FEDERAL ELECTION COMMISSION
Washington, DC 20463

Via Electronic Mail

August 1, 2022

Michael E. Toner
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Washington, DC 20036
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RE: MUR 8042 (formerly AR 22-01)
Republican Party of Minnesota – Federal and Lee Prinkkila in his official capacity as treasurer

Dear Mr. Toner and Ms. Zehr:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting that your client, Republican Party of Minnesota – Federal and Lee Prinkkila in his official capacity as treasurer (the "Committee"), may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On February 17, 2022, the Commission notified the Committee that it was being referred to the Commission's Office of General Counsel for possible enforcement action under 52 U.S.C. § 30109. On July 26, 2022, the Commission found reason to believe that the Committee violated 52 U.S.C. §§ 30102(d), 30104(b), 30104(b)(8) and 11 C.F.R. §§ 102.5(a)(1)(i), 104.3(d)(4),104.10(b)(2), 104.14(b)(1), 104.17(b)(1), 106.6(d), 106.7(d)(1) and 106.7(d)(4), provisions of the Act and Commission regulations. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is enclosed for your information.

We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that the Committee has a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519. This matter will remain confidential in accordance with 52 U.S.C. § 30109(a)(4)(B) and 30109(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.[1]

[1] The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

In order to expedite the resolution of this matter, the Commission has authorized the Office of the General Counsel to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Pre-probable cause conciliation is not mandated by the Act or the Commission's regulations, but is a voluntary step in the enforcement process that the Commission is offering to your client as a way to resolve this matter at an early stage and without the need for briefing the issue of whether or not the Commission should find probable cause to believe that your client violated the law.

If the Committee is interested in engaging in pre-probable cause conciliation, please contact Kimberly D. Hart, the attorney assigned to this matter, at (202) 694-1618 or (800) 424-9530, within seven days of receipt of this letter. During conciliation, you may submit any factual or legal materials that you believe are relevant to the resolution of this matter. Because the Commission only enters into pre-probable cause conciliation in matters that it believes have a reasonable opportunity for settlement, we may proceed to the next step in the enforcement process if a mutually acceptable conciliation agreement cannot be reached within sixty days. *See* 52 U.S.C. § 30109(a), 11 C.F.R. Part 111 (Subpart A). Conversely, if the Committee is not interested in pre-probable cause conciliation, the Commission may conduct formal discovery in this matter or proceed to the next step in the enforcement process. Please note that once the Commission enters the next step in the enforcement process, it may decline to engage in further settlement discussions until after making a probable cause finding.

Pre-probable cause conciliation, extensions of time, and other enforcement procedures and options are discussed more comprehensively in the Commission's "Guidebook for Complainants and Respondents on the FEC Enforcement Process," which is available on the Commission's website at http://www.fec.gov/respondent.guide.pdf.

We look forward to your response.

On behalf of the Commission,

Allen Dickerson
Chairman

Enclosures
Factual and Legal Analysis
Conciliation Agreement
Procedures

FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Republican Party of Minnesota — Federal and Lee Prinkkila in his official capacity as treasurer

MUR 8042

I. INTRODUCTION

This matter arises from an audit of the 2018 election cycle activity of the Republican Party of Minnesota – Federal and Lee Prinkkila in his official capacity as treasurer ("Committee").[1] On January 26, 2022, the Commission approved the Final Audit Report, which contained four findings that the Audit Division referred to the Office of General Counsel ("OGC") for possible enforcement action.[2] Those findings were: (1) recordkeeping for employees; (2) recordkeeping for communications; (3) disclosure of transfers and allocation ratios; and (4) disclosure of loans and loan repayments. The Response acknowledges the findings and states that it has improved its internal processes to address the findings.[3] The Response further requests that the Commission assign the matter to alternative dispute resolution ("ADR").[4]

For the reasons that follow, the Commission opens a MUR and finds reason to believe that the Committee: (1) failed to maintain monthly payrolls in violation of 52 U.S.C. § 30102(d) and 11 C.F.R. §§ 104.14(b)(1), 106.7(d)(1); (2) failed to maintain records of communications in violation of 52 U.S.C. § 30102(d) and 11 C.F.R. § 104.14(b)(1); (3) failed to correctly report transfers to affiliated party committees and used incorrect allocation ratios in violation of

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1 *See* Audit Referral 22-01 (Feb. 11, 2022) ("Referral").

