



FEDERAL ELECTION COMMISSION
Washington, DC 20463

January 24, 2023

Via Electronic Mail

Michael E. Toner
Brandis L. Zehr
Wiley Rein LLP
2050 M Street N.W.
Washington, D.C. 20036
BZehr@wileyrein.com
MToner@wileyrein.com

RE: MUR 8042 (formerly AR 22-01)
Republican Party of Minnesota – Federal
and Lee Prinkilla in his official capacity
as treasurer

Dear Mr. Toner and Ms. Zehr:

On July 26, 2022, the Federal Election Commission accepted the signed conciliation agreement submitted on behalf of Republican Party of Minnesota – Federal and Lee Prinkilla in his official capacity as treasurer in settlement of violations of 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 Federal Election Campaign Act of 1971, as amended. The Commission also voted to close the file.

Documents related to the case will be placed on the public record within 30 days. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. See 52 U.S.C. § 30109(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. Please note that 50% of the civil penalty is due within 30 days of the effective date of

MUR 8042 (Republican Party of
Minnesota – Federal)
Closing Letter
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the conciliation agreement and the remaining 50% is due within 60 days of the initial installment payment. If you have any questions, please contact me at (202) 746-8546.

Sincerely,

Kimberly D. Hart

Kimberly D. Hart
Attorney

Enclosure: Conciliation Agreement

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.¹
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 three 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

¹ Mr. Prinkkila became the treasurer of the Committee on October 4, 2021.

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 13 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 10 vendors, the Committee did not have copies of the communications to verify that the disbursements were for “direct mail,” “direct mail advertising,” and “party direct mail.” With regard to four disbursements totaling \$5,681 from the Committee’s non-Federal account, the documentation provided by the Committee was insufficient to verify these disbursements as operating expenditures, federal election activity, non-federal activity, or allocated federal/non-federal activity. Further, the Committee did not obtain the requested information to address these issues when requested by Commission staff during an audit of its 2017-2018 activity.

9. The Committee contends that it relied on third-party entities to maintain this information and it provided Commission staff with all available information on these communications, including additional information received from third-party entities.

Disclosure of Transfers

10. State, district, and local party committees must make all disbursements, contributions, expenditures, and transfers in connection with any Federal election from its Federal account. 11 C.F.R. § 102.5(a)(1)(i)..

11. During the 2018 election cycle, the Committee reported two transfers to affiliated/other party committees totaling \$64,303 on Schedule H4 (Disbursements for Allocated Federal/Non-Federal Activity). Party committee transfers do not qualify as allocable activity for disclosure on Schedule H4 but should instead be disclosed on Schedule B (Itemized Disbursements), Line 22 (Transfers to Affiliated/Other Party Committees). The Commission's Final Audit Report concluded that, based on a review of all allocable activity and amounts transferred from its non-Federal account, the Committee did not make an overpayment from its non-Federal account for its share of allocable expenses.

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

Disclosure of Allocation Ratio

13. 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).

14. 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).

15. During the 2018 election cycle, the Committee held two fundraising events that were not reported on Schedule H2 (Allocation Ratios) and instead applied the allocation ratio for

Administrative Expenses on Schedule H4 (Disbursements for Allocated Federal/Non-Federal Activity) for 30 disbursements related to these fundraising events totaling \$73,129. The Commission's Final Audit Report concluded that, based on a review of all allocable activity and amounts transferred from its non-Federal account, the Committee did not make an overpayment from its non-Federal account for its share of allocable expenses.

16. 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

17. 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).

18. During the 2018 election cycle, the Committee failed to properly disclose the purpose and the terms of loans totaling \$525,742 on Schedule B, Line 21(b) (Federal Operating Expenditures), Schedule B, Line 26 (Loan Repayments), Schedule C-1 (Loans and Line of Credit from Lending Institutions), and Schedule C (Loans).

19. With respect to the purposes of disbursement, the Committee contends that it was clear on the face of the original reports that the \$497,721 in disbursements for loan repayments reported on Schedule B, Line 26 (Loan Repayments) were made for such a purpose.

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 Fifty-Three Thousand dollars (\$53,000), pursuant to 52 U.S.C. § 30109(a)(5)(A). The civil penalty will be paid as follows:

i. A payment of Twenty-Six Thousand, Five Hundred dollars (\$26,500) is due no more than thirty (30) days from the date this Agreement becomes effective;

ii. A payment of Twenty-Six Thousand, Five Hundred dollars (\$26,500) is due no more than sixty (60) days from the date this Agreement becomes effective.

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**
Charles Kitcher
Associate General Counsel
for Enforcement

Digitally signed
by Charles Kitcher
Date: 2023.01.23
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1/23/23
Date

FOR THE RESPONDENT:

Brandis L Zehr
Michael E. Toner
Brandis L. Zehr
Counsel for Respondent

11/30/2022
Date