributions that must be applied to the primary debt, and concludes that \$2,773,327 in contributions deposited into primary accounts are actually general election contributions. The Committee states that copies of the contribution checks supporting their analysis were available for our review at Committee Counsel's Offices.

The Committee's response goes on to state that the redesignations received serve to make clear the contributor's intent in any case where the contributor's intent is unclear from the contribution check.

---

<sup>8/</sup> Included in this and the following category are checks that include Clinton for President in the payee. Thus checks payable to Clinton for President Committee, Bill Clinton for President, Clinton for President Campaign, and other similar combinations are included.