2 Final Audit Report of the Commission on Republican Party of Minnesota — Federal (January 1, 2017 – December 31, 2018) (Feb. 11, 2022) ("FAR").

3 Resp. at 1 (Apr. 4, 2022).

4 *Id.* at 2

52 U.S.C. § 30104(b) and 11 C.F.R. §§ 102.5(a)(1)(i), 104.10(b)(2), 104.17(b)(1), 106.6(d), 106.7(d)(4); and (4) failed to properly disclose loans and loan repayments in violation of 52 U.S.C. § 30104(b)(8) and 11 C.F.R. § 104.3(d)(4).

II. FACTUAL AND LEGAL ANALYSIS

A. Recordkeeping for Employees

The Act and Commission regulations provide that a Committee shall maintain records with respect to the matters required to be reported, which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, explained, clarified, and checked for accuracy and completeness.[5] Under Commission regulations, salaries, wages, and fringe benefits "[paid] to State, district, or local party committee employees who spend 25 percent or less of their compensated time in a given month on Federal election activity or on activity in connection with a Federal election" may be allocated as administrative costs; *i.e.*, may be paid with a combination of funds from the committee's federal and non-federal accounts.[6] Commission regulations also provide that when allocating salary, wages, and fringe benefit payments, political party committees are required to "keep a monthly log of the percentage of time each employee spends in connection with a Federal election."[7]

As set forth in the Final Audit Report, the Commission found that the Committee failed to maintain employee logs in the amount of $297,945.[8] In response, the Committee states it has "implemented a biweekly time log system to document time for its employees."[9]

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5 52 U.S.C. § 30102(d); 11 C.F.R. §104.14(b)(1).

6 11 C.F.R. §§ 106.7(c)(1), (d)(1)(i), (d)(2).

7 *Id.* § 106.7(d)(1).

8 FAR at 10.

9 Resp. at 1.

B. Recordkeeping for Communications

As set forth in the Final Audit Report, the Commission found that the Committee failed to maintain records in sufficient detail to verify that $712,662 in disbursements for communications made through thirteen different vendors were accurately reported.[10] With regard to $40,240 in disbursements to three vendors, the Committee did not have copies of either invoices or communications to verify that the disbursements were for "direct mail" "direct mail advertising" or "party direct mail." With regard to $666,741 in disbursements to ten vendors, the Committee did not have copies of the communications. Further, the Committee did not obtain the requested information to address the issue when raised in the audit.

The Committee responded that it provided "all available information" to the Commission during the audit but notes that it has implemented new recordkeeping procedures going forward, including notifying vendors of the Commission's recordkeeping requirements, having the Committee's political and finance director ensure vendors comply with record keeping requirements, and saving the records both digitally and in hard copy.[11]

C. Disclosure of Transfers and Allocation Ratios

1. Disclosure of Transfers

All disbursements, contributions, expenditures, and transfers by the committee in connection with any Federal election shall be made from its Federal account.[12] State, district, and local party committees that make expenditures and disbursements in connection with both Federal and non-Federal elections for activities that are not Federal election activities pursuant to

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10 FAR at 13.

11 Resp. at 1.

12 11 C.F.R. §102.5(a)(1)(i).

11 C.F.R. § 100.24 may use only funds subject to the prohibitions and limitations of the Act, or they may allocate such expenditures and disbursements between their Federal and their non-Federal accounts.[13] A State, district, or local committee of a political party that pays allocable expenses in accordance with 11 C.F.R. § 106.7 shall report each transfer of funds from its non-Federal account to its Federal account, or each transfer from its Federal account and its non-Federal account into an allocation account, for the purpose of payment of such expenses.[14] As set forth in the Final Audit Report, the Commission found that the Committee failed to correctly disclose transfers to affiliated/other party committees totaling $64,303.[15]

2. Disclosure of Allocation Ratio

If a committee raises both federal and non-federal funds through the same fundraising program or event, it must allocate the direct cost of the fundraising event based upon the ratio of funds received by the federal account to the total amount raised for the event.[16] Committees must disclose transfers and allocation ratios in reports filed with the Commission.[17] As set forth in the Final Audit Report, the Commission found that that the Committee failed to report allocation ratios for associated fundraising expenses and as a result, applied the incorrect allocation ratio for disbursements totaling $73,129.[18]

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13 11 C.F.R. § 106.7(b).

14 11 C.F.R. § 104.17(b)(2).

15 FAR at 15.

16 11 C.F.R. § 106.7(d)(4).

17 52 U.S.C. § 30104(b); 11 C.F.R. §§ 104.10(b)(2), 104.17(b)(1)(i)-(ii), 106.6(d).

18 FAR at 17.

3. Committee Response

The Committee did not dispute the findings from the Final Audit Report and stated that it filed two form 99s clarifying the reporting issues.[19] Further, it noted that the Audit staff determined that the Committee did not make an overpayment from its non-federal account for its share of allocable expenses and therefore the "finding involve[d] a pure reporting issue for a modest amount of disbursements."[20]

D. Disclosure of Loans and Loan Repayments

Political committees must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished.[21] As set forth in the Final Audit Report, the Commission found that the Committee failed to properly disclose the purpose and the terms of loans totaling $525,742.[22]

The Response argues that the misreported purpose of debt was predicated on a "minor typographical" error for reporting the purpose of the loan as "loan received" instead of "loan repayment."[23] However, the Final Audit Report found that the Committee incorrectly disclosed debts in several ways, including the "terms for due dates, incorrect incurred dates, incorrect interest rates, marking the loans as unsecured despite the bank agreements indicating the loans were secured with collateral, incorrect purpose of interest payments and incorrect purpose for bank loan repayments."[24] In response to the Interim Audit Report, the Committee filed Forms

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19 Resp. at 2.

20 *Id.*

21 52 U.S.C. § 30104(b)(8); *see also* 11 CFR §104.3(a)(4)(iv) (setting forth information required to be disclosed, including the identification of any endorser or guarantor of the loan, the date the loan was made, and the amount of the loan).

22 FAR at 13.

23 Resp. at 2.

24 FAR at 18.

99 to correct most of the incorrect disclosures; however, the Committee did not correct the purposes of the loans.[25]

E. Conclusion

Although the Committee has filed some amended reports and improved its compliance processes to minimize the risk of future violations, the Response has not provided information that would undermine the Commission's findings in the Final Audit Report. In similar circumstances the Commission has made reason-to-believe findings.[26] Further, the amounts in violation satisfy the thresholds for referral to OGC, and therefore, referral to OGC was appropriate.[27]

Accordingly, the Commission opens a MUR and finds reason to believe that the Committee: (1) failed to maintain monthly payrolls in violation of 52 U.S.C. § 30102(d) and 11 C.F.R. §§ 104.14(b)(1) and 106.7(d)(1); (2) failed to maintain records of communications in violation of 52 U.S.C. § 30102(d) and 11 C.F.R. § 104.14(b)(1); (3) failed to correctly report transfers to affiliated party committees and used incorrect allocation ratios in violation of 52 U.S.C. § 30104(b) and 11 C.F.R. §§ 102.5(a)(1)(i), 104.10(b)(2), 104.17(b)(1), 106.6(d), 106.7(d)(4); and (4) failed to properly disclose loans and loan repayments in violation of 52 U.S.C. § 30104(b)(8) and 11 C.F.R. § 104.3(d)(4).

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[25] *Id.* at 19-20.

[26] *See, e.g.,* Factual and Legal Analysis at 3-4, MUR 7877 (Tennessee Democratic Party) (finding reason to believe despite committee filing amended reports during the audit process); Factual and Legal Analysis at 2, MUR 7215 (Oklahoma Leadership Council) (finding reason to believe that committee failed to maintain monthly payroll logs despite committee improving compliance processes during audit).

[27] Referral at 1 (citing 2017-2018 Materiality Thresholds for Unauthorized Committees); *see also* Factual and Legal Analysis at 2, MUR 7215 (Oklahoma Leadership Council) (finding reason to believe despite committee requesting that the matter be sent to ADR).

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of	)	
	)	MUR 8042
Republican Party of Minnesota – Federal and	)	
Lee Prinkkila in his official capacity as treasurer	)	
	)	

CONCILIATION AGREEMENT

This matter was initiated by the Federal Election Commission (the "Commission"), pursuant to information ascertained in the normal course of carrying out its supervisory responsibilities. The Commission found reason to believe that the Republican Party of Minnesota – Federal and Lee Prinkkila in his official capacity as treasurer ("Respondent" or the "Committee") violated 52 U.S.C. §§ 30102(d) and 30104(b), (b)(8) of the Federal Election Campaign Act of 1971, as amended (the "Act"), and 11 C.F.R. §§ 102.5(a)(1)(i), 104.3(d)(4), 104.10(b)(2), 104.14(b)(1), 104.17(b)(1), 106.6(d), 106.7(d)(1), 106.7(d)(4) of the Commission's regulations.

NOW, THEREFORE, the Commission and Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over Respondent and the subject matter of this proceeding, and this Agreement has the effect of an agreement entered pursuant to 52 U.S.C. § 30109(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this Agreement with the Commission.

IV. The pertinent facts and law in this matter are as follows:

1. The Committee is a state party committee of the Republican Party.

2. Lee Prinkkila is the treasurer of the Committee.

3. All disbursements, contributions, expenditures, and transfers by the Committee in connection with any Federal election shall be made from its Federal account. 11 C.F.R. § 102.5(a)(1)(i).

4. The Act and Commission regulations provide that a Committee shall maintain records with respect to the matters required to be reported, which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, explained, clarified, and checked for accuracy and completeness. 52 U.S.C. § 30102(d); 11 C.F.R. § 104.14(b)(1). The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 52 U.S.C. § 30102(d).

Employee Recordkeeping Violations

5. Under Commission regulations, salaries, wages, and fringe benefits "[paid] to State, district, or local party committee employees who spend 25 percent or less of their compensated time in a given month on Federal election activity or on activity in connection with a Federal election" may be allocated as administrative costs; i.e., may be paid with a combination of funds from the committee's federal and non-federal accounts. 11 C.F.R. §§ 106.7(c)(1), (d)(1)(i), (d)(2).

6. Commission regulations also provide that when allocating salary, wages, and fringe benefit payments, political party committees are required to "keep a monthly log of the percentage of time each employee spends in connection with a Federal election." 11 C.F.R. § 106.7(d)(1).

7. During the 2018 election cycle, the Committee failed to maintain employee logs in the amount of $297,945.

Communications Recordkeeping Violations

8. During the 2018 election cycle, the Committee failed to maintain records in sufficient detail to verify that $712,662 in disbursements for communications made through thirteen different vendors were accurately reported. With regard to $40,240 in disbursements to three vendors, the Committee did not have copies of either invoices or communications to verify that the disbursements were for "direct mail" "direct mail advertising" or "party direct mail." With regard to $666,741 in disbursements to ten vendors, the Committee did not have copies of the communications. Further, the Committee did not obtain the requested information to address the issue when requested by Commission staff during an audit of its 2017-2018 activity.

Disclosure of Transfers

9. State, district, and local party committees that make expenditures and disbursements in connection with both Federal and non-Federal elections for activities that are not Federal election activities pursuant to 11 C.F.R. § 100.24 may use only funds subject to the prohibitions and limitations of the Act, or they may allocate such expenditures and disbursements between their Federal and their non-Federal accounts. 11 C.F.R. § 106.7(b).

10. A State, district, or local committee of a political party that pays allocable expenses in accordance with 11 C.F.R. § 106.7 shall report each transfer of funds from its non-Federal account to its Federal account, or each transfer from its Federal account and its non-Federal account into an allocation account, for the purpose of payment of such expenses. 11 C.F.R. § 104.17(b)(2).

11. During the 2018 election cycle, the Committee failed to correctly disclose transfers to affiliated/other party committees totaling $64,303.

Disclosure of Allocation Ratio

12. If a committee raises both federal and non-federal funds through the same fundraising program or event, it must allocate the direct cost of the fundraising event based upon the ratio of funds received by the federal account to the total amount raised for the event. 11 C.F.R. § 106.7(d)(4).

13. Committees must disclose transfers and allocation ratios in reports filed with the Commission. 52 U.S.C. § 30104(b); 11 C.F.R. §§ 104.10(b)(2), 104.17(b)(1)(i)-(ii), 106.6(d).

14. During the 2018 election cycle, the Committee failed to report allocation ratios for associated fundraising expenses and, as a result, applied the incorrect allocation ratio for disbursements totaling $73,129.

Disclosure of Loans and Loan Repayments

15. Political committees must disclose the amount and nature of outstanding debts and obligations until those debts are extinguished. 52 U.S.C. § 30104(b)(8); *see also* 11 C.F.R. § 104.3(a)(4)(iv).

16. During the 2018 election cycle, the Committee failed to properly disclose the purpose and the terms of loans totaling $525,742.

V. The parties agree to the following:

1. Respondent violated 52 U.S.C. § 30102(d) and 11 C.F.R. §§ 104.14(b)(1) and 106.7(d)(1) by failing to maintain monthly payroll logs.

2. Respondent violated 52 U.S.C. § 30102(d) and 11 C.F.R. § 104.14(b)(1) by failing to maintain records of communications.

3. Respondent violated 52 U.S.C. § 30104(b) and 11 C.F.R. §§ 102.5(a)(1)(i), 104.10(b)(2), 104.17(b)(1), 106.6(d), 106.7(d)(4) by failing to correctly report transfers to affiliated party committees and the use of incorrect allocation ratios.

4. Respondent violated 52 U.S.C. § 30104(b)(8) and 11 C.F.R. § 104.3(d)(4) by failing to properly disclose loans and loan repayments.

VI. Respondent will take the following actions:

1. Pay a civil penalty to the Commission in the amount of Sixty-Five Thousand dollars ($65,000), pursuant to 52 U.S.C. § 30109(a)(5)(A).

2. Cease and desist from committing further violations of 52 U.S.C. §§ 30102(d), 30104(b) and 11 C.F.R. §§ 102.5(a)(1)(i), 104.3(d)(4), 104.10(b)(2), 104.14(b)(1), 104.17(b)(1), 106.6(d), 106.7(d)(1), 106.7(d)(4).

VII. The Commission, on request of anyone filing a complaint under 52 U.S.C. § 30109(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this Agreement. If the Commission believes that this Agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This Agreement shall become effective as of the date that all parties hereto have executed the same and the Commission has approved the entire Agreement.

IX. Respondents shall have no more than thirty (30) days from the date this Agreement becomes effective to comply with and implement the requirements contained in this Agreement and to so notify the Commission.

X. This Agreement constitutes the entire agreement between the parties on the matters raised herein, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lisa J. Stevenson
Acting General Counsel

BY: _____ _____
Charles Kitcher Date
Associate General Counsel
for Enforcement

FOR THE RESPONDENT:

_____ _____
Michael E. Toner Date
Counsel for Respondent